DIVERSITY NETWORKING AND ORGANIZATIONAL PERFORMANCE OF THE BANKING SECTOR IN KENYA

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**ABSTRACT**

The promotion of HR diversity management practices in commercial banks is very low and there a lot of inconsistencies between the pronouncements made and the actual practices on the ground. Therefore, organizations may need to pay more attention to the management of HR diversity as a means of enhancing organizational performance. On the other hand, most of the existing empirical studies in this area have been conducted in the western countries such as USA, Australia and UK with very limited research about the relationship between HR diversity management and organizational performance done in Kenya. Therefore, the objective of this study was to determine the influence of diversity networking on organizational performance in the banking sector in Kenya. A descriptive survey design was used in this study. The target population comprised 36,212 employees in 43 commercial banks in Kenya from which a sample of 396 respondents was drawn from the top management, supervisory, and general staff. Sampling was by stratified and simple random techniques. Data was collected using a structured questionnaire. Data was analysed using both descriptive and inferential statistics. Inferential statistics used correlations analysis and regressions analyses to test for the degree of association (correlations) between pairs of variables and the overall influence of HR diversity management practices on organizational performance in the banking sector in Kenya. Results illustrated diversity networking had positive, linear and significant (p-value is less than 0.05) relationship with the organizational performance. It was concluded that diversity networking accounted for 32.6% ($R^2 = 0.326$) variations in the organizational performance. It was recommended that organizations should continually use their networks to support their operations. It was noted that organizations that promote HR diversity management practices such as employee networking can perform better because of the enhanced employee commitment.

**Key Words:** Diversity Networking, Organizational performance and Banking Sector

INTRODUCTION
Organizational workforce has human diversity as an inevitable characteristic (Derven, 2014) and if not proactively managed it could lead to lack of organizational performance (Kundu, 2016; Gupta, 2013). As a result, the debate on the net value of HR diversity will no doubt continue, although there can be no debate about the importance of effectively managing it (Kundu & Mor, 2017). The recognition that diversity is a reality in the workforce has generated an enormous amount of activity over the years among leaders in business, government, and civil society alike (Jackson and Joshi, 2001). Decades of research on the effects of diversity within teams and small groups indicate that diversity can have negative effects, as well as positive ones (Bezrukova et al., 2017).

According to the Central Bank of Kenya (2015) recently the banking industry has faced some challenges such as being placed under receivership and statutory management of some players. Nonetheless, the sector remains a major contributor to the growth of other sectors in the Kenyan economy (CBK, 2016). As of December 2015, the sector had employed 36,212 people with 35,194,496 depositors benefiting either directly or indirectly from their services (CBK, 2015). Previously, the sector had grown from 28,438,292 depositors as at December 2014 (CBK, 2015). However, by the first quarter of 2016, the sector had increased the bank depositors to 37, 455,795 (CBK, 2016). Similarly, banks in Kenya have realized a tremendous growth through their expansion to East and Central Africa (Kyalo & Gachunga, 2015) bringing other nationalities on board as members of staff (CBK, 2015).

However, to enhance employee commitment, the management of each bank must effectively manage its HR diversity (Munjuri & Maina, 2013). For instance, Equity Bank avails modern, inclusive financial services that maximize employees’ opportunities in its effort to manage HR diversity (Gacheri, 2012). Nonetheless, this just remains an effort. On the other hand, employees in Barclays bank are treated fairly for them to contribute fully to the vision and goals of the bank (Barclays Bank’s Annual Report, 2014). Consequently, global pillars of multiculturalism, gender, Lesbian, Gay, Bisexual and Transgender (LGBT) and disability, ensure that the bank caters for all. The strength of Standard Chartered Bank is in its ability to manage its HR diversity more effectively with a belief in equal representation of talent at all levels (Standard Chartered Bank’s Diversity Management Report, 2014). Despite the effort in increased HR diversity, the exclusion of certain groups from circles of influence can prevent them from full contribution and benefit from the firm’s activities (Raza & Tariq, 2016) and this might be the reason for HR diversity management practices.

Statement of the Problem
Commercial banks in Kenya are facing challenges associated with changes in regulatory and monetary framework, increase in demand for non-traditional services, decline in interest margins and an emphasis on customer service rather than the product and making losses due to their huge non-performing loans portfolio (Muthoni, 2016). There is a significant gap between the ideal and realistic strategic diversity management policies sought to address and the reality about what is experienced by employees in areas of diversity training, diversity reward, building cultural awareness and diversity networking. For instance, only 29 per cent of jobs in the banking sector in Kenya are held by women and less than 10 per cent are held by minority groups such as ethnic minority, those with disabilities and LGBT albeit not openly declared (Fullerton, 2013). Similarly, some managers in the sector deliberately discriminate against part of their workforce to the extent of failing to give pay rises and promotions because of the likelihood of future interruptions (Gokulsing & Tandrayen-Ragoobur, 2014). Others fail to institute clear strategic diversity management practices which could build a favourable employee’s
wellbeing and commitment (Kamoche, Siebers, Mamman & Newenham-Kahindi, 2015).

Additionally, they also have pronounced wage differentials (Tandrayen-Ragoobur & Pydayya, 2016) based on certain demographic differences (Afande, 2015). Consequently, these unfair HR diversity practices could easily deprive the sector of alternative views to the issues affecting it (Tandrayen-Ragoobur & Pydayya, 2016). Several studies have been done on strategic diversity (Kyalo & Gachunga, 2015), many of whom have studied about how diversity dimensions relate to outcomes like performance (Jin, Lee & Lee, 2017; Kundu & Mor, 2017) and not much on how Strategic diversity management practices influence organizational performance of the banking sector in Kenya. In addition, others have only focused on workplace status (Bana, Guyo & Odhiambo, 2016), but failed to address the gap between Strategic diversity management practices and organizational performance. Therefore, there were significant gaps between strategic diversity management practices scholarship (Kalargyrou & Costen, 2017) and their influence on organizational performance as conducted in the banking sector in Kenya.

LITERATURE REVIEW

Social-Identity and Self-Categorization Theories
Social identity theory (SIT) as a social psychological theory was first propagated by Tajfel (1978) and further by Tajfel, Turner and Austin (1979). It visualizes that individuals categorize themselves as belonging to various groups such as to a professional group, a fan base of a particular pop band, or to persons with or without children. Social identity theory and self-categorization theory suggest that people group themselves as belonging to certain groups such as nationality, gender, or even sports teams, in this study the banking institutions. Social identity theory focuses on how group memberships guide intergroup behavior and influence an individual’s self-concept. Self-categorization theory (SCT) was proposed by Turner (1999) and differentiates between social and personal identity. Social identity depends on an individual’s group memberships. In contrast, personal identity is more or less independent of group memberships. Self-categorization theory posits that, depending on the relative salience or importance of a certain situation for social or personal identity, an individual’s behavior is driven either by social or personal identity processes.

Pitts and Jarry (2007) noted that these two theories begin with the premise that individuals always aim at maximizing their self-concepts and self-esteem. They do so by developing a social identity based on their membership to the groups formed as indicated in Schneider’s attraction-selection-attrition framework. The social-identity theory predicts that individuals aim at developing identities based on different categorizations which could lead to conflicts within a diverse group. Mannix and Neale (2005) stated that the self-categorization theory suggest that individuals use their social category memberships to define their self-concepts. Individuals attach some emotional value to their self-categorization memberships and label others into different categories. Social categorization theory is used to explain the possible effects of on group functioning. Jackson and Rudderman (1995) pointed out that people generally see themselves and others as belonging to social categories. They categorize themselves and others on the basis of how closely their individual characteristics match the prototypes of various groups. Following Schneider’s attraction-selection-attrition model of organizational membership (1983), team members’ social categorization affect team functioning. Mannix and Neale (2005) observed that self-categorization and identity provides the basis of animosity towards those that individuals consider as being non-members of the group. Stereotypes shape the expectations that one group members have about members of another group.

Competition-Based Theory
The competition-based theory is based on the notion that a business organization’s main objective
is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place. This theory complements Porter’s strategies in that it recognizes the ability a firm has to manipulate its market environment, thus improving its competitive outlook. Utilizing a game theoretic foundation, strategic conflict can help firms identify and pursue a preferred position within their industry. As firms take action, they also anticipate what action they believe their rivals will take. Some of the potential strategic "moves" Shapiro (1989) highlights include investment in physical capital, investment in intangible assets (e.g., R&D), strategic control of information (impacting rival firms’ beliefs about market conditions), horizontal mergers, product standardization (e.g., in highly networked industries), and strategic contracting.

The competitive dynamics model looks at both the firm initiating a competitive move as well as the reacting rival firm. Several characteristics of the initiating firm’s action are considered by the competitor before formulating a response. First, the magnitude of the action is assessed. For example, an action that required significant financial investment or resources would be considered high magnitude and warrant more competitive attention. Second, the scope of the action is relevant. An action that has an impact on multiple competitors is more potentially threatening than an action that has an impact on only one competitor firm. Third, the type of action (tactical/temporary versus more strategic) is considered. Mannix and Neale (2005) stated that different cultural groups are inevitably in competition with one another. They compete for both power and for the scarce resources. Several authors (Armstrong, 2012 and Mannix & Neale, 2005) noted that organizations that are motivated by capitalizing on the value of diversity tend to take advantage of this competitiveness and take strategic actions that integrate the differences of a diverse workforce given the various benefits of diversity for the organization.

**Diversity Networking and Organizational Performance**

Eliringia (2017) explored the effects of social networks on performance of employee in Public organisations; a case of Regional Secretariat-Mara. The study employed case study design involving 63 those who participated in the study selected through judgmental and stratified random sampling techniques. The benefits of diversity networking at work place include: information sharing, collaborative problem solving, sharing experience, increase job knowledge, creativity, innovation, decision making and accountability which improve performance. Nevertheless, diversity networking can be especially significant in guaranteeing that information is molded. What is likewise required is a part of social capital: trust individuals will not share information with those when they do not trust.

Ashraf and Javed (2014) showed that diversity networking become a vital piece of everybody’s life and have a solid effect. Diversity networking influences working circumstances of employees of banks as well. Zhang and Huai (2016) reported an examination of group diversity—particularly diversity in information and social diversity, showing its impacts on individual performance through networking in diversity. Two investigations, one utilizing 127 employees representatives from six firms and another utilizing 104 group of part-time students from a training program, exhibit that informational diversity influences individual tasks and innovative performance through networking in diverse, though social diversity does not.

Güver & Motschnig (2017) in their study on the effects of diversity in teams and workgroups: a qualitative systematic review observed that although there is no single commonly accepted effect of diversity on performance per se, it tends to have a negative impact on cohesion, communication, and integration, and is likely to increase conflict and turnover. On the positive side, diversity -up to a certain limit -tends to improve decision-making and problem-solving processes.
through higher creativity and innovation potential. Furthermore, it was demonstrated that reactions of team members to diversity vary; there is no straightforward association between diversity and team dynamics, as many factors influence this association. In this study, 122 laboratory and field studies, and 17 review studies conducted between 1959 and 2016 were qualitatively and systematically analyzed.

Yeager and Nafukho (2012) set out to investigate the issue of team performance and team diversity through the assessment of hypothesis and empirical research. The discoveries showed that recognizing the mental models, underlying individual differences and assumptions that diversity networking brings to the organization can help build groups that can beat overcome dysfunctional barriers and guarantee execution improvement of the individuals, organizations and teams. However, the investigation highlighted diversity networking issues identified with that underline team formation and suggests strategies methodologies expected to create powerful groups. Human and Naudé (2009) established the link between network competence, diversity networking, and performance of the firm. The findings illustrated that these measures could be considered valid and reliable after some refinement. However, it was observed that diversity networking demonstrated a significant relation with subjective measures of firm performance while network competence did not.

Kim and Lee (2018) analyzed how the diversity networking influences the performance in SMEs with the diverse activities in business exchange. The outcomes show that diversity density and centrality positively affect apparent overall performance and perceived convergence. However, some studies have indicated that diversity network relational characteristics, for example, trust, stability, strength affect organization performance. Hence, the study tested that: $H_{11}$: Diversity networking has no huge impact on performance of organization in the Kenyan banking sector.

**METHODOLOGY**

This study employed both descriptive survey design. The study was carried out in banking sector in Kenya. The target population comprised of 36,212 employees in 43 commercial banks in Kenya from which a sample of 396 respondents was drawn from three strata; top management, supervisory, and general staff. First, the 36,212 respondents were categorised using stratified random sampling into top management, supervisors and Secretarial, Clerical & Support staff. The technique of simple random sampling was used to obtain 396 respondents from 36,212 respondents where every individual was picked entirely by some coincidence and every individual from the populace had an equivalent possibility of being included for the sample.

The sample size was determined using Slovin’s formula:

$$n = \frac{N}{1 + \left(\frac{N}{n}\right)^2}$$

Where: $N$ = the population; $n$ = sample size and $E$ = Tolerance level of confidence or probability level of $\alpha=0.05$

Given the population $N= 36,212$ then the sample size $n = \frac{36,212}{1 + (245*0.05^2)} = 395.63 \approx 396$. The sample size of 396 was apportioned using proportionate sampling technique. This technique is utilized when the populace is made out of several subgroups that are unfathomably unique in number. Data was collected using structured questionnaires which were used to collect primary data (quantitative data). Collected data was analysed using Statistical package for social sciences (SPSS, version 22). Reliability analysis was conducted to test for reliability of the questionnaire items.

Cronbach’s alpha coefficients of all the constructs were found to be above 0.7 (alpha coefficient $=0.8415$), therefore, the test items were retained and used in this study hence considered reliable. The study used construct validity of the instruments, and content validity to make
structured changes for the purpose of improvement and refinement before embarking on the actual data collection process. Analysis involved the use of both descriptive and inferential statistics. Descriptive statistics used mainly the means and standard deviations; while inferential statistics employed linear regression analysis. Inferential statistics were used to test research hypotheses at p-value of 5% (0.05) at confidence interval of 95%.

**FINDINGS AND DISCUSSIONS**

**Table 1: Descriptive Statistics of Diversity Networking and Organizational Performance**

<table>
<thead>
<tr>
<th>Question(s)</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>My organization promotes the establishment of support groups among employees (support networks)</td>
<td>369</td>
<td>1.00</td>
<td>5.00</td>
<td>4.3360</td>
<td>1.07381</td>
</tr>
<tr>
<td>My organization encourages employees to join support groups (networks)</td>
<td>369</td>
<td>1.00</td>
<td>5.00</td>
<td>4.2900</td>
<td>1.26831</td>
</tr>
<tr>
<td>My organization facilitates an atmosphere of sharing information among diverse workforce</td>
<td>369</td>
<td>1.00</td>
<td>5.00</td>
<td>3.9431</td>
<td>1.45195</td>
</tr>
<tr>
<td>My organization encourages mutual support between colleagues</td>
<td>369</td>
<td>1.00</td>
<td>5.00</td>
<td>4.0813</td>
<td>1.42528</td>
</tr>
<tr>
<td>My support group keeps minutes for the meetings held</td>
<td>369</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1653</td>
<td>1.37220</td>
</tr>
<tr>
<td>My support group holds its meetings regularly to confront stereotypes, and personal biases</td>
<td>369</td>
<td>1.00</td>
<td>5.00</td>
<td>4.4499</td>
<td>1.15076</td>
</tr>
<tr>
<td>My support group organizes for social events for all employees</td>
<td>369</td>
<td>1.00</td>
<td>5.00</td>
<td>4.4336</td>
<td>0.97052</td>
</tr>
<tr>
<td>My support group facilitates the cultivation of trust and good relations amongst employees</td>
<td>369</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5230</td>
<td>1.81184</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>369</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Field data (2019)*

The purpose of this study was to determine the influence of diversity networking on organizational performance in banking sector in Kenya. The results of descriptive statistics (the means and standard deviations) were as shown in Table 1. The measures of diversity networking were eight (8). The statements were anchored on a five point Likert-type scale. The respondents were required to state their level of agreement with eight (8) questions in relation to diversity networking on organizational performance, where, 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree.

Diversity networking variable had eight (8) questions. The first question on my organization promotes the establishment of support groups among employees (support networks) had the mean of 4.3360 with standard deviation of 1.07381. The results of other questions were: My organization encourages employees to join support groups (networks) had a mean of 4.2900 with standard deviation of 1.26831; my organization facilitates an atmosphere of sharing information among diverse workforce had a mean of 3.9431 with standard deviation of 1.45195; my organization encourages mutual support between colleagues had a mean of 4.0813 with standard deviation of 1.42528; my support group keeps minutes for the meetings held had a mean of 4.1653 with standard deviation of 1.37220; my support group holds its meetings regularly to confront stereotypes, and personal biases had a
mean of 4.4499 with standard deviation of 1.15076; my support group organizes for social events for all employees had a mean of 4.4336 with standard deviation of 0.97052 and my support group facilitates the cultivation of trust and good relations amongst employees had a mean of 3.5230 with standard deviation of 1.81184. Of the eight (8) questions, six (6) questions had means of 4.0 and above while two (2) had means of below 4.0. The results revealed that majority of the respondents were in agreement on the questions asked on diversity networking.

Table 2: Regression Results of Diversity Networking on Organizational performance

<table>
<thead>
<tr>
<th>Mean of</th>
<th>Standard Deviation</th>
<th>Regression Coefficient</th>
<th>R square</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4499</td>
<td>1.15076</td>
<td>0.399</td>
<td>0.257</td>
<td>126.942</td>
<td>1</td>
<td>367</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The results revealed that there was a statistically significant (p≤0.05) positive influence between diversity networking and organizational performance (regression coefficient, B=0.399, correlation coefficient, R=0.507, beta=0.507, ANOVA, F(1,367)=126.942and t-test value, t=11.267). Diversity networking accounted for 25.7% (R^2 = 0.257) variations in the organizational performance. The null hypothesis was rejected since a positive, linear and significant (p-value is less than 0.05) was established between diversity networking and organizational performance in the banking sector in Kenya. This also meant that every 1-unit increase in the diversity networking, the outcome variable (organizational performance) would increase by the beta coefficient value of 0.507. H0: Diversity networking has a significant influence on organizational performance in the banking sector in Kenya.

The test model is as follows:

Y = β0 + β1X1 +ε

Whereby Y = organizational performance, X1= diversity networking, β0 = constant, β1 is coefficients of regression and ε is the standard error.

The above equation becomes:

Y= 2.128+ 0.399X1 ...........................................Eq. 1

These findings were consistent with the findings from scholarly researches which suggested that networking behaviour has a positive influence on...
career related outcomes like promotions and compensation (Yin-Mei, 2016). Accordingly, promotions can be a prospective measure of upward mobility which could also lead to organizational performance (Claro & De Oliveira Claro, 2011). Consistently, Bogren, Von Friedrichs, Rennemo and Widding (2013) posited that various studies have shown a positive association between diversity networking and organizational performance and for diversity networking and group effectiveness.

As such, Madera (2013) found out that there is effective utilization of diversity networking among the 14 customer service organizations cited by Diversity Inc. in the USA. For instance, Verizon Company established the Employee Resource group to provide networking, mentoring, seminars and conferences for employees. In some other organizations, senior members of staff could coach employees with less than three years in the organizations (Madera, 2013). Inconsistently, Lee and Kim (2011) established that mixed findings exist between social networking and affective commitment relationship. For instance, Mossholder, Settoon and Henagan, (2005) found out that there is a negative or nonlinear influence of employee networks on employee commitment. Similarly, Labianca and Brass (2006) established that in some instances, the relationship between diversity networking and organizational performance can be negative and insignificant. The fourth objective of the study was to establish the influence of diversity networking on organizational performance in the banking sector in Kenya.

CONCLUSIONS AND RECOMMENDATIONS

It was revealed that there was a statistically significant positive relationship between diversity networking and organizational performance (regression coefficient, B=0.456, p=0.000). The regression coefficients of 0.399 showed that the influence of diversity networking on organizational performance was not strong, an indication of inadequate diversity networking among commercial banks in Kenya. Diversity networking accounted for 32.6% (R² = 0.326) variations in the organizational performance. Organizations should continually use their networks to support their operations. It was noted that organizations that promote HR diversity management practices such as employee networking can perform better because of the enhanced employee commitment.

REFERENCES


