STRATEGIC LEADERSHIP TEAMS, BOARD DIVERSITY AND PERFORMANCE OF KENYA ASSOCIATION OF MANUFACTURERS

BY

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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university or college.

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This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This project is dedicated to my dear parents Francis Chege Kimari and Pamela Wanjiru Chege for their unwavering support and encouragement and also to my sister Mary Wahura Chege who continually encouraged me throughout my education.

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LIST OF ABBREVIATIONS AND ACRONYMS

KAM	-	Kenya Association of Manufacturers
SME	-	Small and Medium- sized Enterprise
KEPSA	-	Kenya Private Sector Alliance
EAC	-	East African Community
KRA	-	Kenya Revenue Authority
PPP	-	Public Private Partnership

ABSTRACT

Understanding the relationship between individuals at the helm of organizations and performance of firms has been a key research area for decades. This study aimed at establishing the impact of strategic leadership teams and board diversity on performance of manufacturing companies in Kenya. A case study of Kenya Association of Manufacturers, an umbrella advocacy organization representing the interests of all manufacturers in Kenya, was used. Respondents who were interviewed were senior executives tasked with the overall responsibility of overseeing and executing strategy. Semi-structured questionnaires were used to collect primary data.

The results of this study have key implications to executive teams in firms as well as other stakeholders. This study adds to the body of knowledge brought forward by Hambrick and Mason (1984) who opined that the background, experiences, diversity and personalities of top executive teams and boards greatly impacts on strategic choices and firm performance. Further studies need to be undertaken on the impact of top leadership teams and diverse boards on the performance of companies in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic leadership teams and board diversity are two key variables which affect the performance of a company. It is the harmonized efforts of the members of strategic leadership teams coupled with diversity within the board of directors that influence overall prosperity and performance of firms (Carpenter& Sanders, 2004). Pitcher (2001) notes that one of the most important and widely studied subjects to strategy scholars is the relationship between leadership at the strategic peak of a company, diversity and the performance of the organization.

Strategic leadership teams are teams tasked with the fiduciary responsibility of providing direction to a firm, with the sole mandate of guarding the interests of the shareholders of the organization (Abdullah 2004). According to Thompson (2007), boards of directors have a duty to shareholders to play a role in overseeing strategy formulation and implementation. Hill and Jones (2004) emphasize that the typical board is composed of a mix of directors within the organization and those independent from the firm.

Firm performance relates to the efficiency and effectiveness of the organization. The level of success is measured with regards to business performance (Waweru, 2008).The quest to analyze corporate performance both within and across various industries continues to progress. The prominence ascribed by the academic and business communities to the impact of senior teams and inherent diversity within boards on company performance cannot be understated. Studies have assessed the responsibility of senior leadership most notably the Chief Executive Officer, board of directors and senior management teams in implementing and overseeing strategy and noted that certain leadership styles have a more direct correlation with performance in comparison with other styles (O'Regan, 2004).

This is largely centered on the theories of Upper Echelons and the Contingency Theory. The Upper Echelons Theory examines the individuals tasked with responsibility for the firm, what they engage in, how these individuals accomplish this and who they consist of (Hambrick and Mason, 1984). The Contingency Theory states that there is no one leadership style that is best; a leader's effectiveness is dependent on the particular circumstance. A leader deemed as a contingent leader applies his or her own particular leadership style in the particular circumstance effectively. An organization's leadership must focus on attaining best synergies towards realizing optimal performance.

1.1.1 Strategic Leadership Teams

Davies (2016) defines a strategic leadership team (SLT) as a team whose work has strategic ramifications for the firm, the business unit, department, product line or division. Strategic leadership teams are also referred to as Strategic Management Teams (SMT). According to Andrews (1971) strategic leadership teams are tasked with formation of strategy which involves matching of a firm's strengths and weaknesses with the problems and opportunities prevalent in its operating environment.

The strategic process of decision making is by its very nature complex, therefore the perceptions and interpretations of strategic leadership teams critically influence strategic decision making (Dutton & Duncan, 1987). Businesses today are facing an alarming rate of change. Therefore to ensure their survival it is paramount for strategic leadership teams to efficiently and effectively formulate and implement strategy to achieve organizational goals and objectives (Chambers, Foulon, Handfield-Jones, Hankin & Michaels, 1998).

1.1.2 Board Diversity

Marimuthu (2008) defines board diversity as the divergence of age, racial background, ethnicity, gender, and social/cultural uniqueness within a pool of executives in an organization. Board diversity is further elucidated as the degree of differences among board members in as far as background attributes of experience, tenure and age are concerned (Pelled, Eisenhardt, &Xin, 1999).

Diversity can generally be classified into two major categories: demographic/ observable distinctions and cognitive/ non-observable distinctions. Demographic diversity is classified in terms of gender, age, racial and ethnic background and classifications of cognitive diversity include knowledge base, education levels, beliefs, values, perceptions and personality attributes (Maznevski, 1994).

Organizations in the United States have begun to attract diverse pools of candidates for senior ranking positions. This is largely attributable to an increase in the population of minority groups who now constitute a large percentage of the population (Holton, 1995; Burke, 1997; Conyon & Mallin, 1997; Burke & Nelson, 2002). Within the African context and most notably in South Africa, the Employment Equity Act (South Africa, 1998) contends that due to apartheid and discriminatory laws in place, there are apparent disparities in employment opportunities and income brackets within the labor market in South Africa. It further notes that these disparities are disadvantageous to particular groups of people. The Act defines these disadvantaged groups as black persons, women and persons with disabilities (South Africa, 1998).

In Kenya, the argument in favor of minorities and marginalized groups has a legal foundation in the Constitution of Kenya. The Constitution of Kenya 2010 states that the State shall institute affirmative action programs geared to ensure that the interests of minority groups and marginalized persons are prioritized. These include representation in leadership and provision of equal employment opportunities. The Constitution of Kenya 2010 provides that not more than two thirds of the members of elective and appointive bodies shall be of the same gender.

In 2007, Kenya launched a blueprint long term development strategy known as Vision 2030 after protracted and in-depth consultations with all key stakeholders in the economy. The state has proactively engaged in a series of flagship programs with a number of target areas geared towards the interests of minority and marginalized groups. The Vision’s Medium Term Plan II (2013-2017) has flagships that support marginalized group’s socioeconomic inclusivity and eradication of gender violence.

1.1.3 Firm Performance

Richard et al. (2009) explains performance of a firm as the physical output or results of a company as benchmarked against the organization’s vision, mission, goals and objectives. Firm performance encompasses three benchmarks of measurement: financial measure (profit or loss position, return on investments and return on assets), product market measure (percentage of sales and degree of market share commanded), and non-financial measure.

In the past decade, companies have begun to rely heavily on non-financial measures to assess firm performance. The operational and management control systems of majority of companies are built around financial targets and these bear no claim towards the organization’s progress in attaining long term objectives. This therefore translates to a gap between development of corporate strategy and the implementation of this strategy.

The balanced scorecard is a management system that encourages and monitors performance in crucial areas such as product, process, customer, and market development. This tool complements traditional financial performance measures with a focus on customers, internal processes, and innovation initiatives. The Balanced Scorecard has been a transformative tool in several organizations around the globe. This performance management system has aided senior executive teams in setting organizational goals and objectives and translating these into a coherent set of targets and measures. It has assisted in transforming organizational strategy into a process which can be owned by each employee.

1.1.4 Large Manufacturing Firms in Kenya

Manufacturing is the corner stone of Kenya's industrial sector. According to the Economic Recovery Strategy for Employment and Wealth Creation Report (2015), the manufacturing sector has remarkable potential for growth and investment and is poised to grow in major leaps and bounds in the foreseeable future.

Manufacturing is ranked as one of the top three sectors of the economy in as far as it contributes to the country's Gross Domestic Product (GDP). Manufacturing has the ability to contribute significantly to placing Kenya on an incremental growth trajectory through its role in realizing employment, sustainable synergies with various sectors, ability to raise capital accumulation and smooth volatility in the economy. However the manufacturing sector has continued to experience fluctuations due to prevailing market and financial conditions in recent years.

As per Kenya's Vision 2030 the manufacturing sector seeks to contribute in a substantial way to the creation of employment and wealth. As contemplated through the Vision 2030 the overall goal of the sector in the Medium Term Plan is to raise its percentage contribution to the country's GDP by 10% per annum. Statistics from the Kenya National Bureau of Statistics show that the manufacturing sector grew by 3.6 percent in quarter one of 2016, in comparison to 4.1 percent in the first quarter of 2015.In the third quarter of 2016 the sector experienced a growth rate of 1.9 percent compared to 3.3 percent in the same quarter in 2015. Consequently percentage of formal employment opportunities in the sector has increased at just 7% per year over the past four years. Exports have remained steady at 15% of GDP, in comparison to import products and services which have shot up to 40% of GDP, resulting in a negative balance of trade deficit, reduction in the power of the Kenyan shilling and an upward rise in inflation.

Kenya has identified key focus areas and set objectives in order to promote and steer industrial growth. These include development of small to medium-sized scale manufacturing and production firms, creation of contemporary and novel products, commercialization of academic and scholarly results of research and development, and pooling of key market investors in emerging development areas such as iron and steel industries. Kenya has designed and implemented projects through Public Private Partnerships (PPP) in order to encourage development in the targeted areas.

1.1.5 Kenya Association of Manufacturers

Kenya Association of Manufacturers (KAM) was established in 1959 with a core mandate of policy advocacy to unite industrialists and offer a united voice for businesses. KAM is the umbrella organization for all industries involved in value-addition in the country. KAM seeks to promote investment and trade, sustain standards, and spearhead the formulation, enactment and administration of policies that enable the creation and sustenance of a competitive environment of doing business and lower operational costs. KAM provides a fundamental link for co-ordination, communication and mutual working relationships with the central Government through championing the interest of its respective members to the specific arms.

The main goal of KAM is to advocate for the creation of an enabling environment that supports Kenya's industrialization. The main objectives as an association include: Sustained efforts towards realizing a contribution of 15% of GDP by the sector by year 2019; boosting the creation of jobs which are skills-based and increasing overall jobs within the sector by 33%; improving business access for products and services in regional and global arenas in order to realize a growth in the export market by 33% in the next year; increasing the membership numbers of the association; and achieving excellence in operations.

KAM membership is made up of 40% of manufacturing value-add industries in the country and consists of small to large enterprises. Over 80 per cent of these are based in the capital city of Nairobi. KAM has put in place seven chapters regionally in Coast, Nyanza/Western, Nakuru, Eldoret, Machakos and surrounding regions, Kiambu and Industrial Area. Regional chapters are put in place to champion the local awareness and advocacy mission, and implement strategies and courses of action to effectively push for reforms in policy on the issues articulated. The mission of KAM is to promote competitive and sustainable local manufacturing. KAM seeks to morph into a member-centered organization realizing efficient, effective and applicable offerings to all its members.

KAM members are categorized into fourteen sectors, of which there are a total of twelve within the value addition and processing environment and the remaining two are in place to offer key services to boost the industry. Specific sub-sectors are identified by the types of inputs firms import or the goods which they produce. These include: building, mining and construction; energy and electronics; footwear; metal and allied; automotive; paper and board; pharmaceutical and medical equipment; plastics and rubber; services and consultancy; textiles and apparel; timber, wood and furniture; and agriculture/ fresh produce.

KAM is driven by six core values that underpin its corporate culture. These values are: Responsiveness, Integrity, Innovation, Inclusiveness, Teamwork and Excellence. The association seeks to create corporate and individual wealth by lobbying for a competitive business operating environment. This has the ripple effect of transforming industries, boosting the economy, job creation and this translating to an improved life for Kenyans and a reduction in poverty.

The Kenya Association of Manufacturers has a history of top notch leadership and its board consists of 18 members drawn from various manufacturing companies. The Board of Directors actively looks into the best solutions and interests for its members as well as overseeing the setting of long-term goals and priorities for the association as a whole.

KAM has put in place working committees that drive engagement and relations between members and the government and offer guidance on KAM's advocacy initiatives: Trade & Tax Committee, Legal & Regulatory Affairs Committee, Infrastructure Committee, and Devolution & County Affairs Committee. The KAM Management Team is tasked with day to day operations. It consists of eight members and includes: KAM CEO; head of operations; head of membership development; head of policy, research and advocacy; head of KAM consulting; communications, marketing and public relations manager; finance manager; and human resources and administration manager.

1.2 Research Problem

The responsibilities of the strategic leadership teams and the board of directors have been on the corporate agenda for decades. Strategic leadership teams and directors are agents of shareholders and are therefore expected to formulate operational and financial strategies and to monitor the implementation and performance.

KAM has continued to contribute significantly to the manufacturing industry in Kenya. However it faces challenges which have affected its performance. Research findings from World Bank (WB) indicate that large manufacturing firms have reported stagnant growth and dipping profits within the last five years attributable to a difficult and competitive operating environment (WB, 2014).

Various studies have been conducted globally in determining the link between leadership teams, board diversity and performance of companies. A study by Bantel (1993) focused on 100 retail banks and noted that strategic decision making and performance was boosted significantly by greater diversity in education and functional background among top management teams. Siciliano (1996) extracted and analyzed information from 240 organizations. Results indicated increased degrees of performance as benchmarked on a social frontier and in the extent of fundraising in organizations where there was increased occupational diversity among board members.

A contemporary study performed by Richard (2000) in the banking industry assessed three key factors of business strategy, diversity within organizations and performance of firms. Sixty four banks across three states in the United States were analyzed. Results from the study postulated that diversity increased shareholder value and was regarded as a competitive advantage for firms within the banking industry. Thorlindsson (1987) studied the Icelandic shipping industry over a three year period and his study opines that differences in the performance of various ships, within similar conditions, is attributable to the management style and skill of top leaders/ captains.

In Kenya, Koech and Namusonge (2012) conducted a study on thirty state owned corporations in Mombasa, Kenya using a descriptive survey research. Results from the study postulated that leadership styles adopted impact on firm performance and realization of company-wide strategy. A study by Ongore and Obonyo (2011) analyzed the relationship between ownership, board and leadership attributes and firm performance across 54 firms listed at the Nairobi Securities Exchange (NSE).

The results noted positive interrelationship between managerial discretion and firm performance. Research by Waiganjo, Mukulu and Kahiri (2012) analyzed the link between strategic human resource management by senior teams as a subset of leadership and firm performance in Kenya's corporate organizations. Their results noted a positive relationship between strategic leadership and realization of organizational strategy and organizational performance.

There has been no definitive link provided between strategic leadership teams, board diversity and the contribution to firm performance. Previous studies examining the relationship between Strategic leadership teams, board diversity and organizational performance have been conducted mostly in developed countries like United States and United Kingdom. A small number of researchers have measured the impact in developing countries. In addition, previous studies have not been conducted for large manufacturing firms specifically in Kenya.

Accordingly this study seeks to assess the link between strategic leadership teams, diversity in boards and overall performance of large manufacturing firms in Kenya. The study focuses on Kenya Association of Manufacturers. The study therefore answers the question: What is the impact of strategic leadership teams, board diversity on the performance of large manufacturing companies in Kenya?

1.3 Research Objective

The objective of the study is to evaluate the impact of strategic leadership teams and board diversity on the performance of Kenya Association of Manufacturers.

1.4 Value of the Study

Academic community and scholars; this study is geared at assisting them to comprehend how strategic leadership teams and board diversity affect the performance of large manufacturing companies in Kenya. It also seeks to identify opportunities for further research in assessing this impact.

Executives/ corporations; this study will assist corporations in constituting their strategic leadership teams and ensuring board diversity in board composition. This will aid them in drawing attention to areas that require to be bettered and making strategic leadership teams and diversity a means of boosting performance.

Policy makers, governance arms and industry regulators; this study will assist governance and policy arms to assess the economy for any improvement indicators that can be directly attributable to strategic leadership teams and boards which are diverse in nature. The study will streamline the joint efforts of policy makers in ensuring consistent high performance of the economy in general, and manufacturing companies in particular.

Investors; this study will assist investors to understand the top management teams of manufacturing companies in Kenya and measures that the companies have taken to ensure improved performance.

Upper Echelons Theory; this study will add to the body of knowledge that the experiences, beliefs and attitudes of senior top executives impact heavily on the strategies pursued and this in turn affects firm performance.

Contingency Theory; this study will elucidate and add to the knowledge that firms are open systems which need critical oversight to meet and address the requirements of the internal environment and the external factors affecting the organization.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives a comprehensive examination of the empirical relationships between strategic leadership teams, diversity within boards and performance of firms over the past decade.This has been a key area of research as evidenced by the extensive research conducted by theorists and strategists.

2.2 Theoretical Review

The study begins by reviewing the Upper Echelons Theory, the Contingency Theory and their respective core foundations. The chapter then carefully analyses the literature on the link between strategic leadership teams and organizational performance. This is followed by a review of the link between diversity within boards and firm performance.

Various empirical studies are cited and reviewed noting the expansive body of literature both internationally and locally. The chapter then concludes by reviewing the relationship between all three concepts of strategic leadership teams, board diversity and firm performance, and identifying the research gaps.

2.2.1 Upper Echelons Theory

The core foundation of upper echelons theory is that the experiences, beliefs, attitudes and personalities of executives greatly impacts on their interpretations of the circumstances they face and, consequently, affects their decisions. The premise of upper echelons theory has two interrelated fragments. First top executives will naturally react to strategic situations presented to them on the basis of their personal interpretations and secondly, these personal interpretations are based on their values, prior experiences and personalities. (Hambrick and Mason, 1984).The theory is reliant on the premise that understanding the actions of organizations begins by understanding their most powerful influencers (Finkelstein, 1987).

Upper Echelons Theory also postulates two important ideas: first is that a focus on the characteristics of the strategic management teams will result in candid explanations of performance of organizations in contrast to the traditional belief that performance is affected by the CEO alone. Second, leadership of large organization is a shared mandate, and the harmonious functionality, experience, relations and capabilities of the whole strategic management team is of utmost importance (Eisenhardt & Bourgeois, 1988).

Strategists can effectively utilise data on senior leadership's functional experience, educational backgrounds, and personality dispositions to reliably predict strategic actions of firms (Boeker, 1997; D'Aveni, 1990). Researchers have brought forth arguments that inherent diversities of senior leaders are closely linked to strategy and performance (Schoonhoven and Eisenhardt&, 1990).

2.2.2 Contingency Theory

Contingency theory is a management theory that explains that there is no one optimum way to steer an organization or arrive at decisions. The course of action is contingent (dependent) upon the internal and external situation/ environment. Contingency theory explains that given diverse circumstances various courses of action may be most appropriate and thus contribute to the firm's performance (Dobák–Antal, 2010). Contingency theory articulates two key aspects: the importance of the personality of the leader and the specific situation in which the leader is in (Fiedler, 1964). Under the contingency Theory, there are two key styles of management which are: those motivated by the task and those motivated by relationships.

The situation is characterized by: relations between the leader and members, structure of tasks and power. Relations between the leader and members refers to the group atmosphere and the related emotions which include loyalty and belief which the team exudes towards its leader. Structure of the task relates to the clearness of the assignment and the manner of achieving the particular assignment. Position power refers to the degree of authority the leader assumes in relation to members (Northouse, 2007).

Fiedler noted that particular management traits were crucial in a particular crisis thus the leaders would be required to adapt to the new environment. The Contingency Theory presents the following ideas: there is no single optimum way to lead a firm and a manager should be capable of assessing which leadership approach will assist in achieving the firm's objectives within a given situation and thus drive the performance of the organization.

2.3 Strategic Management Teams and Firm Performance

The link between strategic management teams and organization performance has been an area of increased concern to strategists for many years. The literature relating to senior leadership is paradoxical. Contemporary thinking (Pfeters & Austin, 1985) asserts the significance of senior-level leadership in fostering outstanding and well-performing firms. However a number of publications from the academic community note that top level leadership is an insignificant factor influencing performance of organizations (Meindl&. Ehrlich, 1987; Meindl, Ehrlich, & Dukerich, 1985;Pfeffer, 1977).

A study by Lieberson and O'Connor (1972) of 167 organizations across 13 industries in 20 years assessed movements in revenue and profitslinked to the succession of the leaders of boards. The study analyzed effects of succession with industry, year, and organization influences. Results from this study noted that leadership justified a smaller degree of the variance compared to industry and company.

Therefore whereas the researchers (Hannan & Freeman, 1977) view the SLT to be an indirect agent in the performance of organizations or where some researchers (Pfeffer & Salancik, 1978) view senior executive's influence to be inconsequential, diverse views state that the strategic leadership teams impact heavily on competitive performance.

2.4 Board Diversity and Firm Performance

Over the years, board diversity has been viewed as a sword with two sides (Martins &Milliken, 1996) or “double-sided blessing” (Williams & O'Reilly, 1998). This is because the influence of board diversity on performance of firms has been regarded as both good and bad. The positive attributes of increased diversity are a greater pool of alternatives, concise assessment of all alternatives, and thorough analysis of changes in the environment (Hambrick & Finkelsten, 1996; Lant, Milliken, & Batra, 1992). The negative attributes are lengthy process of decision making, breakdown in communication channels, and interpersonal conflict that may arise (Johnson & Greening, 1997; D'Aveni & Hambrick, 1992; O'Reilly, Boothe, & Snyder, 1993). Watson, Kumar, & Michaelsen (1993) point out some advantages of diversity being that inherent differences result in a broader information pool, heightened creativity, and hence becomes a source of competitive advantage for organizations.

Bantel (1993) focused his study on retail banks and analysed the relationship between performance and demographic attributes of strategic management teams. The results of this study pointed out that strategic decision making and performance was boosted significantly by greater diversity in education and functional background among top management teams. Simons and Pelled (1999) conducted studies and expressed a similar positive correlation between executive diversity and performance. Results of their studies noted that educational and cognitive diversity resulted in improved organizational performance.

Siciliano (1996) extracted and analyzed information in order to compare diverse indicators of diversity amongst board members. This study utilized information which was extracted from a diverse pool of 240 corporate organizations. Results indicated increased degrees of performance as benchmarked on a social frontier and in the extent of fundraising in organizations where there was increased occupational diversity among board members.

A contemporary study performed by Richard (2000) in the banking industry assessed three key factors of business strategy, diversity within organizations and performance of firms. Sixty four banks across three states in the United States were analyzed and their performance was measured in terms of performance in the market and return inequity and shareholder value. Results from the study postulated that diversity increased shareholder earnings and was regarded as a competitive advantage for firms within the banking industry.

Women inclusivity as a subset of board diversity has been a widely studied topic by academicians and the business community at large. A study by Burke (2000) on Canadian firms analysed the link between female board diversity and performance. Burke analyzed performance using the metrics of sales, employee pool, assets and profit margins. He noted a positive interrelationship between the percentage of female directors and the company performance. His findings suggested that firms which are generally profitable are open and responsive to diversity in their director appointments.

Fondas (2000) argues that female director presence aids a board in executing its mandate as given by shareholders because the experience of women is closely linked with the needs of the organization. Wheeler and Bilimoria (2000) and Mattis (2000) conducted independent studies and arrived at similar results which noted that female directors are adept at maneuvering through labour markets and product markets.

Minority groups are increasingly becoming a substantial proportion of the workforce and due to this; organizations are beginning to acknowledge substantial changes in their candidate pools in hiring for top leadership roles (Holton, 1995; Burke & Nelson, 2002; Burke, 1997; Conyon & Mallin, 1997). The diversity represented in the hiring directly impacts the constitution of boards and thus impacts on corporate governance (Struggles & Heidrick, 1993).

In contrast, fewer scholars advocated that diversity may be disadvantageous to performance. Knight et al. (1999) affirmed that heterogeneous teams needed increased effort and time to make decisions. Maznevski (1994) reviewed past research on diversity within leadership groups and disputed results that homogeneous boards outperform diverse ones.

Therefore the view that board diversity has notable implications on performance is widespread. These implications can be analyzed in three ways as good relationships (Schoonhoven & Eisenhardt), bad relationships (Pelled & Smith, 1999), and no relationships (Schwenk& West, 1996). Strategists are however in agreement that contextual attributes for instance strategy (Carpenter, 2002), environmental soundness (Keck, 1997), and board member interpersonal relations (Carpenter, 2002; Cannella & Holcomb, 2005) should be considered in assessing the link between board diversity and performance of firms.

2.5Empirical Studies and Research Gaps

As evidence to the key importance of the roles and responsibilities of SMTs and their characteristics, it is indubitable that SMTs play a crucial part in impacting the performance of firms. This is premised on the theory of upper echelons which analyses those with oversight over the organization, their duties, their composition and their discharge of responsibilities.

The upper echelons theory was later referred to as strategic leadership (Hambrick & Finkelstein, 1996; Hambrick, 1989), and notes positive correlation between SMTs, diversity indicators and firm outcomes. This genre of research has popularly been dominated with the opinion that firm performance and TMTs are positively related. The contingency theory notes a positive relationship between leadership style, situational environment and the overall realization of the firm’s goals, objectives and performance targets.

In the last ten years, strategists have shifted their focus from the impact of TMT demographics on performance of firms and instead began focusing on the actions underpinning the SMT process of decision making. These include broadness and thoroughness (Miller, 1998), conflict resolution (Eisenhardt et al., 1997), holistic consensus (Priem, 1990), extent of integration (Smith, 1994) and speed of decision making (Hambrick, 1996). Increasingly scholars have now begun to encourage ‘a temporary prohibition on the reliance on demographic factors as replacements for psychosocial attributes’ (Pitcher & Smith, 2001; Boal & Hooijberg, 2001;Lawrence, 1997).

The focus has also begun to change from the constituents of TMTs and their impact on performance and shifted to the impact that CEOs have on corporate outcome. One line of thinking suggests that organizations which are large in size are affected minimally by the CEO and appear to run themselves (Hall, 1977, Mintzberg, 1979). This view is backed by population ecologists (Freeman & Hannan, 1977). A second school of thought contends that SMTs and diversity account for a substantial percentage of the unaccounted variance in performance of corporate organizations (Shetty& Perry, 1976; Lieberson& O’Connor, 1972).

Fernandez et al. (2004) observed an affirmative response by the stock exchange to declarations that SMTs had adopted sound corporate governance behaviour. These principles and practices are enshrined in the Olivencia Report which reviewed information from 75 companies listed between 1998-2000. Henderson &Fredrickson (1996) opined that one of the key roles of TMTs is to synthesize information and notably the implementation of this mandate is paramount to organizational functioning and performance.

From past literature, it is clear that most studies examining the relationship between Strategic leadership teams, diversity and organizational performance have been undertaken mostly in developed economies. Few researchers have measured the link between board diversity, strategic leadership teams and overall performance in developing countries. Additionally past studies have been conducted across various industries with the exception of the manufacturing industry. Accordingly this study seeks to analyze the link between strategic leadership teams, diversity in boards and overall performance of large manufacturing firms in Kenya.

2.6 Summary of Empirical and Knowledge Gaps

Table 2.1: Summary of Empirical and Knowledge Gaps

Author(s)	**Focus of the Study**	**Major finding**	**Knowledge gap**
Lieberson and O'Connor (1972	Impact of succession with industry, year and organization influences	Leadership did not have a direct impact on performance, compared to industry and company.	The study did not focus on the manufacturing industry. It focused on 13 different industries.
Hambrick and Finkelsten (1996)	The effect of increased diversity.	The study noted positive attributes of diversity such as a pool of alternatives and analysis of changes in the environment.	The study was not based on firms in developing economies.
Bantel (1993)	The link between performance and demographic attributes of strategic leadership teams.	The results noted that strategic decision making and performance was boosted by greater diversity in education and functional background among top management teams.	This study was based on retail banks and thus did not consider manufacturing firms.
Siciliano (1996)	Comparison of various indicators of diversity amongst board members in 240 corporate organizations.	Results indicated increased degrees of performance as benchmarked on a social frontier and in the extent of fundraising in organizations where there was increased occupational diversity among board members.	The study was not based on firms in developing economies.
Richard (2000)	Assessment of business strategy, diversity and performance of firms in the banking industry	Diversity increased shareholder value and was regarded as a competitive advantage for firms within the banking industry.	This study was based on banks and thus did not consider manufacturing firms.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research design, collection of data and analysis methods to be employed in the research work. The research design to be adopted is explained in detail, noting the objectives of the design tool, reasons for its adoption and the organization under study. The data collection tool which will be used is carefully explained. A careful detail of the manner in which data will be collected and the persons involved within the organization is provided in detail. In conclusion, the data analysis techniques to be used are elaborated. The method of review and analysis of the data which will be collected for the study is carefully explained, as well as the variables to be used in the study.

3.2 Research Design

The research design to be used is a case study. A case study is a detailed analysis of a person, organization or occurrence. The key objective of a case study is to observe and analyze attributes and relationships within these attributes that have yielded the patterns and behaviour under study. This research design is applied in this particular research as the potential population of the study is very large in size.

In light of this therefore, a case study of Kenya Association of Manufacturers is regarded as the ideal tool to fulfil the objective of the research as the results will be expected to provide an insight in understanding the impact of strategic leadership teams and board diversity on manufacturing companies in Kenya. It is through interviews with the board, members of the various board committees and management team that the researcher will be able to identify the impact on performance. As a result of this, a case study research design is considered an appropriate design.

3.3 Data Collection

The research work will make use of primary data obtained through interviews with the respective individuals charged with governance and oversight of strategy. An interview guide will be utilized to collect information on the influence of strategic leadership teams and board diversity on firm performance at KAM. The interview guide consists of questions that the interviewer will address to the respondents. The respondents to be interviewed are those who are charged with the formulation, evaluation and execution of the organization's strategy.

Specifically, the researcher will interview the Board of Directors, members of the various Board Committees and the management team. The interview guide is made up of three sections namely; respondent's profile, impact of strategic leadership teams and board diversity on firm performance and challenges faced by the organization in constituting these teams and implementing diversity. Areas of performance which shall be assessed include: membership development, policy research and advocacy initiatives, and KAM consulting.

3.4 Data Analysis

Data analysis is defined as the process which commences immediately after the data collection and concludes at the point of interpreting, synthesising and processing of results. The data collected from the interview guide will be reviewed and analyzed using qualitative analysis. The qualitative analysis will be carried out using content analysis. Content analysis is a research method used to make conclusions, describe and carefully review the content of text in form of oral, written or pictorial communication.

Content analysis was complemented by the review of the Board Charter, annual report summaries and other policy documents. The variables that will be used are broadly classified into: influence of strategic leadership teams and board diversity on firm performance, and challenges faced in constituting these teams and implementing diversity.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter reviews the data obtained from the discussion sessions with the strategic management teams and board of Kenya Association of Manufacturers. Data was collected using an interview guide and analysed through content analysis. The interviewer engaged senior management teams, board members and chairs of the various board working committees who were considered instrumental in the formulation and implementation of strategy in the organization.

The researcher made reference to secondary data to support the findings from the primary data obtained through interviews with the respondents. This included the Board Charter, annual report summaries and other policy documents that were made available. The data and information generated from these activities were analyzed and reviewed for documentation of the findings.

4.2 Historic Performance of KAM

KAM consists of a Secretariat, seven working committees, fourteen industrial sectors and seven regional chapters. The sector and chapter chairs report to the Head of Membership, who in turn reports to the Membership Committee which is a working committee of the board. The secretariat and chapters are dedicated to pushing for the attainment of the goals and objectives and have a direct responsibility to report to the board on their progress in attainment of KAM's strategy. KAM is seeking to continue to strengthen and grow the various chapters for the achievement and realization of its core mandate. Strategy sessions are also regularly held to align KPIs and report directly on performance. This has contributed to a positive growth curve of KAM over the years.

The Board of KAM is governed by the KAM Board Charter. KAM seeks to mainstream excellent corporate governance principles to offer applicable guidance for senior leadership as well as the board, to seek out and realize goals which are of paramount importance to the company and stakeholders, and realize effective and efficient monitoring and evaluation. The Board charter stipulates the following: KAM governance structure; core mandate, roles and authority of the board; the responsibility of the chairperson and board committees; conduct and obligation of individual board members; board monitoring, evaluation and learning amongst others.

In the past two years, company performance has been boosted by evaluations and peer to peer reviews done by all Board members. The Board considers its consistent and improved performance as a highly valuable instrument in realizing effective corporate governance. The board undertakes an assessment of board and board member performance every year, using an independent external facilitator. The board analyzes the results of the review, and develops a road map to ensure sustained improvement and excellence. The Chairperson will also give each member independent and objective feedback on performance. The evaluation is an anonymous research initiative spearheaded by the former Chairlady, Flora Mutahi, to encourage candid reviews on board member performance, boost board participation and assist to align all members to KAM goals, vision and objectives.

Three has been an overall improvement in the performance of KAM throughout the years. KAM is greatly viewed as an effective business advocacy group with strong support and leadership. The performance of KAM can be analyzed with reference to its three core pillars of Policy research and advocacy, Membership development and KAM Consulting.

4.2.1 Policy, Research and Advocacy

Under this unit, KAM upholds trade initiatives, maintains standards, furthers the development, implementation and administration of effective policies that promote a healthy environment for business and takes down operational business costs. Policy research and advocacy initiatives have increased over the years. KAM's strength has been in the strength of its advocacy work. This has formed the cornerstone of KAM's achievements over the years. KAM was historically started as an avenue to lobby for favourable tariffs for importers. However the East African Community (EAC) has been instrumental in the creation of industry and tariff bands which has led to the creation of favourable terms and conditions for importers. KAM has the benefit of having direct access to government offices and other professional bodies such as Kenya Revenue Authority (KRA) and Kenya Private Sector Alliance (KEPSA) to lobby for the interests of manufacturers and the creation of an even playing field.

KAM wins within this unit over the years include: Overseeing the implementation of the 'Buy Kenya Build Kenya' Policy, Anti-Counterfeit and illicit trade initiatives; review of trade agreements; prompt payment; and energy initiatives. In the recent past KAM was included in a task force which has unmasked some of the counterfeit products that have been causing unfair competition to local industries. KAM has enhanced inter-agency collaboration in the fight against counterfeits in Kenya by collaborating, planning and executing awareness forums.

KAM has also actively engaged in advocacy on reducing compliance costs through harmonization of standards. So far 19 standards have been developed and approved as EAC harmonized standards. KAM has also actively participated in: the implementation of National Trade Policy; enhancement of compliance intellectual property rights; combating of illicit trade in collaboration with enforcement agencies and like-minded stakeholders; and successfully holding an EAC Manufacturers network forum amongst other wins.

The effectiveness in policy advocacy has been brought about by strong core leadership led by the CEO. The aggressive leadership shown and push for advocacy has led to tremendous milestones over the years. The association annually launches the Manufacturing Priority Agenda (MPA) and the MPA 2018 focuses on spurring the country's bid in creating jobs.

However KAM has experienced a number of challenges in its advocacy initiatives and these include but are not limited to; high of cost of business and difficulty in penetrating county governments and public institutions. A key challenge that has been experienced by KAM is in engaging the county governments. Historically KAM has engaged national governments on cross cutting national issues. With the introduction of county governments, this has added an extra layer of advocacy, and there has often been a variance between county interestsviz a viz national interest.

4.2.2 Membership Development

The performance of KAM has steadily improved over the years and in fact has realized outstanding development. KAM doubled its members from 265 in 2001 to approximately 700 in 2011 and now hosts over 900 members. There are two main categories of membership at KAM: ordinary member and associate member. Ordinary membership is restricted to firms which engage in value addition, manufacturing and processing initiatives. Associate membership is given to organizations that provide services or products aimed at expanding and furthering the manufacturing industry.

Specifically as regards membership development there has been a shift to include Small and Medium Sized Enterprises (SMEs). 50% of the members are SMEs with an annual turnover of Kshs 200million and below. There has also been diversity in the ethnic make-up whereas previously the membership consisted largely of indigenous Indian businesses; there is now greater representation of multinationals and indigenous owned Kenyan firms. These changes have been triggered by a government push to see greater representation of SMEs. There has also been a need to create synergies between larger established organizations and SMEs for skills transfer.

The growth of KAM in membership development has experienced a positive trajectory over the past ten years. However this has been affected by two main biases in perception: KAM is seen as a 'Big boys club' and KAM is viewed as an 'Asian club'. Historically KAM has been viewed as a club for the larger multinational manufacturing firms and hence termed as a 'Big Boys Club'. This has therefore negatively impacted its growth among SMEs. There is thus a mismatch in perception.

KAM is a policy driving organization and SMEs that join KAM often join with a hope to fix their operational issues. This has therefore resulted in a huge turnover among the SMEs with many of them joining and then opting out. However the respondents noted that larger multinationals were once SMEs and it is paramount for KAM to define the value proposition for SMEs to not only attract but retain the SMEs. This gap has been bridged by offering mentorship to the SMEs with a key focus on growing them through initiatives such as training.

4.2.3 KAM Consulting

KAM Consulting is a strategic unit established to competitively offer value-added services to companies on consultancy basis, in pursuit of KAM's sustainability. KAM Consulting services include: The Centre for Energy Efficiency and Conservation (CEEC); Sustainable Use of Natural Resources and Financing (SUNREF) Programme; Business information services; KAM Manufacturing Academy; and SME development services. The CEEC is directly involved in initiatives towards energy utilisation, conservation and boosting energy saving initiatives by firms. The SUNREF Programme extends a line of borrowing within the East African region to aid the sector in conservable energy and initiatives on renewable energy.

KAM has also been instrumental in establishing and growing its Manufacturing Academy/ Business Centre. The Academy aims at providing technical and specialised training geared to ensuring standards of excellence are not only met but superseded and benchmarks itself globally. The KAM Academy has maintained a lead in keeping abreast with industry trends and directions to grow towards global competitiveness for its members. KAM has offered trainings in: Management certifications; Manufacturing Management sessions and Technical Operation courses. In 2017, KAM was instrumental in providing some of the following courses among others: Accelerated Sales Performance Training, Developing Leadership Skills for New Managers, Process Improvement in Manufacturing and Managing Excellence in Customer Service.

4.3 Impact of the Strategic Management Team on Performance of KAM

The management team has directly impacted the performance of KAM historically. The executive team led by the CEO has been instrumental in realizing the mandate of KAM. Through the former CEO of KAM, Betty Maina, there has been a deliberate push to separate the Board from the daily workings of the Executive team. The current management team consists of eight officials who head the following dockets: Membership; Operations; KAM Consulting; Human Resources and Administration; Policy, Research and Advocacy; Public Relations, Communications and Marketing; and Finance. The KAM management team brings on board experienced leadership with demonstrated and outstanding achievements which has aided KAM in making the fundamental steps in the realization of its overall strategy.

The management team has changed periodically over the last decade and its functions have facilitated great strides for the association including: membership growth; financial growth; sound operational policies and procedures; and better membership service. Membership growth has been realised with current membership consisting of over 900 members.

Liquidity of the association has grown over the years with a year-on-year net surplus been realised which has established a firm foundation for the construction of the KAM building located in Nairobi. Sound operational policies have been instituted thereby leading to greater team cohesion and development of a three year Business Development Plan guiding the operations of the association.

The Board is tasked principally with overseeing the organization's strategy whereas the executive team implements the strategy and reports directly to the board. The executive team therefore works alongside the Board in implementing the organizational strategy. KAM has set up committees that ensure engagement with the Board and further the KAM agenda. The working committees include: Trade & Tax Committee; Legal & Regulatory Affairs Committee; Infrastructure Committee and Devolution & County Affairs Committee. Other internal Board committees include: Finance, Management & Projects (FIMAPS) Committee; Business Competitiveness Committee; Human Resource Committee; Membership Affairs Committee; and Corporate Social Responsibility Committee. The committees work directly with members of the executive committee to oversee strategic priorities and track development and improvement areas which directly impacts the performance of the organization.

4.4 Board Diversity at KAM

There has been both observable and non-observable diversity within the Board of KAM. This has been a product of both deliberate and non-deliberate attempts at achieving diversity. The board is driven by a Board charter which stipulates the framework, constitution, operations, roles and responsibilities of the Board. Driven in its governance structure is a framework on leadership structure and succession. Diversity has been realised through: greater representation of SMEs, ethnic diversity, gender diversity and growth in the number of board members. The Board is also diverse as the various members represent the interests of multinationals, local corporates and SMEs.

There has been gender diversity with a good mix of male and female members on the board, with women constituting almost 22% of the Board and 37.5% of the management team. Gender diversity has grown in leaps and bounds notably through the election of the first female Chairlady in 2016 and greater women representation on the board. KAM also consists of members drawn from various races and ethnicities. Over the years, KAM has largely been represented by the Asian community but over the years this has changed to include a more even Indian- Kenyan representation. There also exists a multinational caucus which represents the interests of large manufacturers in the country.

KAM also has great diversity in terms of sector representation with fourteen key sectors in manufacturing well represented. KAM members are divided into 14 sectors. KAM also has a diverse board whereby each year a third of the Board resigns and new members are offered up for election. This therefore ensures great diversity in the pool of leadership which contributes to greater performance. Each Chair chooses his or her Vice Chair and this dual mix must comprise of an African and an Asian. This ensures the furtherance of diversity as a key pillar and also ensures a smooth transition in leadership.

Once the Chair exits, he or she joins the Advisory Council. This advisory board serves a sounding board to the Board in offering insights, experiences and best practices thereby boosting the diverse views brought in and which have been tried and tested. The Board of directors is driven by a passionate team offering solid years of leadership and consultative dialogue with industry stakeholders which has had a tremendous impact on its development agenda.

4.5 Impact of Board Diversity on the Performance of KAM

The impact of diversity on the board of KAM cannot be understated. The Board consists of members drawn from various manufacturing sub-sectors, gender, race and ethnicity, as well as company size, and therefore each board member brings to the table diverse experiences and a wide skill set.

The board members also demonstrate an exemplary understanding of business, the workings of the economy, understanding of national and county issues and policies and widespread networks. This has directly contributed to KAM's work on policy advocacy, consulting and membership development and KAM has evolved over the years to become an organization at the forefront of championing for manufacturing needs.

The impact of diversity has been seen greatly in as far as strategic thinking and sustainability is concerned. A diverse leadership team with diverse expertise has allowed KAM programming to be guided by a lot of strategies that are result oriented. KAM is in a variety of Think Tanks in various levels, including environmental issues and illicit trade issues. The Board has strengthened its sectoral focus ensuring issues in all sectors are addressed. KAM has become the 'go-to-place' on issues of sustainability and conservation, with the United Global Compact being housed at KAM.

The various working committees within the Board are tasked with overseeing strategic issues within their framework and mandate. These committees are democratic and chaired by persons with in-depth experience in the pertaining matters. Associate members also sit on the Board and provide the Board with strategic insights in the non-manufacturing sector. Associate members however do not hold voting rights. This push for diversity has therefore had a positive influence on the overall performance of KAM.

4.6 Impact of Strategic Leadership Teams and Board Diversity on KAM Performance

KAM's main objective is to drive policy through its industry groups and chapters. KAM's success is in its access to policy holders in the country to influence policy and drive change in the manufacturing industry. KAM is a Business Membership Organization driving policy up to government level. The SLTS and Board have been instrumental in accessing drivers and influencers of change and articulating the pain points of the industry for action. Awareness seminars, consultative forums and industry caucuses have been held to drive policy articulation and even the playing field.

There has been a strategic interplay between the board and the management team. The board and executive work hand in hand with complementary responsibilities. There is adequate segregation of duties, an understanding of roles and mandates, a respect for the offices of the Chair and CEO and a collective effort in capacity building to deliver on objectives.

4.7 Challenges Experienced in Constituting SLTS and Ensuring Diversity in the Board

KAM has continually pushed for the creation of a favourable environment for organizations to do business. It has not encountered major challenges in as far as resource allocation, ethical matters and financial matters are concerned. However the organization has encountered some challenges in constituting SLTs and more specifically the Board.

These challenges include: identifying entrepreneurs and CEOs of African descent to join the Board; co-opting entrepreneurs into the organization and demonstrating value to obtain commitment; perception that KAM is a Big Boys Club; skill set bias due to similar skills and backgrounds; lack of requisite skills; effecting term limits to allow for rotations; staff retention; ensuring age diversity to incorporate younger members with fresh perspectives; and building and putting in place a governance and legal structure.

The Board of KAM serves voluntarily and thus board members receive no compensation or remuneration for the services and time offered. As such it is paramount that the board members serve passionately and work towards a common agenda. Board membership is typically drawn from CEOs, senior leadership and decision makers of companies as well as entrepreneurs. The organization has faced a substantial attrition rate as it is unable to pay its management team industry competitive salaries and thus loses key talent to industry competition.

KAM also faces a challenge in finding the right and adequate skill set for example advocacy skills needed to attain some of its objectives, as a result this poses a challenge in the effectiveness and reach of its operations. The SLTs may sometimes get too lost in detail and push for specific company issues at the expense of the industry wide issues; it therefore becomes paramount for competitors to work together, and members to drive for collective issues. There also exists a challenge in constituting the boards and finding active and participative members to take up leadership positions.

As noted from the findings, the Board has representation from multinationals. However multinationals tend to rotate their senior leadership resulting in leadership fluidity. Thus board members who are CEOs of large multinationals often exit the KAM board.

4.8 Performance Challenges Experienced at KAM

KAM has experienced challenges in its operations. These include: limited government partnership in policy development, competing government priorities and county government interference. In some instances in the past, the government has failed to consult with industry stakeholders such as KAM on industry policies and regulations resulting in the passing of unfavourable laws and regulations for doing business. Additionally the government has competing interests and it may be difficult for the government of the day to balance interests. However the current national administration has a huge leaning towards manufacturing as articulated in its Big 4 Agenda with manufacturing as one of its key pillars.

County governments have created an additional layer of permeation. There is often duplication of efforts at the national and county level and passing of unfair laws, as well as levying of fees and licences, which limit the interests of manufacturers in the county level. KAM has therefore been lobbying county governments to pass fair laws and practices which encourage manufacturing and promote business.

The attainment of Vision 2030 is of great interest to KAM. Vision 2030 promotes manufacturing as a key sector in the economy and aims to ensure that manufacturing contributes substantially to the GDP of Kenya. However due to the politics of the country, tribalism and corruption, the attainment of the vision and objectives of Vision 2030 may have been slowed down and targets may not be met. KAM continues to experience these challenges and seeks ways to make headway despite the inherent and cross-cutting challenges noted.

Another challenge noted is the need to strengthen the Secretariat and build capacity. Board members often result in spending numerous efforts in day to day activities, which may compromise on their time to oversee the overall functionality and strategy. There is also often red tape and bureaucracy which can tamper the work of KAM and slow down concerted efforts. Additionally a challenge that KAM is working on addressing is the link between the committees and the sectors/ chapters, and the absence of a clear feedback channel between them.

There is also a challenge of member participation and thus a need to encourage a broader range of participation. There are approximately eight hundred paid up members but the participation by members is very low. There is also a need to minimize the 'joy rider effect' where organizations benefit without becoming members of KAM. Another key challenge noted is that KAM spends a significant amount of its time around policy and advocacy, and not enough time on governance and strategy. This includes a focus on driving its agenda on staffing, finances, recruitment and manufacturing.

As a result the organization has experienced inherent challenges due to a lack of internal governance structures and policies. There is also a lack of understanding in the running and functions of KAM. There exists a perception among SMEs that KAM can aid in SME organizational and operational challenges such as County Council interference. There is therefore a need to bridge this perception and understanding gap, whilst still ensuring that SMEs are adequately represented. This can be done through targeted trainings.

KAMs efforts have sometimes been overshadowed by Kenya Private Sector Alliance (KEPSA) which is a larger organisation with diverse presence that is not only limited to the manufacturing industry. Often government interference has posed as a challenge as the government of the day seeks to realise its agenda and may therefore frustrate the attempts of KAM.

4.9 Discussion

From the analysis of the information gathered, it is evident that strategic leadership teams and diversity within boards greatly impacts on the performance of a company. This forms the core of the Upper Echelons Theory which opines that the experiences, beliefs, attitudes and personalities of senior executives directly and greatly impacts on the performance of organizations. Indeed, understanding the actions and performance of organizations begins by assessing their most powerful influencers, and these are the strategic leadership teams. Leadership of an organization is a shared mandate, the harmonious functionality, diversity and experience of the strategic leadership teams and boards is therefore of utmost importance. Therefore by looking at senior executives' experiences and dispositions, strategists can predict strategic actions of the firm.

In the highly dynamic and changing sphere that firms engaged in manufacturing activities are involved in, malleability of company influences and factors is an essential ingredient for sustained competitive advantage (Schmenner, 2005; Hutchison & Das, 2007). Indeed, there is no optimum method to lead a firm and thus the optimal styles are dependent on factors within and without that affect the performance of the organization. Where leadership teams are able to employ the best leadership style in an ever changing environment, this will result in the organization realizing its overall objectives and boosting its performance. From the study conducted, it is evident that manufacturing firms have been operating in volatile times. However the continued efforts of KAM towards harmonizing the manufacturing landscape in Kenya has greatly impacted the operating environment of manufacturing firms and affected performance positively.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides an analysis of the summary, provides conclusions and recommendations of the work in line with the original objectives found in chapter one. The chapter begins with a summary of the key results from interview sessions with key leadership individuals and then concludes on the results from the study. The chapter then looks at the recommendations provided, and an analysis of challenges faced whilst conducting the study is provided. The chapter concludes by providing suggestions for further research.

5.2 Summary of the Results

The main goal in this research undertaking was to evaluate the impact of strategic leadership teams and board diversity on the performance of Kenya Association of Manufacturers. To meet the objectives interview sessions with the senior management and the Board was the main source of primary data and a review of policy documents and existent literature provided the secondary data needed for the study. The study found that SLTs and board diversity have a positive correlation with the performance of KAM. The backgrounds, qualifications, skill set, experiences, structure and leadership of senior executives directly affected KAM’s performance. The performance of KAM was assessed based on three pillars of: membership development, policy and advocacy; and KAM consulting.

5.3 Conclusions

Literature on the impact of strategic leadership teams and board diversity on firm performance as demonstrated in this research work is of importance to executives and corporations, policy generators, governance arms, industry regulators and researchers. The study therefore concludes that senior executive teams and board diversity has a direct impact on company performance.

To continue and sustain this upward performance trend, KAM needs to ensure it continues to have in place a strong leadership team which drives the implementation and execution of its overall strategy. This study is a start and contributes conceptually to the literature in understanding the impact of senior executives and top leadership teams on performance. Firstly, it enhances the appreciation of the impact of strategic leadership teams on organizational performance. Secondly, it analyzes board diversity by assessing both observable and non-observable factors of diversity, and assesses the impact of this diversity on performance of firms.

Thirdly the study analyzed the challenges in constituting the various SLTs and ensuring diversity and concludes by assessing various performance challenges that have been encountered. For Kenya to realize its development goals as envisioned in the Vision 2030 blueprint, the manufacturing sector is a crucial contributor to the GDP of the country. The findings therefore confirm that senior leadership teams and diversity have had a direct and notable influence on the performance of KAM. These conclusions form the basis for the following recommendations.

5.4 Recommendations

The manufacturing sector is under threat due to lack of government commitment in the sector. The contribution of the manufacturing sector to the GDP of Kenya has been in the single percentage range and it is hoped that this contribution can increase to 16%. KAM continues to lobby for policies to realise this increased contribution.

KAM should strive to permeate the county level and engage more with county governments. It should continue spreading its impact and influence into all forty seven counties. KAM has continually worked with national government and must begin to engage and align with county governments. The Board and senior management should continue in their commitment to ensuring new chapters are opened across the country.

KAM should also continue to build its revenue streams. KAM has historically been very financially stable, and must continue in its initiatives to further solidify its financial footprint. Revenue streams can largely be built through membership development.

KAM should look for avenues to generate interest and encourage more corporates to join. This can be done through forums and networking activities which allow KAM to demonstrate value in joining its membership. KAM must also continue to make concerted efforts to erode the perception that it is an organization of large players in the industry. It must strive to continue to include various SMEs and strive to empower, champion and push for the interests of the smaller manufacturing firms in Kenya. KAM must therefore continue in its efforts to improve its relevance to SMEs. As noted in the research, SMEs often join KAM then leave due to unmet expectations and a mismatch in perceptions.

KAM should make a concerted effort to attract and include members from different sectors in the economy representing diverse views. Such sectors include banking, insurance, IT, logistics, finance and law. The board can incorporate on executive positions with limited voting rights. This will enable KAM to not only understand micro manufacturing issues, but enable the organization understand macro-economic factors that directly and indirectly impact on its operations. KAM should also strive to ensure diversity in age amongst its leadership. It should strive to bring in younger board members with fresh ideas who will ask the right questions, challenge the status quo and bring in fresh ideas. KAM should effect term limits for serving board members to allow for rotations and allow members who have served for long durations to exit.

KAM should consider relooking at its organizational structural design to have various independent and strategic arms housed under KAM to focus on the various manufacturing arms and sectors. There are fourteen industrial sectors and it is imperative to dig deep and focus to assess the industry issues within these sub-sectors. These arms may have fully functioning secretariats and boards which champion for the various sector needs and report directly into KAM as the overall governing body.

KAM should grow towards driving and championing public discourse on industry matters. In the last election for instance KAM presented a ten point agenda to political parties to include in their manifestos. KAM should therefore seek to be proactive in championing discourse as opposed to reacting to changes in policy.

KAM should continue to ensure it broadens its ethnic and gender composition. Concerted efforts have been made, however there still exists room for more inclusivity. KAM should also continue to strengthen its governance structures and introduce stringent policies, controls and procedures to strengthen the organization. KAM should continue in its efforts to strengthen, grow and broaden its impact, and thus drive the future of the industry in Kenya.

5.5 Limitations of the Study

Despite collecting an outstanding level of qualitative data, the findings from this study would have been improved and bettered by interviewing a greater number of senior executives. Whilst a substantial number of senior executives, board members and members of various working committees were interviewed, it was impossible to interview all seventeen board members.

5.6 Suggestions for Further Research

This study sought to identify the impact of strategic leadership teams and board diversity on the performance of KAM. The findings have ignited other questions that require further exploration. Therefore, there is need for further research especially on the impact of diversity on company performance and challenges in ensuring sustained diversity.

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APPENDIX I

INTERVIEW GUIDE

This interview guide seeks to collect data on the impact of strategic leadership teams and board diversity on the performance of Kenya Association of Manufacturers. Any information collected will be accorded utmost confidentiality and shall be used for academic research only.

SECTION A: GENERAL INFORMATION

1. Name of the respondent? (Optional)……………………………………………
2. What designation do you hold in the organization?
   a) Board member [ ]
   b) Management team [ ]
3. How long have you served in this position?...

SECTION B: STRATEGIC LEADERSHIP TEAMS, BOARD DIVERSITY AND PERFORMANCE

4. How has the performance of Kenya Association of Manufacturers been in the past ten years? Kindly comment with emphasis on membership development, policy research and advocacy initiatives, and KAM consulting initiatives.
5. Are the Board of Directors and the various Board committees diverse (observable and non-observable factors)? Please elaborate.
6. How has the management team impacted on the performance of KAM in the last ten years?
7. What has the impact of board diversity been on the performance of KAM in the last ten years?
8. Has there been any observable impact of both strategic leadership teams and board diversity on the performance of KAM in the last ten years?
9. What are some of the challenges which have been experienced in constituting the various strategic leadership teams at KAM?
10. What challenges have been experienced in ensuring diversity within the Board of Directors of KAM?