

**RELATIONSHIP BETWEEN DIVERSITY AND ORGANISATIONAL  
PERFORMANCE OF STATE CORPORATIONS IN THE COASTAL  
REGION OF KENYA**

**EMMA SELINE AKINYI OKELLO**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF  
BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF  
NAIROBI**

**NOVEMBER 2015**

## DECLARATION

This research project is my original work and has not been submitted to any other university for award of a degree.

Signature.....Date.....

**EMMA SELINE AKINYI OKELLO**

**D61/73602/2009**

This research project has been submitted for examination with my approval as the university supervisor

Signature.....Date.....

**DR. JACKSON MAALU, PHD**

**Department of Business Administration**

**School of Business,**

**University of Nairobi**

## **DEDICATION**

To the Almighty God, who has been my strength and divine inspiration in everything i do

To my beloved daughter, Vallery Okello, who has been my greatest source of inspiration and strength, she has offered me unconditional support and encouragement. She fills my world with so much happiness and give me every reason to work hard.

To my loving parents Maurice Okello and Beatrice Okello who invested in me over the years and taught me the virtue of hard work and sacrifices at a tender age, and to my siblings for always being there for me.

## **ACKNOWLEDGEMENT**

I wish to give thanks to the Almighty God for the strength, grace, wisdom and determination that enabled me to successfully complete my studies without any interruptions

My sincere gratitude goes to my supervisor Dr. Jackson Maalu for his professional guidance, valuable advice and contributions that led to the successful completion of this project,

I also acknowledge the support of my fellow Master of Business of Administration (MBA) classmates who contributed either directly or indirectly to the success of my research project. I am grateful for your constant encouragement throughout the research study.

I also wish to acknowledge the assistance accorded to me by the respondents. They provided the crucial data without which the pursuance of my research project would have been futile. To my family, may I thank you for your support, prayers, encouragements, unconditional love and being around when I needed you most. I will forever remain indebted to you.

## **ABSTRACT**

Diversity is generally defined as acknowledging, understanding, accepting, valuing & celebrating differences among people with respect to age, class, and ethnicity, and gender, physical & mental ability. A state corporation is an organization formed and owned by the government to meet both its commercial and social goals and that they exist for various reasons including correcting market failure, exploiting social and political objectives, providing education, health, redistributing income or developing marginal areas. Diversity in the workplace should be a concern of every organization. In order to survive, a company needs to be able to manage and utilize its diverse workplace effectively. Diversity in the workplace should be a part of the culture of the entire organization. Valuing and recognizing diversity is imperative to maintaining competitive advantage. Organizations that promote and achieve a diverse workplace will attract and retain quality employees. The objectives of this study were to establish the level of diversity and determine the relationship between diversity and organizational performance of state corporations within the coastal region in Kenya. Data was collected from both primary and secondary sources. The population of the study was all the twelve (12) state corporations that are headquartered in the Coastal region of Kenya. The findings revealed that diversity is positively correlated to organizational of the state corporations. The results also indicated that gender diversity was more influential followed by ethnic diversity. The study recommends that the state corporations address issues of the other diversity dimensions such as special needs, age and education so as to improve their organizational performance.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Diversity can generally be defined as recognising, understanding and accepting individual differences irrespective of their race, gender, age, class, ethnicity, physical ability, race, sexual orientation, spiritual practice and so on. Grobler (2002) also supports this view by adding that each individual is unique but also share any number of environmental or biological characteristics. Globalization in this recent time has triggered more interaction amongst people from different cultures and backgrounds than before. People are now more open-minded in the marketplace worldwide with competition coming from almost everywhere in the continent. Diversity can be a problem to an organisation but could also be a solution; it also comes with its disadvantages but also has benefits. The challenge then is to extract the very essence of diversity and tactically manage it for the improvement of the people and the organization (Ashton, 2010).

This study is anchored on four main theories; the stakeholder theory, institutional theory, transaction cost theory and resource-based theory. Stakeholder theory emphasizes that the organization is a part of a broader social system wherein the organization impacts on, and is impacted by, other groups within society (Deegan, 2002). An organisation's response to institutional pressure is crucial for its success and survival. DiMaggio and Powell (1983) argue that organisations increasingly become similar as rational actors try to change them. On the other hand the transaction cost theory states that organizations are economic actors using the most efficient mechanism for transactions. The resource based theory looks at the internal strengths and weakness in organizational resources showing how the resources are allocated and deployed in order to assist in the implementation of the strategies.

A state corporation is an organization formed and owned by the government to meet both its commercial and social goals and that they exist for various reasons including correcting market failure, exploiting social and political objectives, providing education, health, redistributing income or developing marginal areas (Njiru, 2008). State corporations operate under the rules and guidelines set by the government. State corporations in Kenya are divided into broad

categories based on their mandate and functions. The categories are financial corporations, commercial corporations, regulatory corporations, public universities, service corporations, regional development authorities, tertiary education and training corporations and finally training and research corporations.

### **1.1.1 Concept of Diversity**

Diversity is generally defined as acknowledging, understanding, accepting, valuing & celebrating differences among people with respect to age, class, and ethnicity, and gender, physical & mental ability. Over the past decade the work force in industrialized countries has become increasingly heterogeneous. These countries are spending huge amount for diversifying the workforce. Thus, diversity is increasingly recognized and utilized as an important organizational resource in regards to whether the goal is to be an employer of choice to provide an excellent customer service or to maintain a competitive edge (Dahm, 2003).

According to Dahm (2003), diversity within an organization can evoke an array of emotions. Many researchers view diversity as something to be dealt with rather than a tool to be used to improve the organizations. Even though many researchers agree that the results of diversity conscious organizations add value to their performance. Researches on the effects of within teams & small groups indicate that diversity can have both positive and negative effects. Okoro & Washington (2012) found that domestic & global organizations are now designed to create products for their diverse customers & to ensure that there are benefits for their diverse stake holders. Thus, it is important to understand the importance of workforce diversity in achieving the objectives of organizations. The most fundamental challenge faced by top managers is to process many, complex, and often ambiguous stimuli when making strategic decisions under high uncertainty (Milliken & Martins, 1996). In such situations, the stimuli do not clearly point to ideal choices; instead top executives are confronted with far more information, both from within and outside the organization, than they can possibly fully comprehend.

Research has demonstrated that humans attempt to reduce cognitive effort through the use of heuristics (or “rules of thumb”) and cognitive structures (schemas) to integrate pieces of information into a single judgment in making decisions (Schwenk, 1984). Specifically, top managers employ their existing cognitive schemas and heuristics to organize and process information efficiently and simplify the decision process (Shaw & Barrett-Power, 1998). In this

way, decision-makers can make fairly accurate interpretations and evaluations without having to examine all available information.

While facilitating information-processing, the use of prior experiences, cognitive schemas and heuristics may, however, create systematic biases and lead to potential error in decision-making. The use of cognitive schemas may also encourage stereotype thinking, fill data gaps with typical yet potentially inaccurate information, prompt one to ignore discrepant and possibly important information, discourage disconfirmation of the existing knowledge structure, and inhibit creative problem solving (Walsh, 1995). Particularly in complex situations, decision makers rely on the familiar, often drawing on solutions that have worked well in the past (Cyert & March, 1963). In this way, biases affect strategic decisions when existing experiences are used in diagnosing and framing new strategic problems.

### **1.1.2 Organisational Performance**

The measurement of performance is the cornerstone of business practice because it assists in evaluation of the achievement of fundamental business goals and sets the scope and direction of possible improvement actions. Measurement of performance is relative depending on the industry a business is in. There is no one acceptable parameter for measuring performance and therefore organizations must identify their own parameters by which to measure their performance (Pearce and Robinson, 1988). Performance assessment can be both qualitative and quantitative which involves an analysis of financial and operational performance in firm (David, 2009). The organization performance construct is probably the most widely used dependent variable in organizational research yet it remains vague and loosely defined (Shields & Shields, 1998). For effective performance measurement, a balanced presentation of both financial and non-financial measures is required since no single measure can provide a clear performance target or focus attention on critical areas of the business (Miller, 1988).

The most common measures of firm financial performance as Bhoelje (1999) puts it include: Profitability, Liquidity, Solvency, Financial efficiency and repayment capacity. (Boehlje et al, 1999) adds that benchmarking is an important aspect in performance measurement and that this can be done by analyzing a firm's past performance, projected performance as well as performance of similar firms. Indicators of efficient operational performance include: improved financial performance, lead time performance, improved responsiveness, customer loyalty,

innovation, quality products, and reduction in excess inventory levels and improvements in product/process design. Evaluation of operational performance of organizations should utilize both financial and non-financial measures, although most organizations have not made use of a balanced framework for financial and non-financial indicators (Kaplan & Norton, 1992).

State corporations are increasingly faced with the challenge to do things but with fewer resources with the overall aim of improving service delivery to the citizens. There is increasing need for State Corporations to devote more resources in the delivery of services and streamlining their operational performance. In pursuing these objectives, state corporations are faced with enormous operational challenges. The most common challenges include inefficiencies in their operations, huge losses, budgetary burdens and provision of poor services to the citizens. There is therefore need for state corporations to find new and innovative ways to reduce costs and streamline their operational performance (Mwaura, 2007).

### **1.1.3 Overview of State Corporations in Kenya**

The State Corporation Act of Kenya, CAP 446 of 1986 defines a state corporation as a body established by the Government to carry out a specific function. State Corporations are regarded as government vehicles for conducting business. They could either be permanent or temporarily established. State corporations are also referred to as Executive agency or Semi- Autonomous Government Agencies (SAGAs). Mwaura (2007) classified state corporations into four categories: Utilities, Regulatory, Commercial or Industrial and Development Finance. Utilities parastatals are monopolies which have little or no competition from the private sector. Regulatory parastatals are semi-monopolies and they play a specific role. Such roles may involve development of a sub-sector, regulation of production prices and marketing. Commercial or industrial parastatals engage in competition with the private sector. Development finance parastatals facilitate industrial development and the participation of nationals in the economy.

The Coastal region in Kenya which is the former Coast Province comprises of six counties namely; Taita/Taveta, Kwale, Mombasa, Kilifi, Tana River and Lamu. The region is mainly inhabited by the mijikendas, swahili and Taita ethnic groups. It covers the geographic area from the Indian Ocean to the Taita hills and borders Tanzania on the south and Somalia on the north. Most state corporations in this region were set up to address crop marketing issues especially the main cash crops of coconut and cashew nuts. Others like the Kenya Ports Authority and Kenya

Maritime Authority were established to handle shipping and maritime issues at the port of Mombasa. The region also boasts of a rich culture and tourists attractions. This has a lot of significance to the Kenyan economy as it is the heart of the tourism industry. Most tourist resorts and hotels are found along the coastal region. This also prompted the government to set up state corporations such as the Kenya Tourism Board and the Kenya Tourist and Development Corporation to manage this sector effectively (Gok, 2012).

The Kenya Ferry Services is also based in the coastal region with its major service being managing the Likoni Ferry channel. This is an important link between the south coast and other parts of the coastal region. The Kenya Marine and Fisheries Research Institute (KMFRI) is headquartered in Mombasa in the Coastal region. In the water sector we have the Coast Water Services Board while in the education sector we have Pwani University based in Kilifi and the Technical University of Mombasa. The Kenya Coconut Development Authority (KCDA) was set up to handle coconut marketing and processing within the region as it is a major cash crop. The Coast Development Authority deals with broader issues of development in the entire region (Gok, 2012).

## **1.2 Research Problem**

Diversity in the workplace should be a concern of every organization. In order to survive, a company needs to be able to manage and utilize its diverse workplace effectively. Diversity in the workplace should be a part of the culture of the entire organization. Valuing and recognizing diversity is imperative to maintaining competitive advantage. Organizations that promote and achieve a diverse workplace will attract and retain quality employees (Cox, 1994). Performance measuring is a key aspect in determining the effectiveness of corporate strategies and the measurement parameters vary from industry to industry and organization to organization guided by the different core activities and objectives (Pearce & Robinson, 2005). The definition and measurement of organizational performance in different empirical researches also vary.

Success of any organization including state corporations relies on the ability to manage a diverse workforce that can bring innovative ideas, perspectives and views to their work. The challenge of workplace diversity can be turned into a strategic organizational asset if the state corporations are able to capitalize the diverse talents. With the mixture of talents of diverse cultural backgrounds, genders, ages and lifestyles, state corporations can respond to business

opportunities more rapidly and creatively (Cox, 1993). State corporations in the Coastal region are deeply implicated in most fiscal problems because of their inefficiency, losses, budgetary burdens, and provision of poor products and services. Occasionally, they achieve some non-commercial objectives, which are used to justify their poor economic performance. In spite of the pressure on the Kenyan government to privatize them in order to improve their productivity, the change of government and the better provision of public services have given rise to the possibility of improving the performance of state corporations without privatizing all their services. Rather than divesting its entire stake in state corporations, the government has sought to privatize some selected services and give priority to local investors rather than foreign ones. To do so, it has enacted the Privatization Act of 2005 which, among other targets, seeks to involve the private sector in order to improve the infrastructure and the delivery of public services.

In their research, Nielsen and Nielsen, (2012) examined the relationship between top management team diversity and firm performance. The study found that nationality diversity was positively related to performance and this effect was stronger in longer tenured teams, highly internationalized firms and munificent environments. Knight et al., (1999) investigated the effects of demographic diversity within top management team among 76 high-technology firms in the United States and Ireland on group process and strategic consensus. The study integrated concepts from upper echelons, group process and social cognition theories to investigate how demographic diversity and group processes influence strategic consensus within the top management team. The results showed that demographic diversity had effects on strategic consensus but the overall fit of the model was not strong. Nguata (2013) did an investigation on challenges of implementing diversity policies in public universities. She found out that public universities in Kenya have in place workforce diversity policies with laid down strategies for effective implementation. The researcher went further to state that implementation challenges were emanating from both external forces and from within. Shume (2013) undertook a study on diversity management practices adopted by international non-governmental organizations in Kenya. The researcher found out that the organizations advocated for work environment that values and includes all employees, zero tolerance of harassment and discrimination and equal opportunity. Njoki (2000) in her study on the factors affecting implementation process of diversity in the public service found out that there was need to include all ethnicities in the activities in the public service. The researcher seemed to have focused on ethnicity to represent diversity. There is need to establish how important each component of diversity is in order to

develop implementation of programmes and policies that work and not focus on challenges of implementation.

Few studies have been done on the relationship between diversity and organizational performance of state corporations. This study focused on age, ethnic, gender, special needs and education diversity. This study therefore sought to answer the following questions: What is the level of diversity among state corporations within the coastal region in Kenya? What is the relationship between diversity and organizational performance of state corporations within the coastal region in Kenya?

### **1.3 Research Objectives**

The study was guided by the following objectives:

- (i) To establish the level of diversity among state corporations within the coastal region in Kenya.
- (ii) To determine the relationship between diversity and organisational performance of state corporations within the coastal region in Kenya.

### **1.4 Value of the Study**

The findings of the study may contribute to theory by giving insight and evidence-based knowledge regarding diversity management strategies in state corporations using the selected sample. The study will serve as a stimulus for scholars to carry out further research as there are gaps which have been identified for further research.

To the government the data gathered from the study may be useful in assessing the impact of the current diversity management strategies on the performance of the state corporations in the coastal region. The information will identify critical issues within state corporations as well as serve as a benchmark for other state corporations. The government will use the information gathered to regulate the state corporations so as to enhance sustainability and aid in developing sound strategies.

The information gathered from the study may give insight to the state corporations' management to develop strategies that enhance shareholder value. The information will generate greater awareness among state corporations on the importance of having a proper and practical strategic management framework as a vehicle to organizational effectiveness.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter focuses on review of theoretical, conceptual, and empirical literature along the study's conceptualization. First, the chapter presents literature on theoretical underpinnings of the study followed by conceptual and empirical literature on diversity and organisational performance.

#### **2.2 Theoretical Foundation**

Comprehensive reviews of diversity research have identified three main theoretical perspectives regarding its relationship to performance (Van Knippenberg et al., 2004; Williams and O'Reilly, 1998). These include the stakeholder theory, institutional theory and Transaction cost theory.

##### **2.2.1 Stakeholder Theory**

Stakeholder theory is a conceptual framework of business ethics and organizational management which addresses moral and ethical values in the management of an organization. A number of stakeholder theories have developed overtime to explain, or to identify what the nature of the firm- stakeholder interaction should be. Each offers insights into the motivations that potentially could influence management in their decision to interact with stakeholders in the decision to report information about the firm's activities.

A number of researchers recognize that both managerial and normative motivations contribute to decision-making and have suggested approaches to stakeholder theory that may assist in the analysis of the firm-stakeholder interaction. Freeman (1999) argued that stakeholder theory would be better characterized as a 'Stakeholder Research Tradition rather than as one theory.

Freeman (1999) had argued against the notion of convergent stakeholder theory, he argued that, 'the stakeholder theory' can be unpacked into a number of stakeholder theories, each of which has a 'normative core,' inextricably linked to the way that corporations should be governed and



the way that managers should act. So, attempts to more fully define, or more carefully define a stakeholder theory are misguided. In a later paper, Freeman (1999) reinforced this view, arguing that what we need is not more theory that converges but more narratives that are divergent that show us different but useful ways to understand organizations in stakeholder terms.

### **2.2.2 Institutional Theory**

The study of institutions traverses the academic fields of economics, sociology, political science and organisational theory. The common denominator for institutionalism in various disciplines appears to be that of, 'institutions matter' (Kaufman, 2011). An underlying assumption in the study of institutions is that organisations are deeply embedded in the wider institutional context (DiMaggio & Powell 1991). Thus, "organisational practices are either a direct reflection of, or response to, rules and structures built into their larger environment" (Paauwe & Boselie, 2003). This institutional environment is the source of legitimisation, rewards or incentives for, as well as constraints or sanctions on, organisational activities (Meyer & Rowan 1977).

The institutional approach used in organisational analysis is referred to as organisational institutionalism (Greenwood et al., 2008). Organisational institutionalism deals with the overall question: 'What does the institutional perspective tell us about organisational behaviour?' Institutional theory is a useful lens to analyse organisational behaviour because it can respond to empirical mismatch, where, 'what we observe in the world is inconsistent with the ways in which contemporary theories ask us to talk' (March & Olsen, 1984). The theory is credited with its emphasis on the contextual, historical and processual aspects in which organisational actions take place (Currie, 2009). The roots of institutional theory can be traced back to the 19<sup>th</sup> century (Scott, 2008). Greenwood et al. (2008) noted that, institutional theory evolved as an antidote to the overly rationalist and technocratic perspective of 1960s. Institutional legitimacy is defined as, 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions' (Suchman, 1995). Hence, an organisation's response to institutional pressure is crucial for its success and survival. Emphasising field-level structuration processes, DiMaggio and Powell (1983) argue that organisations increasingly become similar as rational actors try to change them.

### **2.2.3 Transaction Cost Theory**

This theory states that organizations are economic actors using the most efficient mechanism for transactions. This theory posits that there are costs in using a market. These costs include operational costs such as search costs and inventory holding costs as well as the costs of writing and enforcing a contract. By making their own inputs the firm gains economies of scale and avoids transaction costs. The increased size of the firm will however require increased internal co-ordination (Grover et. al., 1996). If a firm opts to outsource, it will increase its transaction costs and most likely lose its economies of scale (Grover et. al., 1996). It would however take advantage of the economies of scale and scope of the vendor while at the same time reducing internal coordination costs.

However the firm that outsources will increase its external co-ordination costs. External coordination costs will increase or decrease depending on the level of asset specificity. High asset specificity arises where the firm's products and services are customized and not easily transferable to alternative vendors. Where the firm's products and services are very unique, the vendor may not be able to develop sufficient economies of scale and costs would be very high. In such a situation it may be more prudent to develop the competencies in house. In contrast more standardized products and services could reflect lower external co-ordination costs and the vendor may achieve economies of scale and would therefore be a more viable option for outsourcing.

### **2.2.4 Resource Based Theory**

The Resource Based Theory (RBT) focuses on internal strengths and weakness in organizational resources, showing how processes are managed and how the resources are allocated and deployed, all in order to assist in the implementation of the strategies (Wernerfelt, 2004). According to Montgomery (2004) the resource-based perspective therefore means that there is a certain focus on resources owned by the company or by its partners and the various resources that can explain company performance and long term growth or decline. The resource-based perspective aims to give a picture of a company resource before and during decision-making processes and business strategies in company (Montgomery, 2004).

According to Barney (2003) to successfully implement strategies, resources have to be strategic. The resource based perspective in a contemporary view includes a company's elements such as

structure, communication within a team of players trying to coordinate information dispersed among them and commitment of the key players in an organization management in order to fully ensure proper strategy implementation (Barney, 2003). The effectiveness of firm strategies depends on the utilization and exploitation of existing resources. To the extent that firms have pools of under used resources, these create unique, firm-specific opportunities for exploitation (Montgomery, 2004).

## **2.3 Diversity and Organizational Performance**

It is important to identify the criteria used to measure diversity and organizational performance. Milliken and Martins (1996) noted that understanding the impacts of diversity on organizational outcomes, such as organizational performance, employee satisfaction, and turnover, has become an essential tool for appreciating the overall effectiveness of the management of diversity.

### **2.3.1 Ethnic Diversity**

Ethnic diversity implies diversity in languages, religions, races and cultures (Alesina & La Ferrara, 2005). There has been an increase in multicultural workforce in the organizations for utilizing greater participation and synergy to improve and increase both employee satisfaction & business performance. This increase is due to multicultural increase of our society. Ethnic diversity is highly relevant in an increasingly globalized world. It is a current fact of life. A moderate level of ethnic diversity has no effect on team performance in terms of business outcomes i.e. sales, profit, & market share. However if at least the majority of team members are ethnically diverse, then more ethnic diversity has a positive impact on performance. Ehimare & Oghene (2011) empirically explored that ethnicity is insignificantly negative in its relationship to both employee productivity and performance.

Ethnic diversity would benefit team performance due to a more diverse pool of skills and knowledge that leads to complementary and mutual learning. For example, due to complementarities and learning opportunities, ethnically diverse teams are associated with more creativity and innovation (Alesina & La Ferrara, 2005). On the other hand, the costs associated with more ethnic diversity would be related to more difficult communication and coordination. All in all, ethnic diversity is an influential source of heterogeneity. Ethnically diverse teams

working in relatively homogeneous organizations experienced performance deficits relative to the more homogeneous teams (Joshi & Jackson, 2003).

According to Timmermans et al., (2011) study, ethnicity can be used as a proxy for cultural background and diversity in ethnicity can be expected to be positive for innovative performance, since it broadens the viewpoints and perspective in the firm (Richard, 2000). Moreover, based on Timmermans et al. (2011) study some levels of diversity in ethnicity might be positive associated with innovation, high degree of diversity in ethnicity might be negative since it can create conflict and cliques due to social categorization (Dahlin, 2005).

### **2.3.2 Age Diversity**

Gellner and Veen (2009) found that age heterogeneity on its own has a negative effect on individual productivity. Moreover, in the case of routine tasks, there are no substantial gains from age heterogeneity that could offset the increasing costs resulting from greater age heterogeneity. Thus, in companies with routine types of work, increasing age heterogeneity overall leads to a decline in productivity. The researchers also stated the western findings suggested that the older and younger employees must come together to form coherent and viable corporate culture. These values possessed by different age groups can complement each other in companies and it tends to achieve better firm performance. In her study result, showed that different age groups provide different values for companies and these values can complement each other which improve companies' performance (Gellner & Veen, 2009).

A review of the literature on age and work shows a clear theoretical emphasis on negative predictions. Unlike race or gender diversity, organizations rarely undertake initiatives to increase age diversity. Traditional age distributions within organizational structures (younger at the bottom and older in the middle and top) were derived from hiring employees at a young age and retaining them through most of their working. The research on age diversity is much less developed than that on race and gender, suggesting the need for new paradigms and new approaches to studying age in the work setting (DeArmond et al., 2006).

### **2.3.3 Gender Diversity**

The increase in workforce gender diversity on work place has attracted the attention of both researchers and practitioners. In the early 1990s, both scholars and practitioners were generally optimistic about the effects of workforce diversity on performance. For example, Cox and Blake (1991) argued that diversity can result competitive advantage for organizations. However, theories and empirical research suggest that diversity can lead to either positive or negative outcomes. The resource-based view of the firm (Barney, 2003) suggests that there is a positive relation between diversity & performance, whereas social identity theory suggests a negative diversity-performance relationship. Further, empirical research has found inconsistent results suggesting that diversity can be either good or bad for businesses.

Four studies found no main effects, two studies found positive effect; two studies found negative effects, and one study found a nonlinear effect. The body of literature on diversity produces contradictory results for practitioners & scholars about whether gender diversity is good for businesses. The mixed results suggest the value of focusing on competing predictions including nonlinear predictions. Gender-based inequities in organizations are reinforced and justified by stereotypes and biases that describe positive characteristics and therefore a higher status to the males (Leonard & Levine, 2003). Kossek, Lobel, and Brown (2005) states only 54% of working age women are in the workforce worldwide compared to 80% of men. Furthermore, women continue to have the upper hand on the 'invisible care' economy, which relates to care giving and domestic work.

### **2.3.4 Education Diversity**

An individual's level of formal education reflects cognitive abilities and qualities. The highest levels of formal education are associated with a high ability to process information and to discriminate between a wide variety of alternatives. Educated individuals are more likely to tolerate ambiguity and to show themselves to be more able in complex situations (Dollinger, 1985). Furthermore, the highest levels of education tend to be associated with receptivity to innovation. In short, it is to be expected that individuals with higher levels of education are more likely to adopt entrepreneurial behavior.

### **2.3.5 Special needs diversity**

Special needs people are not a homogeneous group. Like all people, their identities, personal situations and needs are shaped by a multiplicity of factors including their gender, age, personality, location, education, ethnicity, colour, class, family, religion and sexual orientation. Special needs are simply another dimension of human diversity. It is a normal part of human experience and anyone in society may experience disability at some time in life (Barnes, 1999).

Special needs are themselves also diverse in nature. The main types include sensory disabilities, such as visual and hearing impairments; physical disabilities, such as mobility and orthopaedic impairments; intellectual disabilities, such as impairments in learning, understanding and concentrating; and psychosocial disabilities, such as impairments brought about by mood disorders, maladaptive behaviours and mental illnesses. For each of these special needs types, there is a range of associated, specific needs that might need to be met to ensure that the productivity of individuals is maximized. For example, people who are deaf or hard of hearing might require their supervisors and co-workers to use alternative communication methods, such as sign language. People with mobility impairments might need additional attention given to the physical layout and accessibility of the workplace. People with intellectual disabilities might need job tasks analyzed and broken down into a sequence of more easily understood steps. People with psychosocial disabilities might need to take more frequent breaks if their concentration is impaired. The specific circumstances of disabilities also vary and can therefore affect individuals' development as potential workers and their ability to be productive (ILO, 2007).

## **2.4 Empirical Review**

Research about the effects of diversity and organizational performance has produced mixed results. Njoki (2000) did a study on the factors affecting implementation process of diversity in the public service. The findings indicated that there was a need to include all ethnicities in the activities in the public service. The researcher seemed to have focused on ethnicity to represent diversity. Diversity has five primary components; gender mainstreaming, ethnicity and racial diversity, sexual orientation, disability mainstreaming and age consideration. This study is relevant as it concentrated on diversity in the public service. Harrison *et al.* (2002) studied actual versus perceived diversity by testing a model including actual diversity, perceived diversity, team social integration and team task performance. Their results indicate that “perceptual

measures of diversity carry the indirect impact of actual differences among team members.” (Harrison *et al.*, 2002). Second, they illustrate how perceptions first travel through team social integration which then affects performance. These findings support the position that perceptions of diversity are actually what drive the relationship between diversity and performance. A limitation to this relationship is also the use of perceived performance. This study stresses the importance of viewing a firm's diversity through the eyes of the employees and also considers organizational performance through the eyes of the employees.

More recent empirical evidence also suggests that diversity has delivered at best somewhat limited benefits for organizations concerned. Ely and Thomas (2001), in a study of three culturally diverse organizations, reported that racial diversity could provide benefits in work group functioning but did not necessarily do so. To be effective in enhancing performance diversity had to be introduced from a perspective of organizational integration and learning rather than reflecting other motivations. A similar message comes from Richard *et al.* (2003) who found, in a study of racial diversity across 177 banks, that diversity could provide a competitive advantage but only in situations where it was pursued as part of a broader innovation-focused business strategy. Where no such strategy existed, diversity was likely to have the opposite effect in leading to decline in performance.

As Benschop (2001) also notes, in a case study of two large organizations in the Netherlands, diversity is unlikely to be advantageous if simply adopted within an approach of “add diversity and stir.” In the public sector, Pitts (2005) reports equally mixed outcomes from a study of racial and ethnic diversity in Texas public schools, where diversity among managers was found to be unrelated to performance outcomes, while diversity among teachers was related to both positive and negative outcomes.

A study undertaken by Nguata (2013) did an investigation on challenges of implementing diversity policies in public universities. She found out that public universities in Kenya have in place workforce diversity policies with laid down strategies for effective implementation. The researcher went further to state that implementation challenges were emanating from both external forces and from within. This study is relevant as it focused on diversity in public organizations in Kenya.

Shume (2013) undertook a study on diversity management practices adopted by international non-governmental organizations in Kenya. The researcher found out that the organizations advocated for work environment that values and includes all employees, zero tolerance of harassment and discrimination and equal opportunity. This study is relevant since it looked at diversity management practices adopted by organizations in Kenya.

## **2.5 Summary of Literature Review and Knowledge Gaps**

It is tempting to conclude that high levels of diversity should be encouraged in organisations. Although plausible and perhaps valid, this conclusion is premature. Further research is needed to determine the effects of high levels of diversity and how they can be managed better than they are currently being managed. It may be that Maier (1967) was correct several decades ago when he said that differences in a group can be either an asset or a liability depending upon how the group leader handles the diversity. The bottom line appears to be that more research needs to be undertaken in this area to determine the effect of diversity on organization performance.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter focuses on the methods of data collection and analysis. It highlights the research design, study population, data collection and data analysis.

#### **3.2 Research Design**

This study was carried out using a cross-sectional survey research design. This research design was applied so as to collect data from a cross-section of state corporations within the coastal region in Kenya on the level of diversity and organizational performance. This was deemed appropriate in collecting information from the entire spectrum of the population (Kothari, 2004).

Specifically this study utilized a census approach as all state corporations within the coastal region in Kenya were surveyed. Census surveys have been found to be most accurate in making comparisons and generalizations (Bryman & Bell, 2007).

#### **3.3 Population of Study**

The population of this study consisted of all state corporations in the coastal region in Kenya which are 12 (see appendix 2) as listed by the Office of Public Communications (2015). These are the state corporations whose headquarters are in the coastal region. Population is a complete set of individuals or objects with common observable characteristics (Mugenda & Mugenda, 2003). Consideration of all state corporations in the coastal region was done in order to ensure that the findings reflect levels of diversity and their relationship on performance.

#### **3.4 Data Collection**

Data for this study was both primary and secondary. The primary data was collected through a structured questionnaire. The questionnaire was organized into three parts. Part A focused on the organization's demographics; part B on the level of diversity among the state corporations and part C on the effect of diversity on organisational performance. The questionnaire is the most widely used method of data collection in social sciences. It is popular because the researcher has control over the types of data at the time of data gathering. The respondents in this study were the staff in charge of strategic management and planning of activities. They were presented with

descriptive statements about diversity in a likert scale and were required to rate them accordingly. This is because likert scale is an important tool for rating responses from respondents on various identified variables (Kothari, 2004). The questionnaires were administered through email and “drop and pick” targeting the staff responsible for planning and policy in the organization.

Secondary data was also collected from various financial reports, annual reports, trade journals and other government reports. Such reports captured all performance data of state corporations. The use of secondary data enabled the researcher save on time and money as the information resources have already been published and are available from multiple sources.

### 3.5 Data Analysis

The data collected from the survey was edited for completeness, uniformity, accuracy and consistency. The data was also coded to classify responses into meaningful categories to enable data analysis. Frequency tables were used to summarize responses for further analysis and to facilitate comparison. This offered a systematic and qualitative description of the objectives of the study. The likert scale was used to scale the responses on the respondents’ level of agreement or disagreement with a number of statements which were then be analyzed through mean scores and standard deviation.

Regression analysis was also be used to determine the relationship between diversity and organizational performance among state corporations within the coastal region in Kenya. The multiple linear regression model employed is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$$

Where:

Y = Organizational performance

$\beta_0$  = constant or y-intercept

$\beta_1 - \beta_5$  = regression coefficients

$X_1$  = Ethnic diversity

$X_2$  = Age diversity

$X_3$  = Gender diversity

$X_4$  = Special Needs diversity

$X_5$  = Education diversity

$\epsilon$  = Error term

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSION

#### 4.1 Introduction

The objectives of this study were to determine the level of diversity and establish the relationship between diversity and organizational performance among the State Corporations within the Coastal region.

#### 4.2 General Information

Out of the targeted 12 State Corporations, 11 (92%) responded to the questionnaire. This was considered adequate for the objectives of this study. In this chapter, the analyzed data is presented together with the relevant interpretations. Findings have been presented in four parts: General information on respondents and state corporations, information relating to the level of diversity, organizational performance and finally the relationship between diversity and organizational performance.

##### 4.2.1 Gender of Respondents

The respondents were first required to indicate their gender on the questionnaire. Data collected was analyzed and the results are presented on Table 4.1.

**Table 4.1: Gender of Respondents**

	<b>Frequency</b>	<b>Percentage (%)</b>
Male	8	73
Female	3	27
<b>Total</b>	<b>11</b>	<b>100</b>

Source: Research Data, 2015

From table 4.1 it is evident that 8 (73%) out of the 11 respondents that participated in the study were male while 3 (27%) were female. This implies that majority of those surveyed were male.

#### 4.2.2 Age of respondents

The study also required the respondents to indicate their age group in terms of various ranges. Data captured was then analyzed and is presented on Table 4.2.

**Table 4.2: Age of respondents**

<b>Range</b>	<b>Frequency</b>	<b>Percentage (%)</b>
20 -30 years	1	9
31 - 40 years	5	46
41 - 50 years	3	27
Over 50 years	2	18
<b>Total</b>	<b>11</b>	<b>100</b>

Source: Research Data, 2015

Table 4.2 shows that 1 (9%) respondent was aged between 20 and 30 years, 5 (46%) aged 31 to 40 years, 3 (27%) 41 to 50 years. 2 out of the 11 respondents (18%) were aged over 50 years. The results indicate that the age of the respondents was well distributed.

#### 4.2.3 Years of Continuous Service

All the respondents were also requested to indicate how long they had worked for the organization in terms of various ranges. Data was analyzed into frequency and percentages and is presented on Table 4.3.

**Table 4.3: Years of Continuous Service**

<b>Range</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Below 5 years	0	0
5 -10 years	4	37
11 - 20 years	2	18
21 -25 years	2	18
More than 25 years	3	27
<b>Total</b>	<b>11</b>	<b>100</b>

Source: Research Data, 2015

Table 4.3 shows that 4 (37%) of the respondents have worked for 5 to 10 years, 2 (18%) between 11 and 20 years, while 2 (18%) for 21 to 25 and 3 (27%) have worked for more than 25 years. None of the respondents had worked for less than 5 years. This implies that all the respondents

have been in continuous service for more than 5 years hence more experienced and knowledgeable in matters of the company.

### 4.3 Level of Diversity in the Organization

The study also investigated the level of diversity in the State Corporations in the Coastal region. Diversity was assessed in various ways including ethnic, age, gender, special needs and education. The data was analyzed using mean scores and standard deviations. A mean score of less than 1.5 implies that the firm rated strongly disagreed with the statement. A mean score of 1.5 to 2.5 implies disagree, 2.5 to 3.5 neutral and 3.5 to 4.5 implies agree. A mean score of more than 4.5 implies strongly agree. Standard deviation of less than 1 means that there were no significant variations in the responses while greater than 1 implies that there were significant variations in the responses.

#### 4.3.1 Ethnic Diversity

The respondents were first required to rate the extent to which they agreed or disagreed that their organisation engages in ethnic diversity. The findings of the mean scores and standard deviation are shown in Table 4.4.

**Table 4.4: Level of Ethnic Diversity**

<b>Statement</b>	<b>Mean</b>	<b>Stdev</b>
The organization does a good job of attracting and hiring minorities.	4.3	0.8
Opportunities for growth and advancement exist for minorities in our organization.	4.2	0.9
The organization concerns about the employees' customs, cultures, and values.	4.5	0.5
Different languages that are used to communicate do not create problem among employees.	2.6	0.9
At work, I developed low self-esteem due to my ethnicity.	2.8	0.5
The ethnicity differences in education background do not encourage conflict.	4.6	0.4
The team leader includes all members at different ethnicity in problem solving and decision making.	3.9	0.6
I am positive about ethnicity diversity in this work place	4.7	0.8
<b>Overall</b>	<b>4.0</b>	<b>0.7</b>

Source: Research Data, 2015

The above results show that the State Corporations in the Coastal region attract and hire minorities (4.3), have growth and advancement opportunities for minorities (4.2), the team leader includes all members at different ethnicity in problem solving and decision making (3.9) and are concerned about the employees' customs, cultures, and values (4.5). The results also indicate that ethnicity differences in education background do not encourage conflict (4.6). However the state corporations were neutral that different languages that are used to communicate do not create problem among employees (2.6) and whether they developed low self-esteem due to their ethnicity (2.8). The overall mean score of 4.0 indicate that there is ethnic diversity among the state corporations in the coastal region. The overall standard deviation of 0.7 indicates that there were no significant variations in the responses.

#### 4.3.2 Age Diversity

The study then required the respondents to rate the extent to which they agreed or disagreed with a number of statements relating to age diversity. The data was analysed using mean scores and standard deviation. The findings are presented on Table 4.5.

**Table 4.5: Level of Age Diversity**

Statement	Mean	Stdev
This organization provides me with equal opportunities for training and career development.	3.8	0.8
My team leaders include all members at different ages in problem solving and decision making.	3.9	0.7
The age differences in work groups do not cause conflict.	4.4	0.6
At work, I experience lack of bonding with people of different age groups.	2.4	0.5
I am positive about age diversity in this workplace.	4.6	0.3
<b>Overall</b>	<b>3.8</b>	<b>0.6</b>

Source: Research Data, 2015

Table 4.5 shows that the state corporations agreed that the organization provides them with equal opportunities for training and career development (3.7), team leaders include all members at different ages in problem solving and decision making (3.6) and age differences in work groups do not cause conflict (4.1). However, they disagreed that they experience lack of bonding with people of different age groups (2.2). The respondents strongly agreed (4.6) that they were positive about age diversity at their work place. The overall mean score (3.8) implies that the respondents agreed that there was age diversity in the state corporations within the coastal region

in Kenya. There were no significant variations in the responses as the standard deviation was less than 1.

### 4.3.3 Gender Diversity

The respondents were also required to rate the extent to which they agreed or disagreed with a number of statements relating to gender diversity. The data was analyzed using mean scores and standard deviation. The findings are presented on Table 4.6.

**Table 4.6: Level of Gender Diversity**

Statement	Mean	Stdev
The employees have not been discriminated by employer while hiring and recruitment process on the gender basis.	4.1	0.8
The organization does a good job of attracting and hiring women.	4.3	0.7
Fair treatment is given to all employees, whether they are male or female.	4.4	0.6
Opportunities for growth and advancement exist for women in our organization.	3.9	0.5
A career development that includes women is encouraged within our organization.	4.0	0.3
The organization's training and development program is developed to meet the criteria/requirement of the male and female.	4.2	0.4
Women are involved in the organization's decision making as much as men.	4.4	0.5
The performance criteria for success are expected to be the same for men and women.	4.2	0.6
I am positive about gender diversity in this workplace.	4.5	0.7
<b>Overall</b>	<b>4.2</b>	<b>0.6</b>

Source: Research Data, 2015

Table 4.6 shows that the state corporations agreed with all the statements relating to gender diversity as all the mean score were in the range of 3.5 to 4.5. The overall mean score (4.2) implies that there was gender diversity in the state corporations within the coastal region in Kenya. There were no significant variations in the responses as the standard deviation was less than 1.

### 4.3.4 Special Needs Diversity

Data on special needs diversity was also analyzed using mean scores and standard deviation. The findings are presented on table 4.7 below.

**Table 4.7: Level of Special Needs Diversity**

<b>Statement</b>	<b>Mean</b>	<b>Stdev</b>
The organization has a policy for actively recruiting people with a physical disability	4.1	0.7
Employees with physical challenges are fairly considered for appointments	3.8	0.5
Employees with physical challenges are assisted with special facilities to do their work	3.6	0.7
The organization has special equipment for the physically challenged to enable them do their work	3.0	0.4
There are stairways within the building that enable free movement by those with wheelchairs	3.1	0.8
Training and promotion opportunities give preference to individuals with special needs	3.7	0.4
I am positive about special needs diversity in this organization.	4.0	0.8
<b>Overall</b>	<b>3.6</b>	<b>0.6</b>

Source: Research data

Table 4.7 indicates that the state corporation surveyed agreed that the organization has a policy for actively recruiting people with a physical disability (4.1), employees with physical challenges are fairly considered for appointments (3.8), are assisted with special facilities to do their work (3.6) and training and promotion opportunities gives preference to individuals with special needs (3.7). However, they were neutral that the organization has special equipment for the physically challenged to enable them do their work (3.0) and there are stairways within the building that enable free movement by those with wheelchairs (3.1). The overall mean score (3.6) implies that the respondents agreed that there was special needs diversity in the state corporations within the coastal region in Kenya. There were no significant variations in the responses as the standard deviation was less than 1.

#### **4.3.5 Education Diversity**

Various statements on education diversity were rated in terms of the extent of agreement or disagreement with them. Data was then analyzed using mean scores and standard deviation. The findings are presented on table 4.8 below.

**Table 4.8: Level of Education Diversity**

<b>Statement</b>	<b>Mean</b>	<b>Stdev</b>
The organization employs individuals with all levels of education	4.3	0.5



There is no discrimination of individuals in terms of education qualifications	3.7	0.8
For training and professional development opportunities individuals at all levels are considered fairly	3.8	0.9
Most departments have balanced educational qualifications	3.8	0.6
Promotions are considered fairly for all educational qualifications	3.9	0.6
The organization encourages all employees to pursue further education	4.2	0.8
I am positive about education diversity in this workplace.	4.3	0.8
<b>Overall</b>	<b>4.0</b>	<b>0.6</b>

Source: Research data

Table 4.8 shows that the state corporations surveyed agreed with all the statements relating to education diversity as all the mean scores were in the range of 3.5 to 4.5. The overall mean score (4.0) implies that there was education diversity in the state corporations within the coastal region in Kenya. There were no significant variations in the responses as the standard deviation was less than 1.

#### 4.4 Organizational Performance

The study further investigated the influence of diversity on organizational performance. Data on the extent to which the respondents agreed or disagreed with a number of statements relating to organizational performance was analyzed using mean scores and standard deviations. A mean score of less than 1.5 implies that the firm strongly disagreed with the statement. A mean score of 1.5 to 2.5 implies disagree, 2.5 to 3.5 neutral and 3.5 to 4.5 implies agree while a mean score of more than 4.5 implies strongly agree. Standard deviation of less than 1 means that there were no significant variations in responses while greater than 1 implies that there were significant variations in the responses.

**Table 4.9: Organizational Performance**

Statement	Mean	Stdev
Measurement of organizational performance is important in our organization.	4.5	0.7
Our organization mainly uses financial measures of performance.	3.4	0.9
Our organization mainly uses non-financial measures of performance.	3.3	1.0
Competitiveness is a measure of performance in our organization.	3.9	0.8
Quality is a measure of performance in our organization.	4.4	0.5

Innovation is a measure of performance in our organization.	3.8	0.6
Resource utilization is a measure of performance in our organization.	4.4	0.4
Flexibility is a measure of performance in our organization.	4.0	0.6
Our organization balances use of both financial and nonfinancial performance measures.	4.2	0.9
Our diversity practices have impacted positively on our performance.	4.1	0.7
<b>Overall</b>	<b>4.0</b>	<b>0.7</b>

Source: Research Data, 2015

Table 4.9 above shows that the surveyed state corporations agreed with most of the statements as the mean scores were in the range of 3.5 to 4.5. The results also indicate that they were neutral as to the use of financial performance measures only (3.4) and use of non-financial performance measures only (3.3). The overall mean score (4.0) implies that the respondents agreed with the use of most organizational performance measures and that diversity practices had impacted positively on the performance of the state corporations within the coastal region in Kenya. The standard deviation (0.7) indicates that there were no significant variations in the responses.

#### 4.5 Relationship between Diversity and Organizational Performance

In order to understand the relationship between diversity and organizational performance a regression analysis was performed. The dependent variable was organizational performance of the state corporations while the independent variables were the diversity components; ethnic, age, gender, special needs and education. Data on the mean scores of the independent variables and dependent variables were regressed using SPSS software. The results are presented on Tables 4.10, 4.11 & 4.12.

**Table 4.10 Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754 <sup>a</sup>	.569	.138	.468
a. Predictors: (Constant), Education Diversity, Age Diversity, Special Needs Diversity, Gender Diversity, Ethnic Diversity				

Source: Research Data, 2015

Table 4.10 shows that the coefficient of correlation (R) is positive 0.754. This means that there is a positive correlation between diversity and organizational performance. The coefficient of

determination (R Square) indicates that 56.9% of the organizational performance in state corporations within the coastal region is influenced by the level of diversity. The adjusted R<sup>2</sup> however, indicates that 13.8% of the organizational performance of state corporations within the coastal region is influenced by the level of diversity. This leaves 86.2% to be influenced by other factors.

**Table 4.11 ANOVA**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.449	5	.290	1.321	.038 <sup>a</sup>
	Residual	1.097	5	.219		
	Total	2.545	10			
a. Predictors: (Constant), Education Diversity, Age Diversity, Special Needs Diversity, Gender Diversity, Ethnic Diversity						
b. Dependent Variable: Organizational Performance						

Source: Research Data, 2015

**Table 4.12 Regression Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.374	3.882		.611	.568
	Ethnic Diversity	.351	.389	.884	.902	.001
	Age Diversity	.328	.315	.392	.039	.006
	Gender Diversity	.739	.421	.157	.360	.004
	Special Needs Diversity	.134	.358	.352	.951	.003
	Education Diversity	.340	.550	.108	.245	.017
a. Dependent Variable: Organizational Performance						

Source: Research Data, 2015

Table 4.11 shows the Analysis of Variance (ANOVA). The p-value is 0.038 (ANOVA table) which is < 0.05. This implies that the independent variables are predictors of the dependent variable. From the **Coefficients table** the regression model can be derived as follows:

$$Y = 2.374 + 0.351X_1 + 0.328X_2 + 0.739X_3 + 0.134X_4 + 0.340X_5 + \epsilon$$

The results in Table 4.12 indicate all the variables have a positive effect on organizational performance. The most influential variable is gender diversity with a regression coefficient of 0.739 and a P-value of 0.004. Ethnic diversity follows with a regression coefficient of 0.351 and a P-value of 0.001. Next is education diversity with a regression coefficient of 0.340 and P-Value of 0.017 followed by age diversity with 0.328 and p-value of 0.006. Special needs diversity has the least impact on organizational performance with a regression coefficient of 0.134 and a P-value of 0.003.

#### **4.6 Discussion of Results**

The first objective of this study was to determine the level of diversity among the state corporations within the coastal region in Kenya. As far ethnic diversity is concerned, the results show that the State Corporations in the Coastal region attract and hire minorities, have growth and advancement opportunities for minorities, the team leader includes all members at different ethnicity in problem solving and decision making and are concerned about the employees' customs, cultures, and values. The results also revealed that ethnicity differences in education background do not encourage conflict. However the findings were neutral on whether different languages that are used to communicate do not create problem among employees and whether they developed low self-esteem due to their ethnicity. The overall mean score of indicated that there was ethnic diversity among the state corporations in the coastal region.

Results on age ethnicity indicate that the state corporations provide their staff with equal opportunities for training and career development, team leaders include all members at different ages in problem solving and decision making and age differences in work groups do not cause conflict. However, they disagreed that they experience lack of bonding with people of different age groups. The state corporations were positive about age diversity at their work place. The overall mean score indicated that there was age diversity in the state corporations within the coastal region in Kenya.

Findings on gender diversity showed that the state corporations agreed that the employees have not been discriminated by employer while hiring and recruitment process on the gender basis and

the organization does a good job of attracting and hiring women. They also agreed that fair treatment is given to all employees, whether they are male or female and opportunities for growth and advancement exist for women in our organization. A career development that includes women is encouraged within our organization. The organization's training and development program is developed to meet the criteria/requirement of the male and female and women are involved in the organization's decision making as much as men. The performance criteria for success are expected to be the same for men and women. The overall mean score showed that there was gender diversity in the state corporations within the coastal region in Kenya.

Results on the level of special needs diversity revealed that the state corporations have a policy for actively recruiting people with a physical disability, employees with physical challenges are fairly considered for appointments, are assisted with special facilities to do their work and training and promotion opportunities gives preference to individuals with special needs. However, they were neutral that the organization has special equipment for the physically challenged to enable them do their work and there are stairways within the building that enable free movement by those with wheelchairs. The overall mean score shows that there was special needs diversity in the state corporations within the coastal region in Kenya.

As far as education diversity the results shows that the firms surveyed agreed with all the statements relating to education diversity. They agreed that the organization employs individuals with all levels of education, there is no discrimination of individuals in terms of education qualifications and for training and professional development opportunities individuals at all levels are considered fairly. The study established that most departments have balanced educational qualifications, promotions are considered fairly for all educational qualifications and the organization encourages all employees to pursue further education. The overall mean score showed that there was education diversity in the state corporations within the coastal region in Kenya. These results differ from Njoki (2000) who focused on ethnicity to represent diversity. The study by Nguata (2013) found out that public universities in Kenya have in place workforce diversity policies with laid down strategies for effective implementation. These findings are similar to this study as it was found that diversity practices are implemented by the state corporations.

The second objective was to establish the relationship between diversity and organizational performance among the state corporations within the Coastal region in Kenya. The results indicate that the respondents were neutral as to the use of financial performance measures only and use of non-financial performance measures only. The respondents agreed with the use of most organizational performance measures and that diversity practices had impacted positively on the performance of the state corporations within the coastal region in Kenya. The standard deviation (0.7) indicates that there were no significant variations in the responses. The regression analysis results indicate all the independent variables have a positive effect on organizational performance. The most influential variable is gender diversity followed by ethnic diversity, education diversity and age diversity. Special needs diversity has the least impact on organizational performance. The results are also similar to those of Shume (2013) who found out that the organizations advocated for work environment that values and includes all employees, zero tolerance of harassment and discrimination and equal opportunity.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

Organizations of all types and nature including State Corporations have found it necessary to engage in strategic management in order to deliver on their goals efficiently and effectively. Success of any organization including state corporations relies on the ability to manage a diverse workforce that can bring innovative ideas, perspectives and views to their work. The challenge of workplace diversity can be turned into a strategic organizational asset if the state corporations are able to capitalize the diverse talents. With the mixture of talents of diverse cultural backgrounds, genders, ages and lifestyles, state corporations can respond to business opportunities more rapidly and creatively (Cox, 1993).

The objectives of this study were to establish the level of diversity and determine the relationship between diversity and organizational performance of state corporations within the coastal region in Kenya. This chapter gives a summary of the findings, conclusions and recommendations drawn after analyzing data.

#### **5.2 Summary**

The first objective of the study was to establish the level of diversity in the State Corporations within the Coastal region. Results on the level of ethnic diversity indicate that the respondents agreed that the State Corporations in the Coastal region attract and hire minorities, have growth and advancement opportunities for minorities, the team leader includes all members at different ethnicity in problem solving and decision making and are concerned about the employees' customs, cultures, and values. The results also indicate that the respondents strongly agreed that ethnicity differences in education background do not encourage conflict. However the respondents were neutral that different languages that are used to communicate do not create problem among employees and whether they developed low self-esteem due to their ethnicity. The respondents therefore agreed that ethnic diversity is practiced by the state corporations within the Coastal region in Kenya.

Findings on the level of age diversity showed that the respondents agreed that the organization provides them with equal opportunities for training and career development, team leaders include all members at different ages in problem solving and decision making and age differences in work groups do not cause conflict. However, they disagreed that they experience lack of bonding with people of different age groups. The respondents strongly agreed that they were positive about age diversity at their work place. This implies that the respondents agreed that there was age diversity in the state corporations within the coastal region in Kenya.

Results on the level of gender diversity indicate that the respondents agreed with all the statements relating to gender diversity as all the mean score were in the range of 3.5 to 4.5. The overall mean score (4.2) implies that the respondents agreed that there was gender diversity in the state corporations within the coastal region in Kenya. With regard to the level of special needs diversity the results indicate that the respondents agreed that the organization has a policy for actively recruiting people with a physical disability, employees with physical challenges are fairly considered for appointments and are assisted with special facilities to do their work as well as training and promotion opportunities are given to individuals with special needs. The respondents were neutral that the organization has special equipment for the physically challenged to enable them do their work and there are stairways within the building that enable free movement by those with wheelchairs. This implies that the respondents agreed that there was special needs diversity in the state corporations within the coastal region in Kenya.

The findings showed that the respondents agreed with all the statements relating to education diversity as all the mean scores were in the range of 3.5 to 4.5. The organization employs individuals with all levels of education, there is no discrimination of individuals in terms of education qualifications and for training and professional development opportunities individuals at all levels are considered fairly. The overall mean score (4.0) implies that the respondents agreed that there was education diversity in the state corporations within the coastal region in Kenya.

The second objective of the study was to determine the relationship between diversity and organizational performance. The findings reveal that diversity is positively correlated to organizational performance of state corporations within the coastal region of Kenya. The most influential variable was gender diversity followed by ethnic diversity then education diversity



and age diversity. Special needs diversity has the least impact on organizational performance of state corporations within the coastal region in Kenya.

### **5.3 Conclusions**

Based on the findings above, it can be concluded that diversity is a key predictor of organizational performance of the state corporations within the coastal region in Kenya. The state corporations within the coastal region practice all types of diversity; ethnic, age, gender, special needs and education. These variables have a positive effect on their organizational performance. The most influential of them all is gender diversity followed by ethnic diversity, education diversity and age diversity. Special needs diversity has the least impact on organizational performance of state corporations within the coastal region in Kenya.

These findings are similar to those established by other researchers such as Harrison et al (2002), Njoki (2000) and Ely and Thomas (2001) who found a positive relationship between diversity and performance. This study therefore concludes that the state corporations within the coastal region in Kenya practice ethnic diversity, age diversity, gender diversity, special needs diversity as well as education diversity. The study also concludes that these diversity components influence the organizational performance of the state corporations within the coastal region in Kenya.

### **5.4 Recommendations**

The study revealed that there were some gaps in a number of dimensions of diversity in the State Corporations within the Coastal region. Although most state corporations agreed that diversity is important some elements were not being fully implemented. Specifically special needs diversity seems to be a big challenge to most state corporations. Most of the respondents were neutral as to whether special needs diversity was being practiced.

This study therefore recommends that the management of the State Corporations should consider embracing more diversity aspects in order to improve its organizational performance. More facilities should be available for the employees who are physically challenged to give them fair treatment as well as equal opportunity. Gender diversity should also be fully implemented to increase female participation in decision making and increase the number of women in top

management position. Another issue is to ensure there is age diversity at all times especially for proper succession planning within the state corporations.

### **5.5 Limitations of the Study**

The study was limited to the perspective of the State Corporations found in the Coastal region of Kenya and not the entire Country. Most of the State Corporations are based outside the Coastal region. Out of the targeted 12 State Corporations 11 filled and returned the questionnaires. The response rate was therefore 92% with a none-response rate of 8%. Some respondents did not also fill in some of the key data that was essential in coming up with the findings and conclusions.

### **5.6 Suggestions for Further Research**

The study was conducted on State Corporations in the Coastal region of Kenya only. The findings can be verified by conducting the same study on State Corporations based in other regions or the entire Country as well. This will help to identify if other regions have similar or different levels of diversity. The study findings are according to the firms' management point of view. The scope of the study may also be extended to cover other strategic aspects of the State Corporations.

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# APPENDICES

## Appendix 1: Questionnaire

**Declaration:** This is an academic research project aimed at establishing the relationship between diversity and organizational performance. There is no right or wrong answer and any information given will be held in confidence for academic use only. Thank you in advance for taking your valuable time to participate.

### Part A: Demographic Information

1. Name of organization: .....

2. Organization's core business: .....

3. Position held in the organization:

CEO ( )

Senior Manager ( )

Junior Manager ( )

Others (Specify): .....

4. Gender of respondent:

Female ( )

Male ( )

5. Age of the respondent:

20 – 30 years ( )

31 – 40 years ( )

41 – 50 years ( )

Over 50 Years ( )

6. Educational level:

Secondary ( )

Diploma ( )

Degree ( )

Masters ( )

PhD ( )

6. How many years have you worked for the organization?

Below 5 years ( )

5 – 10 years ( )

11- 20 years ( )

21 – 25 years ( )

More than 25 years ( )

**PART B: LEVEL OF DIVERSITY**

8. For each of the statements, please indicate the level of agreement or disagreement as shown on the table:

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Ethnic diversity</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The organization does a good job of attracting and hiring minorities.					
Opportunities for growth and advancement exist for minorities in our organization.					
The organization concerns about the employees' customs, cultures, and values.					
Different languages that are used to communicate do not create problem among employees.					
At work, I developed low self-esteem due to my ethnicity.					
The ethnicity differences in education background do not encourage conflict.					
The team leader includes all members at different ethnicity in problem solving and decision making.					
I am positive about ethnicity diversity in this work place.					

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Age diversity</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
This organization provides me with equal opportunities for training and career development.					
My team leaders include all members at different ages in problem solving and decision making.					
The age differences in work group might cause conflict.					
At work, I experience lack of bonding with people of different age group.					
I am positive about age diversity in this workplace.					

	1	2	3	4	5
<b>Gender diversity</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The employees have not been discriminated by employer while hiring and recruitment process on the gender basis.					
The organization does a good job of attracting and hiring women.					
Fair treatment is given to all employees, whether they are male or female.					
Opportunities for growth and advancement exist for women in our organization.					
A career development that includes women is encouraged within our organization.					
The organization's training and development program is developed to meet the criteria/requirement of the male and female.					
Women are involved in the organization's decision making as much as men.					
The performance criteria for success are expected to be higher for men than for women.					
I am positive about gender diversity in this workplace.					

	1	2	3	4	5
<b>Special Needs Diversity</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The organization has a policy for actively recruiting people with a physical disability					
Employees with physical challenges are fairly considered for appointments					
Employees with physical challenges are assisted with special facilities to do their work					
The organization has special equipment for the physically challenged to enable them do their work					
There are stairways within the building that enable free movement by those with wheelchairs					
Training and promotion opportunities give preference to individuals with special needs					
I am positive about special needs diversity in this organization.					

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Education diversity</b>	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The organization employs individuals with all levels of education					
There is no discrimination of individuals in terms of education qualifications					
For training and professional development opportunities individuals at all levels are considered fairly					
Most departments have balanced educational qualifications					
Promotions are considered fairly for all educational qualifications					
The organization encourages all employees to pursue further education					
I am positive about education diversity in this workplace.					

### **PART C: ORGANISATIONAL PERFORMANCE**


**9.** Please indicate by ticking ( $\checkmark$ ) the appropriate answer to what extent you agree/disagree with the statements below:

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Measurement of organizational performance is important in our organization.					
Our organization mainly uses financial measures of performance.					
Our organization mainly uses non-financial measures of performance.					
Competitiveness is a measure of performance in our organization.					
Quality is a measure of performance in our organization.					
Innovation is a measure of performance in our organization.					
Resource utilization is a measure of performance in our organization.					
Flexibility is a measure of performance in our organization.					

Our organization balances use of both financial and nonfinancial performance measures.					
Our diversity practices have impacted positively on our performance.					

**Thank you for your time and co-operation.**

## Appendix 2: Introduction Letter



**UNIVERSITY OF NAIROBI  
MOMBASA CAMPUS**

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Telephone: 020-2059161	P.O. Box 99560, 80107
Telegrams: "Varsity", Nairobi	Mombasa, Kenya
Telex: 22095 Varsities	
Our Ref: D61/73602/2009	

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DATE: 15<sup>TH</sup> SEPTEMBER 2015

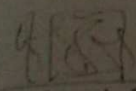
**TO WHOM IT MAY CONCERN**

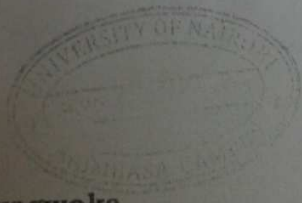
The bearer of this letter, **Emma Seline Akinyi Okello** of Registration Number **D61/73602/2009** is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

She is required to submit as part of her coursework assessment a research project report. We would like the student to do her project on ***Relationship Between Diversity and Organizational Performance of State Corporations in the Coastal Region of Kenya***. We would, therefore, appreciate if you assist her by allowing her to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank you.

  
**Zephaniah Ogero Nyagwoka**  
*Administrative Assistant, School of Business-Mombasa Campus*



### **Appendix 3: List of State Corporations in the Coastal Region of Kenya**

1. Coast Development Authority
2. Coast Water Services Board
3. Kenya Coconut Development Authority (KCDA)
4. Kenya Ferry Services Limited
5. Kenya Marine and Fisheries Research Institute (KMFRI)
6. Kenya Maritime Authority
7. Kenya Ports Authority
8. Kenya Safari Lodge and Hotels
9. Kenya Tourist Development Corporation
10. Pwani University
11. Tana and Athi Rivers Development Authority
12. Technical University of Mombasa

*Source:* (Office of Public Communications, 2015).

#### Appendix 4: Map of Coastal Region in Kenya



*Courtesy: Google maps (2015)*