TOP MANAGEMENT TEAM DIVERSITY AND PERFORMANCE OF MAJOR COMMERCIAL BANKS IN KENYA

BY

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STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic work.

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

Signed: ____________________________ Date: _____________________

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DEDICATION

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ABSTRACT

The purpose of this study was to examine the top management team diversity and performance of major commercial banks in Kenya. The study sought to find out how top management team diversity and specifically age, gender, education level, professional qualifications, tenure in the bank service and tenure in the current role of the TMT influence financial performance of the major banks in Kenya. The study used descriptive and explanatory research designs. A sample of 5 banks from a population of 6 major banks was studied. The study used questionnaires and financial statements which were reviewed to answer the research questions. This study is important to banks, regulators, customers, employees, creditors and academicians. There were challenges encountered in obtaining all the samples due to the seniority of the respondents. Many were too busy and had to take time to give the necessary feedback. Respondents from one bank did not submit back the questionnaire hence this one is omitted from the discussion. This kind of research requires ample time to collect the required data since the respondents are specific.

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ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
GLS	Generalized least squares
KBA	Kenya Bankers Association
KSHS	Kenya Shillings
PHD	Doctor of Philosophy
ROA	Return on Assets
ROE	Return on Equity
SME	Small Medium Enterprise
TMT	Top Management Team
TMTD	Top Management Team Diversity
US	United States

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Gregory et al., (1995) defines performance measurement as the process of quantifying action, where measurement is the process of quantification and action leads to performance. Organizations perform, by satisfying their customers with greater efficiency and effectiveness than their competitors. Duren et al., (2002) defined diversity as the human attributes that are different from another person’s and that are different from those of groups to which another person belongs to. Top Management Team diversity (TMTD) is the extent to which the executive team is heterogeneous with respect to gender, age, academic qualifications, tenure, professional qualifications and functional back grounds.

According to upper echelons theory, top executives view their situations through their own highly personalized lenses because of the executives' experiences, values, personalities and other human factors. Thus, organizations become reflections of their top executives (Hambrick, 2007). Teece et al., (1997) defined dynamic capabilities as the capacity to renew competencies so as to achieve congruence with the changing business environment by adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competencies. This supports the need developing and deploying different forms of resource capabilities and diversities which may enrich the organization to achieve sustained competitive advantage.

According to CBK categorization, for the period ended 31 December 2012, the Kenyan banking sector had 6 large banks which accounted for 53.7 percent of the market share, 15 medium banks with a market share of 36.8 percent and 22 small banks with a market share of 9.5 percent. The 6 major banks are Kenya Commercial Bank Ltd, Equity Bank Ltd, Cooperative Bank Ltd, Standard Chartered Bank (K) Ltd, Barclays Bank of Kenya Ltd, CFC Stanbic Bank Ltd respectively from the largest to the smallest in order of the market share index. Market share index is the composite of net assets, deposits, capital, number of loan accounts and number of deposit accounts.

1.1.1 Top Management Team

The board of directors is the most important decision making body in a corporation. The top management team that sits on the board and also runs the organization is equally important in running the firm. They are responsible for approving major strategic and financial decisions, such as mergers and acquisitions and changes in capital structure, and also for the most important task of all, which is to hire and fire top executives. By selecting directors with different characteristics, firms may gain access to different resources. For example, directors with financial industry experience can help firms gain access to specific investors. Directors with political connections may be helpful to an organization especially in dealing with regulators.

According to (Tibben, 2010), there are several positions within the top management team, like Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Operating Officer (COO). Each manager of the top management team, regardless of its position, is able to influence strategic decisions and thereby the firm's performance. However, some positions are seen as more important than others. He further argues that the highest position is the position of CEO, who is responsible for overseeing all activities of the company. Other positions that are commonly considered to be part of the TMT are the CFO, who is responsible for overseeing the financial activities of the company, and the COO, who is responsible for managing the company's day-to-day operations. Both managers report directly to the CEO. Other TMT positions are, for instance, Chief Technical Officer, Chief Marketing Officer, and Chief Information Officer.

Top management teams make strategic decisions and the quality of these decisions influence organization performance. Quality decisions are the ones that consider all issues deserving thought with respect to the situation. They depend on thoroughness (Awino, 2013). This supports the view of Menz (2012) that the popularity of top management teams is a way of recognizing the benefits of distributing leadership so that several functional top team members can influence the strategic direction of the organization.

Based on the upper echelon theory, it can be concluded that top managers have an important influence on a firm's financial performance. The directors and leaders of an organization are expected to steer organizations onto the right direction and are tasked with strategic management of those organizations. According to Mackay & Sweeting (2000), leaders of the firms are required to perform their duties and responsibilities towards business changes and uncertainties especially in current dynamic environments, where the top leaders such as CEOs and directors are challenged to show their commitment and support explicitly through the management reports, particularly in managing risky and uncertain business activities. In a study, Hsu (2010) investigated the relationship between board characteristics and financial performance of U.S firms with initial public offerings from 2000 to 2002. By using Tobin's Q, financial performance of the firms was measured and findings showed that board quality in this case referring to board expertise and educational background positively related to firm performance.

1.1.2 Top Management Team Diversity

Carson et al., (2004) defined diversity as any attribute that humans are likely to tell themselves that another person is different from them. Diversity in groups and teams is often portrayed as a positive force leading to effective functioning of the team. Diversity supposedly leads to greater variance in ideas, creativity, and innovation, thus generating better group performance (Jackson et al., 1995). Diversity is an increasingly important factor in organizational life as organizations worldwide become more diverse in terms of gender, race, ethnicity, age and other characteristics (Shaw and Barrett-Power, 1998).

Diversity presents challenges and threats especially in the workplace, thanks to globalization. It is with regard to this that this study is conducted so as to identify perceptions of diversity in the workplace and its impact on performance in the banking sector. The main focus of this research was to find out if the top management team diversity in the tier one banking sector in Kenya does influence performance of an organization and its resultant effect. Owing to rapid globalization, extended markets and changes in demographic measures, the merit of evaluating and managing diversity has attracted increasing attention. This is because different work environments and challenges call for diverse workforces, hence diverse decision makers.

Munjuri and Maina (2013) argued that every organization that embraces management of workforce diversity enjoys more creative decision making, satisfying work environment, and better products because all employees are involved and feel encouraged to contribute in a meaningful way. This yields a knowledge base due to sharing of information and experiences which can lead to improved performance. Cultural diversity management which seemed more sensitive in the bank served the pivotal role for their study. The study involved a target population of four thousand employees of the bank and the respondents were from three branches in Nairobi region. Workforce diversity was found to affect employee performance at varying degrees considering both managers and non-managerial employees of the bank where the managers registered a greater impact and the impact was less among the non-managerial employees.

Various scholars have studied the effect on top management diversity on performance with different varying results and conclusions. According to Darmadi (2013) the degree holding CEOs from prestigious domestic universities performed significantly better than those without such qualifications. This is in support of Ujunwa (2012), whose study found that the number of board members with PhD qualifications impacted positively on firm performance in Nigerian quoted firms.

1.1.3 Organizational Performance

With continually increasing competition and dynamic environments characterized by turbulence, organizations are now forced to get more creative so as to adapt to these changes as well as deliver on their strategies. According to Ayadi et al., (2010) all firms exist to create added value by providing goods and/or services for which consumers are prepared to pay a price in excess of the costs of production. Hopkins and Hopkins (1997) used three measures in the financial performance of banks, namely, profits or net income, return on investment and return on shareholder equity (ROE).

In their research, Ayadi et al., (2010) used a number of accounting ratios to measure the economic and financial performance of banks. They used two commonly used profitability measures namely return on assets (ROA) and return on equity (ROE), which were calculated by dividing the pre-tax profits of each bank by total assets and equity, respectively. As a measure of the economic efficiency of a bank, the cost to income ratio was used, which was calculated by dividing the total operating costs by total operating income. Their findings highlighted that diversity had a role of contributing to broader financial stability in cooperative banks in Europe.

According to a study by Nyamongo and Temesgen (2013), the performance of commercial banks was mainly influenced by the board size and number of non executive directors. This contrasts with the findings of Ujunwa (2012) who investigated the impact of corporate board characteristics on the financial performance of Nigerian quoted firms. By using the random-effects and fixed-effects generalized least squares regression the study found that board size, CEO duality and gender diversity were negatively linked with firm performance, whereas board nationality, board ethnicity and the number of board members with a PhD qualification were found to impact positively on firm performance. However, the findings indicated that using the same board characteristics for one hundred and sixty small firms showed that board duality was positively linked to firm performance, while a PhD qualification was negatively linked to firm performance. This evidence supports the view of Hsu (2010), whose study showed that board quality (board expertise and educational background) positively related to firm performance.

Smart et al. (2008) studied the concurrent contribution of baseball manager leadership and athlete abilities to performance. Notable findings from this study include the conclusion that athlete abilities were much more significant than a manager's leadership abilities in explaining performance variations.

1.1.4 Commercial Banks in Kenya

Kenyan banks are licensed and regulated by the Central Bank of Kenya (CBK).They have realized tremendous growth in the last five years and have expanded to the East African region. Owing to the stiff competition, banks are now focusing on the diverse customer needs and automation rather than traditional banking products and they have had to get more creative to adapt to the changing environment and meet the growing complex needs of their customer and globalization challenges. This demands for a set of leaders that will support diversity in leadership, products and services in the industry. The banking sector was rated strong in 2012, a similar rating attained in 2011.

According to Maina (2013), the banking industry in Kenya has in the past always recorded impressive results with a growth in profitability regardless of the prevailing economic conditions. This growth in profitability was at a time when inflation rate in Kenya was increasing and the country was experiencing slowed economic growth. The Central Bank rate and repo rate, for instance, rose significantly to 18 percent and 17.75 per cent respectively during the year 2011.

According to Gacheru (2013), every board should consider whether its size, diversity and demographics make it effective. Diversity applies to academic qualifications, technical expertise, relevant banking knowledge, experience, nationality, age and gender. Every institution is required to submit an annual report to the Central Bank of Kenya highlighting the initiatives taken to ensure that the board is properly constituted and is appropriately diverse. (Central Bank of Kenya, Prudential Guidelines 2013).

1.2 Research Problem

According to Tibben (2010) top management team diversity is associated with more imaginative company strategies and decisions of a better quality but it could also lead to more conflicts on the top management team resulting in time consuming and less effective decision making process. It is therefore important to establish if top management team would actually influence a firm’s performance. Performance is important in most organizations as it highly determines the continuity of a firm in a highly competitive environment. Financial performance measures how well a firm is generating value for the owners.

Knight et al., (1999) investigated the effects of demographic diversity within top management team seventy six 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.

On the other hand, Kock et al., (2011) investigated how top management team characteristics affect a firm's strategic innovation orientation based on the upper echelon theory, and how this related to innovation outcomes and firm performance. Results indicated that top management team diversity had a strong positive effect on a firm's innovation orientation therefore emphasizing the importance of top management team characteristics as antecedent for innovation strategy and innovation outcomes. Limitations of the study included the focus on the manufactured goods industry only, which created room for future research in other industries as well as future research on innovation strategy in different contexts.

In their study, Ling et al., (2006) findings were consistent with Hambrick and Finkelstein's (1987) assertion that no other group, including the board of directors, has as great a potential for affecting the form and fate of an organization as the small group of senior executives residing at the apex of the organization. The study recommended more research to find out whether the findings generalize to larger firms as unlike SMEs, outcomes at larger firms are driven by a broader set of ecological influences like multiple product lines and markets, more complex organizational systems, external governance pressures from an independent board of directors, and by capital markets that monitor firms and provide feedback to shareholders via share price.

In their research, Nielsen and Nielsen, (2012) examined the equivocal 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. The study had limitations, in that while nationality is a powerful analytical construct, according to Hambrick et al., (1998), it is not completely deterministic as other factors may influence an individual's institutionally embedded experiences.

Nyamongo and Temesgen (2013) investigated the effect of corporate governance on the performance of 37 commercial banks in Kenya. By using two measures of performance, ROA and ROE, and regression analysis the study found that the existence of independent board of directors enhanced their performance. This supports the views of Ameer et al., (2010) who examined the relationship between board composition and firm performance using a board level aggregation variable by using linear regression to analyse panel data set of Malaysian firms over five years. The findings showed that firm boards with a high representation of outside and foreign directors are associated with better performance compared to those firm boards that have a majority of insider executive and affiliated non-executive directors.

Another study focused on the relationship between top management team characteristics and the adoption of IT technologies amongst small businesses in the United States (Chuang, Nakatani, & Zhou, 2009). This research focused on the extent to which IT adoption can be measured as a function of top management team characteristics. Findings indicated that age, educational background and group heterogeneity could be used to explain rates of IT adoption amongst the small businesses included in the sample. Thus, a link between top management team characteristics and strategic choices related to technology adoption was supported by this study.

Awino et al., (2013) investigated the effect of involvement culture on the relationship between TMTD and organization performance. Involvement culture was the moderating variable and it was found to have a significant effect on the relationship between top management team diversity and organization performance. Since most organizations have diversity at the TMT level, there is need to make deliberate efforts and invest in good management practices which enhance organization performance. The recommendation was for future studies to find out which other moderating variables have a positive effect on the relationship between TMTD and organization performance. Does top management team diversity influence performance of major commercial banks in Kenya?

1.3 Research Objectives

The following is the objective of this study:

To evaluate how top management team diversity affects performance of major banks in Kenya.

1.4 Value of the study

The study is of value to the policy makers. This includes the regulating bodies of the commercial banks as well as other organizations in Kenya as it contributes to the body of knowledge that regards the importance of the top management team in an organization and the kind of effect they may have in an organization's performance. It influences the kind of policies in place to govern performance of organisations. It is of use to recruiting companies and other HR officials as it indicates the importance of considering top management diversity in recruitment processes. It will aid creditors and investors in making investment decisions by assessing the TMTs in banks.

This study assists academicians in building the body of knowledge regarding the influence of top management team diversity to financial performance of banks. There is room for more information and research in this area of top management team diversity and this study contributes to the current knowledge on the subject. Firms benefit from the study because they relate TMTD to financial performance and find the information vital especially during hiring and recruiting top management team officers. Questions have lingered in the banking industry regarding the impact of TMT diversity to performance and this study addresses these questions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter details the literature review conducted on the specific objectives for the study. The premise for the study is the upper echelon theory, the dynamic capability theory and the organizational theory which will be discussed in the chapter.

2.2 Theoretical Foundation

This study is based on Hambrick and Mason's (1984) upper echelon theory which argues that the psychological and cognitive characteristics underlying and observable demographic measures are critical to the group's processes and subsequent decisions. Prior research on strategic changes has asserted that long-tenured CEOs are less likely to initiate strategic changes. Hambrick and Mason (1984) further argued that focus should be directed towards those data readily observable reflecting individual characteristics with respect to the educational, professional, and social backgrounds of prominent managers in organizational contexts.

According to Juravich (2012), those managers with significant professional experience within an organization or industrial context come to act in accordance with their previous experiences more so than on the basis of their individual attributes. Strategies employed in organizational life as a function of executive decision making are often a function of macro forces driving the pursuit of organizational goals. For example, an executive who is newly hired from an outside firm may bring a different perspective to the decision making process than an individual promoted from within the organization to the position of manager. Although a CEO may be able to formulate a company's strategy without any pre-assumptions, in reality his or her decisions often are subject to cognitive limits, personal preferences, and potential bias (Cyert & March, 1963; March & Simon, 1958).

The study is also based on the dynamic capabilities theory and according to Teece (2007), dynamic capabilities can be disaggregated into the capacity to sense and shape opportunities and threats, the capacity to seize opportunities, and the capacity to maintain competitiveness through enhancing, combining, protecting, and when necessary, reconfiguring the business enterprise's intangible and tangible assets. Organizational theory also forms part of the premise onto which this study is based and it is usually explained as the study of formal social organizations and their interrelationship with the environment in which they operate. According to Leithwood (1998), the extent to which routines and frameworks of individual members become shared over time influences the development of group culture and vision and, in turn, can influence the culture and vision of the organization as a whole.

2.2.1 Upper Echelon Theory

Hambrick and Mason (1984) developed the upper echelon theory that suggests that characteristics of top-level management teams are determinants of strategic choices. Usually organisations are ran through strategic decisions and if these are affected by the characteristics of the top level management team, then these characteristics of the upper echelon can be taken to influence the running of the organisations. Hence as Hambrick and Mason (1984) further argue, top management teams demographic characteristics which include age, functional tracks, other career experiences, education, socio-economic roots, financial position, and group characteristics are good proxies for the underlying traits and cognitive processes of the top management team.

Upper echelon theory, Hambrick and Mason (1984), is deeply rooted in the behavioural theory of the firm. Its main underlying assumption is that human limitations influence the perception, evaluation and decisions about organisational problems and hence influence firm's choices and behaviour. Notably also, Jackson (1992) states that top management diversity has a positive impact on the resolution of complex problems, however, difficulties of communication and understanding may exist in these teams and for this reason, some of the advantages of both diversity and homogeneity may be reflected in the team's performance.

The central premise of upper echelons theory is that top executives view their situations - opportunities, threats, alternatives and likelihoods of various outcomes - through their own highly personalized lenses. These individualized construals of strategic situations arise because of executives' experiences, values, personalities and other human factors. Thus, according to the theory, organizations become reflections of their top executives. (Donald C. Hambrick1, 2007).

Hambrick (2007) postulated that top managers who face a high level of challenges will have less time to contemplate decisions and therefore take mental shortcuts and rely more on their personal backgrounds. Thus, he predicts that the relationship between managerial characteristics and organizational outcomes will be stronger when the level of managerial challenges is high. In situations where managers face a lower level of challenges, in contrast, their decision making will be more thorough and rely less on their personal characteristics. Hence, the link between upper echelon characteristics and organizational outcomes should be weaker in such situations (Hambrick 2007).

2.2.2 Dynamic Capabilities Theory

Dynamic capabilities can explain how business firms create, define, discover, and exploit entrepreneurial opportunities in complex and volatile external environments in search for a strategic matching of resources and market needs. Dynamic capabilities have no doubt been relevant to achieving competitive advantage for some time. However, their importance is now amplified because the global economy has become more open and the sources of invention, innovation, and manufacturing are more diverse geographically and organizationally (Teece, 2007).

According to Teece (2007), a capability is a set of learned processes and activities that enable a company to produce a particular outcome. Ordinary capabilities are like best practices. They typically start in one or two companies and spread to the entire industry. Every automobile company knows how to build an assembly plant, or how to get relatively quick equipment turns on the line. He further emphasises that it is very hard to figure out which capabilities are most important, which aspect of the way things are done around here is the one that leads to superior performance. Sometimes people in an organization don't know why their own capability is successful. Dynamic capabilities coupled with good strategy are seen as necessary to sustain superior enterprise performance, especially in fast-moving global environments.

Teece et al. (1997) define dynamic capabilities as the ability to integrate, build, and reconfigure internal and external competencies to address rapidly-changing environments. From their study, Cui and Jiao 2011 developed and tested a mediation model for the relationship between dynamic capabilities and sustainable competitive advantage in the context of China. The empirical results reveal that strategic alliance with stakeholders plays mediation role between dynamic capabilities and sustainable competitive advantage. Therefore, sustainable competitive advantage originates from their capabilities to create, accumulate, and utilize internal resources to form strategic alliances.

Teece (2007) further argues that in fast-paced, globally competitive environments, consumer needs, technological opportunities, and competitor activity are constantly in a state of flux. Opportunities open up for both newcomers and incumbents, putting the profit streams of incumbent enterprises at risk. When opportunities are first glimpsed, entrepreneurs and managers must figure out how to interpret new events and developments, which technologies to pursue, and which market segments to target. They must assess how technologies will evolve and how and when competitors, suppliers, and customers will respond. He further notes that while certain individuals in the enterprise may have the necessary cognitive and creative skills, the more desirable approach is to embed scanning, interpretative, and creative processes inside the enterprise itself.

Bartlett and Ghoshal (2002) noted that as major global competitors achieve parity in the scale of their operations and their international market positions, the ability to link and leverage knowledge is increasingly the factor that differentiates the winners from the losers and survivors. They were tilting toward elements of a dynamic capabilities framework, because such a framework is also about linking and leveraging know-how. Good strategy, strong ordinary capabilities, scale (in some circumstances), and strong dynamic capabilities are all needed for long-term growth and survival in the framework.

2.2.3 Organizational Theory

Organizational theory studies organizations to identify patterns and structures for how they solve problems, maximize efficiency and productivity, and meet the expectations of stakeholders. Organizational theory then uses these patterns to formulate normative theories for how organizations function best. In an organization, goal setting is one of the control systems, a component of the appraisal process and an effective tool for human resource management (Locke, 1968). According to Senge (2006), in the long run the only sustainable competitive advantage is an organization’s ability to learn faster than the competition.

Taylor's (1911) theory of scientific management argued that to enhance the functioning of an organization, an employee must be carefully chosen for a given specialization, specifically trained for that particular task, and placed appropriately in the organization's hierarchy under the tight control of a suitable supervisor. On the other hand Fayol (1949) stated that it would be most efficient to have strict rules regarding the distribution of control and power within the organization. The rational organization assists the individual in adjusting to the technical, complex world of the twentieth century (Stever 2000).

Goal setting and performance are usually taken to have a definite linkage and this is supported by Anderson (1988) who argues that integration and coordination of objectives and activities of specialized units or sub-systems in order to achieve the organization's overall strategic objectives is necessary. The purpose of strategic planning is to enable a company gain as efficient as possible a sustainable edge over its competitors (Ohmae, 1983). It is all about competitive advantage. Strategic planning thus implies an attempt to alter a company’s strength relative to that of its competitors, in the most efficient and effective way. It focuses on the direction of the organization and actions necessary to improve its performance. There are several factors that contribute to organizational growth (Child and Kieser, 1981). The most obvious is that growth is a by-product of another successful strategy. A second factor is that growth is deliberately sought because it facilitates management goals. A third factor is that growth makes an organization less vulnerable to environmental consequences.

According to Senge (1990) one of the most serious learning disabilities is when people form a strong identification with their position. What they do becomes a function of their position and they see themselves in specific roles, unable to view their jobs as part of a larger system. He further emphasises that new organizations can be built by adopting a set of disciplines defined as a particular theory, translated into a set of practices, which one spends one's life mastering. This becomes a life-long learning process.

2.3 Top Management Team

Rivas (2012) states that the term TMT refers to the small group of the most influential executives at the apex of an organization that is the CEO and those that report directly to him or her. He emphasizes that top management is a shared activity and indicates that the TMT of the organization does govern jointly. This team is responsible for the decisions made by the organization, a view supported by Agnihotri (2014) who states that strategic decisions are made by the TMT hence, their traits and demography should have a direct impact on a firm's strategic behavior. The upper echelon interact, negotiate and extensively influence each other's decisions, particularly strategic decisions.

Decision making in firms is one of the core managerial functions and according to Mintzberg et al., (2009), the managerial discretion at senior levels allows executive directors more freedom to influence strategy than lower level managers. Therefore, the decision making process is clearly influenced by the values, beliefs and attitudes of the top management team. Juravich (2012) argues that in organizations where collaborative decision making is practiced as a standard approach to addressing key strategic issues, a focus on the TMT is appropriate when analyzing the impact of demographics on performance. In settings where an individual is granted and exercises full authority to put decisions into action, focus on this individual alone may be sufficient when applying upper echelon theory.

2.4 Top Management Team Diversity

As earlier noted, diversity is the host of individual differences that make people different or similar to each other in varied settings and encompasses various interrelated dimensions of humanity including race, ethnicity, gender, gender identity and expression, socio-economic status, nationality, citizenship, religion, sexual orientation, ability and age. Jackson et al., (1995) argued that diversity in groups and teams is often portrayed as a positive force leading to effective functioning of the team. It contributes to better team performance due to the variety of unique ideas, creativity, and innovation.

Jackson (1995) indicates that organizations with more diverse senior managers are expected to adopt initiatives which help organizations attract diverse talent and facilitate organizational functioning through attention to the needs of diverse employees. Agnihotri (2014) argues that certain traits of a TMT also act as a catalyst to expedite the decision-making and decision implementation processes, while other traits can introduce friction in strategic decisions; hence, they can influence the intensity and heterogeneity of strategic moves taken by a firm across the value chain. According to Bantel and Jackson (1989), the cognitive ability of managers is influenced by the educational level they have attained.

2.5 Organizational Performance

Performance has been associated with influence from the TMT and Darmadi (2013) examined the influence of the educational qualifications of board members, as well the CEO on the financial performance of Indonesian listed firms. By using Tobin's Q, ROA to measure financial performance and regression analyses performed on the supervisory board, management board, and the CEO. The findings indicate that the ROA or Tobin's Q is influenced by educational qualifications of board members and CEO especially, whereby the CEOs holding degrees from prestigious domestic universities perform significantly better than those without such qualifications.

Petri and Soublin (2010) explored the necessary considerations in assessing and improving board performance in a Fortune 50 organization facing complex strategy execution challenges. They used face-to-face interviews with board members and aggregate questionnaires completed by board and key members of the management team. The researchers found that a board should possess the necessary depth and breadth of experience to gain the respect and trust of the executive.

According to Heinrich (2002), various terms refer to performance management initiatives in organizations like performance-based budgeting, management-by-objectives, planning, programming and budgeting, and pay-for-performance and he further explains that the process of measuring and subsequently actively managing organizational and employee performance in order to improve organizational effectiveness is currently seen as critical to the development and survival of organizations.

2.6 Top Management Team Diversity and Organizational Performance

To achieve performance improvement, organizations must have capable, committed leadership and engagement in both the executive leadership and the board room to steer the organization to the right strategic direction. Ling et al., (2006) not only suggested that top management team behavioral integration is essential to achieving an ambidextrous (firms are capable of exploiting existing competencies as well as exploring new opportunities with equal dexterity) orientation in SMEs; they also suggested that the joint pursuit of an exploratory and exploitative orientation affects performance.

Nielsen and Nielsen, (2012) in their research while combining upper echelons theory with insights from institutional theory, established a new, timely dimension of TMTD called nationality diversity and developed an integrated multilevel framework explaining how its performance implications vary across contextual settings. The research demonstrated that the consequences of TMTD depended on the specific attributes of diversity being considered and firm and industry conditions under which strategic decisions take place.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The previous chapters highlight the statement and background of the problem, the objectives, importance; scope of the study and literature review. This chapter will detail the research design, population and sampling design, data collection methods, research procedures and data analysis methods.

3.2 Research design

In assessing the TMTD characteristics as the independent variable and financial performance of banks as the dependent variable, descriptive survey research design was used for this study. This design was used to obtain information describing the characteristics of the population, and explain the current environment of the population including practices, conditions or needs. It provides information that is useful for generating research questions.

Descriptive research designs were used to obtain information and to describe the existing status of the variables, given the different conditions of the problem under study. Descriptive research designs help provide answers to the questions surrounding the research problem and hence provide important information to answer questions of who, what, when, where, and how with regard to the problem. Descriptive studies in which the researcher interacts with the participant, may involve surveys or interviews to collect the necessary information. In this study questionnaires were used for data collection.

3.3 Population of the study

The population of study was the 6 major banks in Kenya. However the data was only available from 5 of them as one bank did not submit its responses. According to CBK categorization of banks, based on the market share for the period ended 31 December 2012, the Kenyan banking sector had a total of 43 banks, categorized as 6 large banks, with 53.7% market share, 15 medium banks at 36.8% and 22 small banks at 9.5%. Market share index is the composite of net assets, deposits, capital, number of loan accounts and number of deposit accounts.

The target population for a survey is the entire set of units for which the survey data are to be used to make inferences. Thus, the target population defines those units for which the findings of the survey are meant to generalize. A census is the procedure of collecting and recording information systematically about the members of a given population. Under this method, data is collected for each and every unit of the population. According to Cooper and Schindler (2001), the sampling frame is the list of elements from which the sample is actually drawn. It is the list containing the population elements of interest.

The sampling frame of this study was a list of all the 6 major licensed commercial banks in Kenya and was sourced from the CBK, the Regulator of the banking industry in Kenya as at 31 December 2012. These are Kenya Commercial Bank Ltd, Equity Bank Ltd, Cooperative Bank Ltd, Standard Chartered Bank (K) Ltd, Barclays Bank of Kenya Ltd and CFC Stanbic Bank Ltd respectively from the largest to the smallest in order of the market share index.

3.4 Data collection

A questionnaire is a data collection tool that is also used to record the data and it contains a list of questions directed to particular respondents and a definite purpose which is to meet a set objective as per the study or research. The tool that was used in collection of primary data for this study is the questionnaire. According to Cooper and Schindler (2001), primary data relates to raw data without interpretation or pronouncements that represent an official opinion or position. Secondary data on the other hand are interpretations of primary data. The study used both primary and secondary data.

For this study, quantitative measures of performance of the subjects that were used are return on average assets, return on equity, and gross profit which were collected from the banks' secondary data. The secondary data was the published financial statements as at 31 December 2013 which were audited. The published financial statements were collected through the various websites of the banks and from the corporate governance disclosures.

The independent variables in the study were age, gender, education level, professional qualifications, tenure in the bank service and tenure in the current role of the TMT members while performance of the banks was the dependent variable and this was measured using the balanced score card perspective namely financial, customer, internal business process and learning and growth. The respondents of the questionnaire were the heads of HR who provided the bio data of the CEO, CFO, COO and, or the CIO.

3.5 Data analysis

Descriptive statistics display characteristics of location, spread and shape of an array of data. Inferential statistics includes the estimation of population values and the testing of the statistical hypotheses (Cooper and Schindler, 2001). Descriptive statistics provide simple summaries and form the basis of virtually every quantitative analysis of data. Data analysis in this study involved coding the collected data in an ordinal, categorical manner, editing of the data to remove any errors, inconsistencies, ambiguity and omissions.

Descriptive statistical technique was used to describe the basic features of the data in the study, in this case which is the characteristics of the top management team in the major banks in Kenya, and to analyze demographic information, to get the mean, modes and percentages and tabulate the results. Inferential statistics was used because they permit a researcher to generalize to a population of individuals based upon information obtained from a limited number of research participants. Simple regression analysis was used to calculate top management team diversity on organization performance. The findings of the study were discussed in relation to the research questions. Conclusions were then drawn and recommendations made.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The previous chapters highlighted the statement and background of the problem, the objectives, importance; scope of the study, literature review and research methodology. This chapter details the results and findings of how top management team diversity affects performance of the major banks in Kenya.

4.2 Descriptive Statistical Results and Findings

The TMTD under study was age, gender, education level, professional qualifications, tenure in the bank service and tenure in the current role of the TMT. The four aspects of the balanced scorecard namely financial, customer, internal business processes and learning and growth were used in measuring the organizational performance for these banks for the year ending 31 December 2013 and the quantitative measures of performance used were the gross profit ROA and return on average assets.

The quantitative data was obtained from secondary data in form of published annual reports and financial statements for the banks for the year ending 31 December 2013. Questionnaires were used to collect the primary data. All of the variables collected were entered into a series of linear regression models and analyzed using SPSS. Descriptive statistics were used to describe the basic features under study of the top management team in the major banks in Kenya. The samples under study were 5 banks since data from one bank was missing and removed from the analyzed data.

4.2.1 TMT and Financial performance

Financial performance measures used were the gross profit of the various banks, the return on equity which was calculated by dividing the total income of the bank by the shareholders' equity and return on average assets which was calculated by subtraction of the expenses of the company from the total income of the bank and then dividing that by the total assets in the bank.

The main reason as to why gross profit was picked as opposed to net profit was due to the variances in taxes depending on various factors for example deferred tax and these may vary from firm to firm and also from period to period. The researcher was of the view that this may bring unnecessary variations and hence decided to use gross profit.

4.2.1.1 Age of the Respondents

The study sought to evaluate the average ages of the TMTs in these banks. The age during the year of analysis of each member of the sample was thus collected and included as an independent variable. The results indicate that 55% of the TMT were 46 years old and above while 45% were in the 35-45 years bracket. 60% percent of the institutions under study had all their top management team members over 46 years old.

4.2.1.2 Gender of the Respondents

The study also sought to evaluate the gender mix of the top management team members. The results indicate that 80% of the TMT were male and 20% of the top management team were female. This is an indication of unequal distribution of the top management team with regard to gender whereby in 40% of the banks under study there was 100% male and no female top management team. These results support the findings of Tibben (2010) whose research indicated that female and foreign directors are not only underrepresented in the top management team, but also hold less important positions than male and domestic directors.

4.2.1.3 Educational Qualifications of the Respondents

The study also sought to evaluate the mean of TMT educational qualifications. Each TMT members' educational background was coded based upon whether or not they completed a four year undergraduate degree or a masters degree. Levels of education were included as a '1' if it was an undergraduate degree or '2' if it was masters degree.

The results in Table 4.1 shows that the education qualifications of these TMTs were high as 80% of the top management team members were also holders of masters degrees while 20% of them had the first degrees. The majority of the TMTs in this study hence it is indicated were masters degree holders.

Table 4.1: Educational Qualifications of the Respondents

Item	Frequency	Percent	Cumulative %
First degree	4	20.0	20.0
Masters holders	16	80.0	100.0
Total	20	100.0	

Source: Primary Data, 2014

4.2.1.4 Professional Qualifications of the Respondents

The study also sought to evaluate the mean of top management team members' professional qualifications. This category included those top management team members found to have had any professional qualifications including Human Resource Management, Certified Public Accountants, Certified Public Secretaries, Management Certification, Law or an equivalent. It was also noted that all the chief financial officers in the study had professional qualifications which may have been due to the nature of financial reports that they deal with on a day to day basis.

The results in Table 4.2 indicate that 70% of the TMTs possess professional qualifications. Only 30% of this team did not possess any professional qualifications hence these results clearly indicated that professional qualification of the TMTs was high with a minority of them having none. The results also show that it was not a necessity to possess the professional qualifications in order to be hired as a TMT.

Table 4.2: Professional Qualifications of the respondents

Item	Frequency	Percent
TMT with professional qualifications	14	70.0
TMT without professional qualifications	6	30.0
Total	20	100.0

Source: Primary Data, 2014

4.2.1.5 Time of employment in the current bank in Years

The study sought to evaluate the mean of the length of time the top management team members had worked in their respective banks. The number of years each top management team member had been employed in their current organization was collected and included as an independent variable.

Table 4.3: Time of employment in the current banks in years

Item	Frequency	Percent	Valid Percent	Cumulative Percent
Below 5 years	6	30.0	30.0	45.0
5-10 years	4	20.0	20.0	65.0
11-15 years	4	20.0	20.0	85.0
16 years and above	3	15.0	15.0	100.0
Total	20	100.0	100.0	

Source: Primary Data, 2014

The results in Table 4.3 above show that 15% of the top management team members had worked in the companies for which they were top management team members for 16 years and above. 30% had below 5 years of working in the respective banks which meant that they were relatively new in the various banks that they were top management team members. 20% of the TMT had between 5 and 10 years and another 20% had worked for 11-15 years in those companies. 15% of the top management team members did not answer this question hence these data was treated as missing information.

4.2.1.6 Length of time in current role in Years

The study also sought to evaluate the mean of the top management team members time in their current roles. Longer length of time in the role would indicate more experience in that role as there is a possibility that the TMT would be having repeat experiences of what had occurred in the past. Less length of time in the role was taken to indicate that most of the experiences and decision making scenarios would be new to the top management team. In this case, the number of years each TMT had been in their current role as a TMT during was collected and included as an independent variable.

The results also show that 65% of the board of directors had below 5 years in their current roles as top management team members in these companies. 0nly 5% had over 16 years of being members of the top management team of the current banks they were in. Conclusively, having been below 5 years old in their current roles, most of the top management team members were relatively new in their present roles in the respective companies under study. 15% of the top management team members did not give feedback on their length of stay in their current roles as top management team members thus this was also treated as missing information.

From these results it is evident that educational and professional qualification of the top management team members was important in the adequate monitoring of banks since top management team members executed most of the decisions that were crucial in the strategic direction of the banks hence critical assessment of information required technical expertise.

4.2.1.7 Correlations

Inferential statistics were conducted which included correlations between education level, professional experience; length of time in the role, length of time in the organization and financial performance. The hypotheses and results are that the correlation coefficient of the length of time a top management team member has been in an organization was 0.637 indicating that length of time in an organization and financial performance were positively correlated. Education of the top management team member and the length of time in current role had a significance level of 0.873 and 0.985 to net profit respectively.

In conclusion to the finding, education and length of time in current role as a top management team member is not significant and these two variables are not linearly related to financial performance. There was no significant relationship between top management team members' level of education and financial performance. H_o: there was no significant relationship between TMT professional experience and financial performance. H_o: there was no significant relationship between top management team members' length experience in a certain role and financial performance.

4.2.1.8 Age and Gender with Financial performance

This study also sought to establish the relationship between age and financial performance as well as gender and financial performance. The correlations analysis was done and the results in Table 4.4 below indicate that age and financial performance had a weak positive correlation of 0.177. On the other hand, gender and financial performance which had a relatively strong negative correlation of -0.667.

As gender balance increases, then gross profit decreases and vice versa. This was in contrast to the findings of Litz and Folker (2002) whose study, based on a sample of US firms, found that a female top management team member's presence higher than 40% has a positive effect on the firm profits. The reason for this difference might be the consequence of country differences, the nature of industry studied or method of measurement.

Table 4.4: Correlations of Age and Gender with financial performance

Item		Gross profit	Age	Gender
Gross Profit	Pearson Correlation	1	.177	-.667
	Sig. (2-tailed)		.775	.218
	N	5	5	5
Age	Pearson Correlation	.177	1	.535
	Sig. (2-tailed)	.775		.353
	N	5	5	5
Gender	Pearson Correlation	-.667	.535	1
	Sig. (2-tailed)	.218	.353	
	N	5	5	5

Source: Primary Data, 2014

4.2.1.9 Linear Regression Analysis

Also linear regression analyses were conducted and the results are detailed below. There is a linear relationship detailed as follows:

$Y= -535420.061x_1-1204656.242x_2 -774672.636\ x_3+15329655.333$

Where; x_1 stands for education;

x_2 stands for profession;

x_3 stands for length of time in the role; and

Y stands for gross profit which is an indicator of financial performance.

Table 4.5: Linear regression of TMT and performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Item	B	Std. Error	Beta	B	Std. Error
(Constant)	15329655.333	7492740.176		2.046	.289
Education	-535420.061	1754948.417	-.300	-.305	.811
Profession	-1204656.242	1678051.644	-.675	-.718	.604
Length of time in the role	-774672.636	1852518.856	-.464	-.418	.748

Source: Primary Data, 2014

The results indicate that less educational, professional qualifications and less length of time in a role, contributed to a profit of approximately KShs 2.9 million in the banks. Every 1 level increase in educational qualifications led to a reduction in net profit of KShs 15.3 million while every 1 level increase in professional qualifications led to a decrease in net profits of KShs 1.2 million. Also, every 1 level increase in length of time in the top management team role led to a decrease in net profit of KShs 774 thousand.

Table 4.6: Linear regression showing the r squared results.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.590(a)	.348	-1.607	2409918.199

Predictors: (constant), length of time in the role, profession, education

Source: Primary Data, 2014

4.2.2 TMT and the balanced score card

Analysis was undertaken to determine the effect of the top management team diversity factors on the four perspectives of performance based on the balanced score card namely financial, customer, internal business processes and learning and growth. The results were then analyzed.

4.2.2.1 The Effect of TMT Diversity on Financial Perspective of Performance

The results in Table 4.7 below indicate that the length in time as a top management team, being -0.919 is strongly negatively correlated against financial perspective. Length in the organization and education indicate a negative correlation while age and gender have a positive correlation.

Table 4.7: The Effect of TMT Diversity on Financial Perspective of Performance

Model	Item	Financial perspective
Pearson Correlation	Financial perspective	1.00
	Length in role	-.919
	Length in org	-.373
	Education	-.218
	Age	.667
	Gender	-.327
Sig. (1- tailed)	Financial perspective	.
	Length in role	.014
	Length in org	.268
	Education	.362
	Age	.110
	Gender	-.2957

Source: Primary Data, 2014

It indicates that the longer the TMT take in a top management role the less the impact on financial perspective. Age has a relatively strong positive correlation at 0.667 indicating that the higher the number of years of the TMT the more the impact on financial performance. Other TMTD factors show weak correlations against financial perspective.

4.2.2.2 The Effect of TMT Diversity on Customer Perspective of Performance

Table 4.8: The Effect of TMT Diversity on Customer Perspective of Performance

Model		Customer
Pearson Correlation	Customer	1.00
	Length in role	-.375
	Length in org	-.456
	Education	.134
	Age	.102
	Gender	.535
Sig. (1- tailed)	Customer perspective	.
	Length in role	.267
	Length in org	.220
	Education	.415
	Age	.435
	Gender	.177

Source: Primary Data, 2014

The results below indicate that the gender has a moderate positive correlation to customer perspective of performance. The other top management team factors have weak correlations against customer perspective of performance. Age and education factors have a positive correlation but length of time that the TMT has been in organization and length of time in the top management team roles have negative correlations.

4.2.2.3 The Effect of TMT Diversity on Internal Business

Table 4.9 below shows that the TMTD factors have no correlation with the internal business processes. Hence shows that top management team diversity in this study does not influence the internal business processes of the banks under study.

Table 4.9: The Effect of TMT Diversity on Internal Business Processes Perspective of Performance.

Model		Financial perspective
Pearson Correlation	Internal business perspective	1.00
	Length in role	00
	Length in org	0
	Education	0
	Age	0
	Gender	0

Source: Primary Data, 2014

4.3 Chapter Summary

This chapter detailed the results and findings of how top management team diversity attributes of age, gender, educational qualifications, professional qualifications, length of time in an institution and length of time in the top management team role affects performance of the major banks in Kenya.

4.4 Discussion

From the results of the study, linear regression analysis as highlighted in section 4.2.1.9 indicates that an increase in professional qualifications as well as less length of time in a role contributes to a decrease in net profits. The results on table 4.8, indicating the beta values show the degree to which each predictor affects the outcome when all other predictors are held constant. All the factors had negative predictors. Education factor had insignificant effect on organizational performance at $\beta = -.300$ while length of time in the role also had a moderately significant effect of $\beta = -.464$. Professional qualifications had a negative significant effect on organisation performance at $\beta = -.675$. Through the *t* statistics for this model it was established that none of the factors of top management team diversity is contributing significantly to the outcome.

The results of the regression analysis of length of time in the role, profession and education against one factor of organization performance, financial perspective show the value of R2 is .348, meaning that these top management team factors can only explain 34.8 percent of financial performance. The rest, 65.2 percent is explained by other factors. We can therefore conclude that top management team diversity has no significant effect on organizational performance as per the results.This indicates that increase in educational and professional qualifications of top management team members contributed to decrease in profits. It further indicates that the overall top management team diversity does not have a significant effect on organizational performance. Further, the study established that only one top management team factor, length of time in the role, had a negative significant effect on the overall organizational performance. This can adversely compromise on performance if there is no balance in handling the management issues. The results of this study further indicate that age and performance had a weak positive correlation while gender had a relatively strong negative correlation. An increase in education level, professional level and length of stay in a company or role contributed to decrease in the financial performance in terms of gross profits.

This study then to some extent agrees with the findings by of Murray (1989) who argued that high team heterogeneity may lower performance in stable environments because the top management team would be less cohesive and require more formal communication. These findings as well support the views of Ujunwa (2012) regarding small firms, which indicated that PhD qualification was negatively linked to firm performance. However the results contrast the findings of Hsu (2010) which showed that educational background of directors positively related to firm performance.

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The previous chapters highlight the statement and background of the problem, the objectives, importance; scope of the study, literature review, research methodology, results and findings. This chapter details the summary and conclusions of how TMTD affects performance of the major banks in Kenya while detailing recommendations for improvement and further studies in TMTs in the banking industry in Kenya. It also indicates the challenges faced while this research was being conducted.

5.2 Summary

The results indicate that the 80% of the top management team members under study were male while female were only 20%. The percentage of the top management team members who were over 46 years and older was 55% while 45% fell under the age bracket of 35-45 years. Educational qualifications were sought and the study indicated that 80% of the top management team had masters degree level of education and 20% had only the first degree. Consequently 70% of the top management team possessed professional qualifications while 30% did not possess any professional qualifications. Generally this indicates high academic qualifications and also high technical expertise of the TMTs.

Generally professional and educational qualifications are essential in the running of any organisation as these determine important skills that the organisation requires to move on. Top management team would need to have these to enable even in interpretation of reports and trends to enable them be competitive and profitable. The ages of the top management team members would matter in that the older top management team members are viewed to be wiser and more risk averse as compared to their younger counterparts. Younger top management team members are known to take risks and to handle issues faster and with more candid discussions.

According to Tibben (2010), more diversity does not always lead to a better performance. Firms need to find a balance between the differences and similarities of top managers to maximize financial performance. The chief executive and executive team are responsible for delivering performance. They should always ensure that the right executives are appointed, and create an environment that supports their performance.

5.3 Conclusion

This study sought to determine the impact of top management team diversity on financial performance in the banking industry in Kenya. To achieve this objective, six components of diversity were examined namely the age, gender, educational qualifications, and professional qualifications of the TMTs, length of time as TMT and length of time in particular companies. The results were that overall top management team diversity does not have a significant effect on organizational performance.

Further, the study further established that only one TMT factor, length of time in the role, had a negative significant effect on the overall organizational performance. It was therefore established that none of the other factors of top management team diversity is contributing significantly to the performance of these banks.

5.4 Recommendations

This paper examined the influence of top management team diversity on performance in the major banks in the Kenyan industry. The results were that education factor had insignificant effect on organizational performance while length of time in the role had a moderately significant effect. Professional qualifications had a negative significant effect on organisation performance. The researcher recommends further research on the areas regarding whether top management team compensation is positively related to the service industry performance.

Due to the disadvantage of having used accounting-based measures, like return on assets (ROA) or return on equity (ROE) that are sensitive to management's choice of asset valuation principles, further studies can also seek to use alternative means of performance measurement to overcome the limitations and to compare and the results. The measures of performance mentioned above can also be used on other kinds of studies, like on the whole banking sector in Kenya instead of on only a section of the banking sector as done in this study so as to also view if there would be any variances from the observations. This study can also be extended to other industries apart from the banking industries.

There is also a recommendation to have this kind of research on other firms and not necessarily on the service industries without necessarily having to group these firms in terms of their market share. This would help reduce on the disadvantage that this research had since the focus on larger banks limited the generalization of the findings, because the relationship between diversity and financial performance might be different in smaller banks. It would also be of interest to examine the influence of other governance bodies like the board of directors and how they would influence on top management team decisions and thus affecting performance of the firm.

5.5 Implications of the Study on Theory, Policy and Practice

This study confirms some earlier findings that top management team diversity does not have a significant effect on organizational performance. Consequently it bears significant implications for those responsible for the composition of the top management team implies that the longer the time that one takes as a top management team member has a significant negative effect on performance hence this is important for the recruiting firms and human resource managers. Again the results show that recruiting more of one gender to create a balance has a negative impact on the performance of organizations. A CEO may seek to make changes to a top management team member simply for instrumental reasons, such as altering the mix of skills in order to improve the fit between the team's capabilities and the requirements of its task environment (Michel & Hambrick, 1992; Wiersema & Bantel, 1993)

This study also contributes to the literature on TMTD and firm financial performance. There has not been much research on TMTs in the major banks in Kenya which have quite a big market share of 53.7 percent according to the CBK 2012 statistics as most studies concentrate on all the banks in Kenya or on one diversity variable in a single time period. This study focuses on the impact of TMTD on the financial performance of the 6 major banks in Kenya and TMTD attributes considered are gender, age, educational background, professional qualifications, length of time as a TMT and length of time in the bank. As a result, this study offers new insights into the relationship between TMTD and financial performance.

This study bears significant implications for the CEOs, board of directors, HR executives and others responsible for the composition of TMT and for organization performance. The study clearly confirms earlier research findings that TMTD has no significant effect on the performance of organizations. While recruiting the top management team, this study can be used to make major judgement.

5.6 Limitation of the study

This study was not without limitations, first of all, firm performance can be measured by market-based ratios or accounting-based measures. However there is a disadvantage of accounting-based measures, like ROA or ROE which were used in this study in that they are sensitive to management's choice of asset valuation principles. For instance, the use of accelerated depreciation results in a lower net income and therefore in a lower ROA or ROE ratio than straight line depreciation (Brealey, Myers & Marcus, 2007).

Another limitation was due to the focus on larger banks which limits the possibility of generalizing of the results since the relationship between diversity and financial performance might be different in smaller banks. The requirement for TMT's responses was difficult to get due to their busy schedules. Some banks were not keen on giving the feedback on fear of being misquoted and the researcher had to assure them this would be used for academic purposes and the individual bank's result would not be mentioned in the research. This required patience and persistence and all but respondents from one bank submitted their questionnaires back for analysis. The bank with the missing responses was not included in the study. Despite these limitations, this study does still contribute to the limited findings from existing diversity studies and can be used as a reference for future studies as well as for decision making purposes.

Another limitation observed was that there are other factors that could affect TMT behaviour like the policies set by the board of directors in the organizations. In some of the organizations most of the important decisions have to be tabled at the board which leaves TMT with little space if any to exercise their authority or decision making skills. Hence in this case the TMT is therefore seen as gate keepers to ensure that strategy runs as advised and thus performance may not necessarily be driven by their decision making skills or attributes but rather by the board of directors.

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APPENDICES

Appendix One: Questionnaire

SECTION A: General information.

Instructions: This questionnaire seeks to collect information in order to ascertain and evaluate the influence of top management team diversity on performance in the major banks in Kenya. Please read the instructions and answer appropriately

Name of the bank:_____________ Your designated title in the bank:______________

1. Gender: Tick one: Male ( ) Female ( )

2. What is your age bracket ?
   a. Below 25 years ( ) c. 25-35 years ( )
   b. d. 35-45 years ( ) d. over 46 years ( )

3. What is your highest level of education?
   a. Secondary level ( ) c. University /First Degree level ( )
   b. Masters Level ( ) d. PHD/ Doctorate level. ( )

4. Do you have any professional qualification?
   Yes ( ) No ( )

5. For how long have you worked for this Company?
   a. Below 5 years ( ) c. 11- 15 years ( )
   b. 5 - 10 years ( ) d. 16 years and above ( )

6. For how long have you worked in your current role?
   a. Below 5 years ( ) c. 11- 15 years ( )
   b. 5 - 10 years ( ) d. 16 years and above ( ).

SECTION B: Determinants of performance in the bank.

Answer the questions below on a scale of 0-3 where:

(0 = Do not agree; 1 = Not fully agree; 2 =Agree; 3 = Strongly agree)

		0	1	2	3
1.	We give our customers the best products and services in the market.				
2.	Customer satisfaction is key to our performance.				
3.	Our company places a lot of emphasis on profit making				
4.	Most of our products compete in higher priced markets.				
5..	Our company works / invests in very high risk projects with chances of high returns.				
6.	Our company emphasizes on long term (over 5 years) goals and strategies.				

Appendix Two: List of commercial banks in Kenya

1. African Banking Corporation ltd
2. Bank of Africa Ltd
3. Bank of Baroda Kenya
4. Bank of India Ltd
5. Barclays Bank of K Ltd
6. CFC-Stanbic Bank Kenya ltd
7. Chase Bank Kenya Ltd
8. Charterhouse Bank.
9. Citibank N.A.
10. Commercial Bank of Africa ltd
11. Consolidated bank
12. Co-operative Bank of Kenya
13. Credit Bank Ltd
14. Development Bank of Kenya
15. Diamond Trust Bank
16. Dubai Bank Ltd
17. Equatorial Commercial Bank ltd
18. Eco Bank
19. Equity Bank
20. Family Bank
21. Fidelity Commercial Bank Ltd
22. FINA Bank Ltd
23. First Community Bank Ltd
24. Giro Commercial Bank
25. Guardian Bank Ltd
26. Gulf African Bank
27. Habib Bank A.G Zurich
28. Habib Bank Ltd
29. Imperial Bank ltd
30. I &M bank
31. Jamii Bora Bank
32. KCB Ltd
33. K-Rep Bank ltd
34. Middle East Bank
35. National Bank of Kenya
36. NIC Bank Ltd.
37. Oriental Commercial Bank Ltd
38. Paramount Universal Bank Ltd
39. Prime Bank ltd
40. Standard Chartered Bank of Kenya
41. Trans-National Bank
42. UBA Bank
43. Victoria Commercial Bank Ltd

Source: Central Bank of Kenya. (2012). Bank Supervision Annual Report 2012. Nairobi, Kenya.