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INFLUENCE OF BOARD DIVERSITY ON PERFORMANCE OF FIVE STAR HOTELS IN KENYA

Mariam Moige MUHANDO[1], Prof. Wario GUYO (PhD)[2], Dr. Makori MORONGE (PhD)[3]

[1]PhD Scholar, Leadership and Governance, Jomo Kenyatta University of Agriculture and Technology, Kenya

[2]Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

[3]Lecturer, Jomo Kenyatta University of Agriculture and Technology, Kenya

ABSTRACT

Hospitality industry plays a critical role in a country's economic development. In Kenya, even though the sector is the second largest foreign exchange earner the industry faces a myriad of challenges. The purpose of the study was to assess the relationship between board diversity and performance of five star hotels in Kenya. The study was hinged to Stewardship Theory. The study adopted descriptive research designs and used quantitative approach. The unit of analysis was five star rated hotels and hence the study targeted all the fifteen five start hotels operating in Kenya, while the unit of observation was 198 (head of departments, managers and board members). The respondents were sought through census. Structured questionnaires were the main tool to collect primary data from the targeted respondents. The study used regression analysis and the findings revealed that there is significant relationship between board diversity and performance of five star hotels. The study concluded that board diversity had a significant effect on performance of five star hotels. It was also concluded that firm size had a significant moderating effect on the relationship between corporate governance and performance of five star hotels in Kenya. The study recommends that board composition, ownership concentration, board diversity need to be facilitated to improve performance of five star hotels in Kenya. This could go a long way in ensuring there is improved performance of five star hotels in Kenya.

Keywords: Corporate Governance, Board Diversity, Five Star Hotel, Performance

BACKGROUND INFORMATION

Hospitality industry plays a critical role in a country's economic development. A survey study by Wanjala (2016) concluded that the hospitality industry contributes to over 10 percent of gross domestic product to (GDP) and employs close to 240 million people globally. In Kenya, the sector is the second largest foreign exchange earner after tea and contributes substantially towards the overall economic development (GOK, 2013). Nevertheless, the industry faces a myriad of challenges, which are caused by many factors though not limited to competition, globalization and insecurity. According to a study research by Cytonn (2016), the hospitality sector is oversupplied and witnessing poor performance in some regions even though pockets of value exists in some regions especially in Nairobi and Maasai Mara and in serviced apartments.

This calls for the need for good internal governance by the sector's institutions and players to provide policy and enhance competitiveness.

In the current business world, good governance is no longer a periphery option but a fundamental benchmark as a measure of success or failure of any institution. A study by Gompers, Ishiij and Metric (2013) among the US investors, revealed that investors are willing to commit more finances in companies that are managed well because they provide security for their money. Moreover, corporate professionals prefer working for organizations with good reputation and not for those that have governance issues. In addition, Nzioka and Njuguna (2017) observe that one of the important questions in business has been why some organizations succeed and why others fail and this has influenced research on the drivers of organizational performance. It is argued that for an organization to be successful it has to record high returns and identify performance drivers from the top to the bottom of the organization.

STATEMENT OF THE PROBLEM

The hospitality industry is experiencing enormous growth resulting to a cut-throat rivalry among the players. Sophisticated technology and the need for survival of organizations attract stakeholders in an industry, which increases the need for control and accountability (Wainaina, 2012). Good governance has the advantage of building a firm's reputation, confidence by the investors, and ensures standard accounting and reporting that attracts the capital inflow (Knell, 2016; Levitts, 2011). In spite of the challenges facing the hotel industry, Yap, Chan and Zainudin (2017) argue that good corporate governance practices have been considered crucial as the driving force in sustaining a firm's performance.

Interestingly, the relationship is not always as indicated. A study by Ongori, Iravo and Munene (2013) in Kenya, shows that the hospitality industry despite having a healthy corporate governance in terms of board diversity, was drastically declining in their output and registered a dismal performance, with institutions closing down at an alarming rate. Despite the hospitality industry remaining pivotal in supporting other sectors, several factors have posed challenges for its survival (Waudo, 2012). The challenges have revealed the need to device mechanisms by which corporations are controlled and directed in order to ensure sustenance of the institutions (Manyuru, 2015).

The collapsing of corporate has attracted an interest in corporate governance as a crucial mix for greater decision making process (Yap *et al*., 2017). Even though studies have shown contribution of corporate governance to performance (Abet, 2011; Macuvi, 2013; Mwangi, 2015), it is however interesting to point out that this relationship seems to openly contradict most of the known empirical establishments (Wangombe, 2014), more so in hospitality industry in Kenya. Therefore this poses an empirical gap motivating the need to examine the effect of borad diversity on performance of five star rated hotels in Kenya.

RESEARCH OBJECTIVE

The aim of the study was to establish the relationship between board diversity and performance of five star hotels in Kenya.

RESEARCH HYPOTHESIS

H_0: There is no significant relationship between board diversity and performance of five star hotels in Kenya

LITERATURE REVIEW

Jensen and Meckling (1976) put forward the theory of Board diversity refers to differences between board members and has been categorized between demographic dimensions and cognitive dimensions (Else, 2016; Rajula, 2016; Mutua, 2013; Mahadeo, Soobaroyen and Hanuman, 2012; Darmadi (2010). In today's business corporations, employees and top management not only are becoming increasingly diverse in terms of gender, age, and nationality, but also in terms of tenure, experience, educational background and socioeconomic status(Homan, 2017; Nielsen, 2012). A number of studies have examined the effect of general minority representation, without distinguishing between gender and ethnic minority, on quantifiable firm performance measures (Princeton, 2016). The concern over diversity on boards suggests that diversity would affect the dynamics of groups, improving the decision-making process (Ciavarella, 2017); Fraga and Vinicius, 2012), which hypothesize that greater demographic diversity (measured by the representation of women and ethnic minorities) among the board members increases organizational performance. However, study results by Ogeno (2013) equally was inconsistent to prove the relevance of diversity among the board members with regard to financial performance, even though ethnic diversity was found to have significant impact on performance

Diversity within the members of top management team may bring potential costs to the organization, such as interpersonal conflicts and communication problems (Darmadi, 2010). Theoretically, there are a number of arguments in favor of diversity of board members (Mutua, 2013). For instance, Rajula (2016) and Marimuthu (2008) are of the view that diversity provides positive performance benefits to organizations. Moreover, Vafaei, Kamran and Mather (2015) argues that all over the world, women hold relatively few highly visible decision-making positions even though the female board membership is currently increasing. A study conclusion by Adams and Ferreira (2014) recommends that the governments should implement regulations to increase female participation in senior management.

In studies on board diversity, researchers may use one or more attributes as proxies for diversity. Gender of the board members appears to be the most widely observed attribute (Dezső and Ross, 2017; Darmadi, 2010). With changing social norms, Tibben (2010) argues that women will constitute a larger proportion of the workforce. Therefore, understanding gender diversity in corporate governance shall continue playing important implications for both public policy and the governance of business firms. Studies by Dezső and Ross (2017), Ciavarella (2017) and Vafaei *et al.* (2015) on the appointment of women on boards from a shareholder value and firm performance or business case perspective argue that board diversity improves organizational value and performance by providing the board with new vision and perspectives. This implies that board diversity leads to a greater knowledge base, creativity and innovation and therefore provides higher competitive advantage to the hotels. This in addition leads to improvement of performance of these stared hotels in Kenya (Mutua, 2013).

Consistent with the current drive for gender balance within corporations in many developed and emerging countries, the Kenyan government is emphasize on a formative action as a way to increase women representation at all levels requiring companies to establish policies for, and increase reporting on, board diversity. Even though Eulerich, Velte and Unn (2014) argue that a large number of empirical CG-studies consider board diversity as an indicator of success for the international corporate practice, the current study therefore focuses on the Kenya hotel industry as an emerging market with the intention of assessing the extent to which the management of these hotels are diverse, and their effect on performance.

In addition, Luckerath (2013) intones that board diversity has currently improved particularly since 2010 and consequently, there is a positive and significant association between female non-executives on boards and firm financial performance. The current study therefore is timely and contributes to the understanding of the role of female directors in firm performance by providing empirical evidence on the expected economic efficacy of the hotels' principles. This hence shall inform an important policy debate and should be of interest to regulators, practitioners and academics as far as the management of these hotels are concerned. The presence of women in the board diversifies these boards. Women may create relationship conflicts and have no contribution to the value creation. Even though Tibben, 2010) argue that women boardroom members tend to bring a fresh perspective on complex issues which can help correct informational biases in strategy formulation and problem solving, several studies however, have revealed mixed results (Homan, 2017; Daunfeldt and Rudholm, 2016; Ujunwa, Ifeoma, Ugbam, 2012; Tibben, 2010).

When the critical mass is taken into account, women in the board of directors have a positive effect on firm performance (Wiley and Mireia, 2018; Ciavarella, 2017; Else, 2016; Mutua, 2013).A diverse board improves outcomes and decision-making processes as well as add value by bringing new ideas and different perspectives to the table, which may in turn, improve firm performance (Mutua, 2013). Both Protasovs (2015) and Adams and Ferreira (2014) intone that female directors have better attendance records than male directors and that gender-diverse boards emphasize more effort to monitoring. However, their study results revealed that on average, gender diversity has a negative effect on firm performance, which is, according to them, driven by companies with fewer takeover defenses. In addition, Jurkus, Park, and Woodard (2011), using agency arguments, suggest that female directors are shown as 'tough' monitors and further argue that firms with a greater presence of female officers have lower agency costs. Farrell (2010) and Tibben (2010) posit that there is no convincing evidence that board gender diversity is a value enhancing strategy. This is supported by Lee and James (2017), who report that market reactions to the announcements of female chief executive officers (CEOs) are more negative than those of their male counterparts.

Moreover, Haslam, Ryan, Kulich, Trojanowski and Atkins (2010) report that women are found on the boards of companies that are perceived to be performing poorly and that their presence on boards can lead to the devaluation of companies by investors. However, Joecks, Pull, and Vetter (2013) suggest that the association between performance and board diversity is not linear as previously suggested in other literature. The authors hence front an argument that gender diversity initially affects firm performance negatively but after reaching a critical mass of about 30% firm performance improves. This hence lays a foundation to establish the performance of these hotels before and after the appointment (if any) of women on the board.

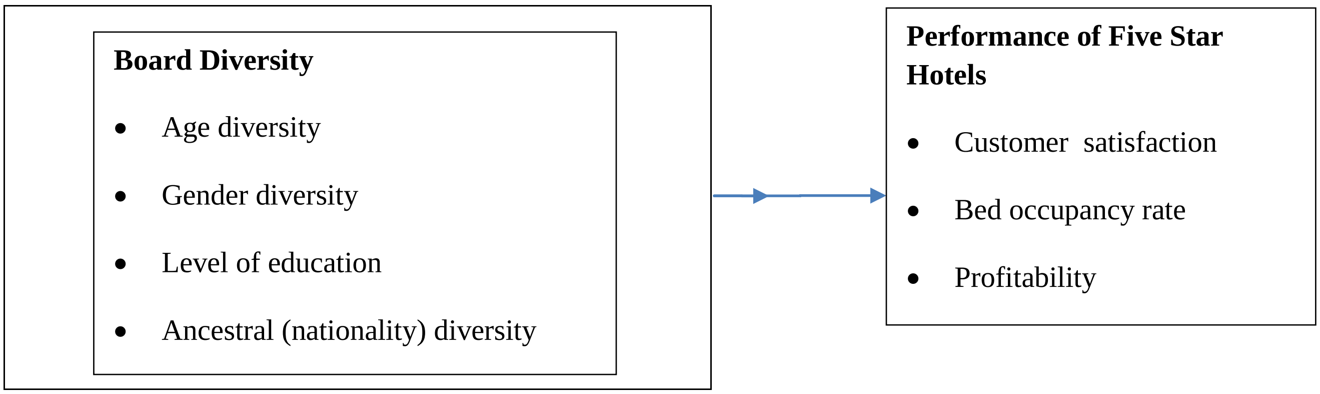
Generally several theoretical arguments exist that assert that board diversity would lead to better board performance. For instance, the incorporation of gender diversity into the board facilitates the acquisition of critical resources for the organisation, since different types of directors would provide various valuable resources to the firm. Consequently, a more diverse board would provide more beneficial resources, which should produce better firm performance (Vishwakarma, 2017; Else, 2016; Protasovs, 2015; Alireza *et al.*, 2015; Puthenpurackal and Upadhyay (2014). In addition, Alireza *et al.* (2015) used Agency theory to argue that diversity increases board independence because people with a different gender, ethnicity or cultural background might ask questions that would not come from directors with more traditional backgrounds.

A study by Appiadjei, Ampong and Nsiah (2017) find that the highest rate of female directors is usually associated with sectors with a close proximity to final consumers such as retailing, banking, the media and utilities. While producer-oriented sectors such as resources, engineering and business services have significantly fewer female directors. The situation is not different in Kenya, especially in the hotel industry (Njihia, 2017; Mutua, 2013). Further, Appiadjei *et al.* (2017) observe that women managers tend to occupy particular types of management positions, being more likely to hold support roles in personnel, training, or marketing, rather than performing critical operating or commercial functions. In addition, Puthenpurackal and Upadhyay (2014) are of the opinion that women directors with senior corporate experience are associated with higher firm performance relative to women directors with lower level corporate and non-corporate experience.

Ethnicity and culture remains to be very rarely observed when measuring board diversity in the cases of an emerging market (Darmadi, 2010). A culturally – diverse board may cause cross-cultural communication problems and interpersonal conflicts (Lehman and Dufrene, 2017). By studying a sample of developing countries, Lehman and Dufrene (2017) found a connection between having a culturally diverse board and the firm’s performance, though which differs with regions and countries.

Conceptual Model and Hypothesis

Conceptual Framework represents the researcher’s synthesis of literature on how to explain phenomena (Trochi & Arora, 2016).. According to Busso (2018) in conducting the study, a conceptual framework should be developed to show the relationship between the independent variables and dependent variable. Out of the literature reviewed various variables were suggested, but in this study board diversity chosen and relationship deduced. This is illustrated in the following conceptual model referred to as conceptual framework on Figure 1 below.



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

EMPIRICAL REVIEW

Christiansen et al., (2016) examined the link between gender diversity in senior corporate positions and financial performance of 2 million companies in Europe. The study established positive association between corporate return on assets and the share of women in senior positions and establish two potential channels through which gender diversity may affect firm performance. The positive correlation was more pronounced in, first, sectors where women form a larger share of the labor force (such as the services sector) and, second, where complementarities in skills and critical thinking were in high demand (such as high-tech and knowledge-intensive sectors).

Rajula (2016) study focused on the board diversity and firm financial performance. Findings suggested that there was a substantial influence of different boards' qualities on firm financial performance of commercial banks in Kenya. This study thus looked to close the gap by determining the effect of board diversity on the financial performance of commercial banks in Kenya. This study considered causal research design. The objective populace for this study was all the 42 commercial banks in Kenya for 5 years. The data pertaining to age, gender and education levels of the board members was collected from audited annual reports of the listed commercial banks. Information on financial performance was promptly accessible in secondary sources that incorporated financial information from financial statements of the commercial banks. The study conclusions brought it out plainly that diversity could be a vital corporate governance element in other business sides rather than to boardrooms.

Fidanoski, Simeonovski and Mateska (2014) examined the Impact of Board Diversity on Corporate Performance: New Evidence from Southeast Europe. The study used a sample of 35 companies from five countries in Southeast Europe (Macedonia, Croatia, Serbia, Bosnia and Herzegovina, and Greece) for the period between 2008 and 2012 to find that, on average, companies with well-educated board members are more profitable and overvalued on the market. When running the regression again to test the levels of heterogeneity, the study found that the companies with more women on board tend to be overvalued on the market, while those with more foreigners on board are subject of undervaluation.

Giannetti and Zhao (2016) study proxied for board members' differences in opinions and values using directors' ancestral origins and show that diversity has costs and benefits, which lead to high performance volatility. Consistent with the idea that diverse groups experiment more, firms with ancestrally diverse boards have more and more cited patents and their strategies conform less to those of the industry peers. However, firms with greater ancestral diversity also have more board meetings, higher director turnover unrelated to performance, and make less predictable decisions. These findings suggest that diversity may lead to inefficiencies in the decision-making process and conflicts in the boardroom.

Ujunwa, Ifeoma and Ugbam (2012) study investigated the impact of corporate board diversity on the financial performance of Nigerian quoted firms using a panel data of 122 quoted Nigerian firms. The aspects of board diversity studied comprise board nationality, board gender and board ethnicity. The Fixed Effect Generalised Least Square Regression was used to examine the impact of board diversity on firm performance for the period: 1991-2008. The results showed that gender diversity was negatively linked with firm performance, while board nationality and board ethnicity were positive in predicting firm performance.

A study by Wanjala (2016) sought to assess the effect of Corporate Governance practices on performance of State Corporations in the tourism industry in Kenya. Six State Corporations with headquarters in Nairobi formed the target population. The census survey was conducted on 57 management staff of the six selected SCs as the unit of analysis. Data was analyzed descriptively and multiple regression techniques. The study revealed that board diversity positively and significantly affected performance in the state corporations in the tourism industry in Kenya ($R^2 = 53.1\%$, $p<0.05$). Further, the study established that individually, board diversity had the highest effect on performance Based on the study findings; the study concluded that firms that observe board diversity in the collapsing of public institutions.

Kizito (2013) designed a study to assess the effect of board characteristics on the financial performance of firms listed in the manufacturing and allied sector of the Nairobi securities exchange. The study was based on the manufacturing and allied sector of the Nairobi Stock Exchange for the period 2009 to 2012. Secondary data was collected from the publicly available annual reports and financial statements of the companies, with further corporate governance and market performance data gathered from Capital Markets Authority library and Nairobi Stock Exchange website respectively. Regression analysis, correlation analysis and descriptive statistics were used to analyze the data collected using statistical package for social sciences (SPSS). The study results revealed that board diversity as represented by the percentage of women in the board had a mean of 19% of the BOD and the highest percentage of women in board was 42% of the BOD with a minimum of zero. Board diversity as represented by the percentage of foreign directors had a mean of 24.75% of the BOD members and a standard deviation of 14.33%.

A study by Homan (2017) assessed the effects of executive board diversity on performance by examining the relationship between age, gender and nationality diversity on firm performance in the Netherlands based on a sample of 79 Dutch listed firms studied over the period 2010-2015 consisting of 3,905 observations. The study was anchored on agency, resource dependency and human capital theories, and used Tobin's Q to model the market performance. Data on all board and director characteristics (age, gender and nationality) were gathered using the BoardEx database. OLS regression models and fixed effects models as well as descriptive analysis were applied to analyze the data. Descriptively, the results revealed that the average number of directors on an executive board amounts 3, with a minimum of 1 and a maximum of 7 directors. Moreover, the executive board shows a mean of 0.221 with regard to nationality and is lower than previous research that found values of 0.31 while the mean of board gender diversity (0.044). However, inferentially, the study revealed that on average, board diversity has an overall 47.7 percent significant effect (R2 = 0.477) on firm performance. Individually though, age, gender and nationality diversity were positively related to the performance with gender and nationality correlations being significant though low ($r = 0.222$, $\rho<0.05$) and ($r = 0.3$, $\rho< 0.05$) respectively, while age had an insignificant correlation with performance ($r = 0.029$, $\rho> 0.05$).

To examine whether top management team (TMT) diversity has a positive or negative impact on firm performance, a study by Tibben (2010) based its evidence from Western European firms. The study used upper echelon theory to stage an argument. The sample comprised of listed firms in Western Europe during the period 2007-2009.The dataset consists of 126 large companies, so there are 378 observations over the three year period. The study employed Blau's index as an optimal measure of diversity to capture variations within a group of people. Data was analyzed descriptively and inferentially. The descriptive results revealed that the maximum Blau index is higher for educational diversity (0.83) than for gender diversity (0.50). Moreover, over 17% of all male directors are Chief Executive Officer, while only 3.82% of all female directors have this position. However diversity of the board was found to account for 11.04 percent significant effect on the performance of the firm ($R^2 = 0.1104$, $\rho<0.05$).

A study by Santar (2015) assessed the effect of board gender diversity on firm performance and director compensation in India. The sample for the study consists of an unbalanced panel of financial information for all of the firms listed in the NSE for the period of 2006 to 2015. The sample was obtained from the Osiris database managed by Bureau Van Dijk, a worldwide major publisher of business information. Data on the number of board directors with their respective genders was obtained from the PRIME Database Group. From the sample, women directors constitute approximately 5.7% of all directors with a standard deviation of 8.29%. In addition, the board diversity was found to account for 3.5% variation on performance ($R^2 = 0.035$). Even though the effect was found to be low, this is an indicator that a more diversified board improves firm performance. However, the study concluded that the amount of TMT diversity can be limited especially with respect to the variables gender and nationality.

To examine the relationship between board gender diversity and firm performance Appiadjei *et al.* (2017) assessed 34 listed companies on the Ghana's capital market. The study analyzed companies from the eight different dominant sectors of Ghana's capital market including: Finance, Printing and Publishing, Information Technology, Manufacturing, Mining, Pharmaceutical, Trading, and Automobile over the period 2010 to 2014. Using qualitative approach, a pattern in the data set was ascertained. For quantitative analysis, the study assumed and posits firm performance as a function of the ratio of women on corporate board. A simple market regression equation adopted. The descriptive statistics revealed a maximum female board ratio to be 30% and a minimum average of 13%. This shows that the women have been underrepresented in these boards. The result from regression models revealed that board diversity has 18.2 percent significant effect on performance ($R^2 = 0.182$, $\rho<0.05$).

In order to assess the relationship between board diversity and financial performance of insurance underwriters in Kenya, Mutua (2013) investigated the importance of age, gender and ethnicity as components of board diversity are raising the issues of their effect on the performance of the firm. Theories that anchored the study were agency, information and decision making, human capital, similarity-attraction, and resource dependence. A correlation research design was used. Secondary data was collected from the Nairobi Securities Exchange for the listed insurance underwriters of all the 46 registered insurance companies in Kenya. In order to establish the relationships the study used regression analysis and descriptive statistics. Comparatively, ethnicity had the highest mean (31.58) followed by age (6.158) while gender diversity (female) had the least gender at 5.22. The study indicates a positive and significant board diversity Pearson Correlation ($R = 0.78$, $\rho<0.05$).

RESEARCH METHODOLOGY

The study adopted a descriptive survey design to establish the influence of board diversity and performance of private security firms in Kenya. The study also employed a positivism philosophy. The study used 198 board members of the five star hotels Kenya. A sampling frame describing the list of the target population units and in the study comprised of the 105 board members, 15 managers and 78 head of departments of the five star rated hotel in Kenya. The study adopted census to collect data from the respondents. The study used inferential analysis (regression analysis) to analyze data.

RESULTS AND DISCUSSION

The study used multiple regression analysis to determine the linear statistical relationship between board diversity and performance of five star rated hotels in Kenya.

The study hypothesized that, H_0: There is no significant relationship between board diversity and performance of five star rated hotels in Kenya.

The results of the regression are presented in Table 1 displays R (the correlation between the observed and predicted values of the dependent variable), which is 0.541.This is a moderate relationship between the observed and predicted values of the dependent variable. It also shows that there is positive correlation between board diversity and performance of five star hotels in Kenya. Table 1 also displays R squared which is the proportion of variation in the dependent variable explained by the regression model, in this case, it is 0.293. This means that board diversity can explain 29.30% of the performance of five star hotels in Kenya. The remaining percentage (70.70%) can be explained by other factors excluded from the model. The adjusted R-square of 0.289 indicates that board diversity in exclusion of the constant variable explained the change in performance of five star hotels in Kenya by 28.90%. The value of the standard error of the estimate is shown in the output as 0.53456. It shows the average deviation of the dependent variable (performance of five star hotels in Kenya) from the line of best fit.

Table 1 summarizes the results of an analysis of variance, with the sum of squares, degrees of freedom, and mean square being displayed for two sources of variation, regression and residual. For the accounted for values, the mean square (the sum of squares divided by the degrees of freedom), is 68.383, the F statistic (the regression mean square divided by the residual mean square) is 575.649 and the degree of freedom (df) is 1 whereas the output for residual which displays information about the variation that is not accounted for by the model has the following values: sum of squares as 1389.026 df as 165 and a mean square of 8.418. The overall relationship was statistically significant ($F_{1,165} = 68.383$, $p<0.05$) It has a significance level of 0.000 this means that the chances are zero that the result of regression model are due to random events instead of a true relationship, which implies that the linear regression model is a good fit for the data and hence can be used to predict the influence of board diversity on performance of five star hotels in Kenya.

Table 1 represents coefficients of the independent variable (board diversity) and the dependent variable (performance of five star hotels in Kenya). These findings show that the performance of five star hotels in Kenya will be having an index of 7.654 when board diversity is held constant. In addition, the Beta coefficient was 0.676 for the relationship between board diversity and the performance of five star hotels in Kenya. This shows that a unit improvement in board diversity would lead to a 0.676 improvement in the performance of five star hotels in Kenya. The t – value (5.281) of more than +1.96 indicates that the change in performance of five star hotels in Kenya by board diversity is not by chance. The relationship is significant as the P-value (0.000) was less than the significance level (0.05). Thus yielding a regression model where $Y= \beta_0 + \beta_1 X_1 + \varepsilon$. The general form of the equation was to predict performance of five star hotels in Kenya; X_1= board diversity; $Y= 8.116+ 0.676X_1$. This indicates that performance of five star hotels in Kenya = 8.116 + 0.676* Board Diversity. Therefore we can conclude that board diversity positively and significantly influence performance of five star hotels in Kenya

Table 1: Regression Statistics (Board Diversity and Performance of Five Star Hotels)

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.541	.293	.289	.53456

ANOVA Statistics

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	575.649	1	575.649	68.383	.000
	Residual	1389.026	165	8.418		
	Total	1964.675	166			

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	8.116	3.276		2.477	.000
	Board Diversity	.676	.128	.541	5.281	.000

CONCLUSION

The study findings confirm that there is a statistically significant relationship between board diversity and performance of five star hotels in Kenya. It was possible to infer that the relationship between board diversity and performance of five star hotels is positive and significant. The study concluded that board diversity was statistically significant in explaining performance of five star hotels in Kenya. It was also concluded that board diversity was adequately practiced in five star hotels in Kenya. The study findings support the findings by Emad Eldeen, et al. (2021) that indicate that age, gender, level of education and nationality diversity have a positive effect on firm performance.

RECOMMENDATIONS

From the study it is evident that shareholder assembly From the finding of the study results indicate that age, gender, level of education and nationality diversity had a positive effect on performance of hotels, which means that young board members enhance and increase hotel performance. Furthermore, education diversity has a positive effect on hotel performance. On the other hand, gender diversity has positive effect on hotel performance, so if five star hotels increase the number of females in the board of directors, hotel performance will increase. Ultimately, the result reveals that nationality diversity has a positive effect on hotel performance. The board ought not to be excessively vast and ought to be comprised of qualified experts who are familiar with the oversight function. The board needs to consist of well-educated and experienced professionals since they are actively involved in modelling the decisions of hotel industry. The board diversity will enhance productivity, creativity, and innovation in the hotel industry.

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