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WOMEN IN BUSINESS AND BOARDS

Background

Boards are governance structures responsible for ensuring compliance with laws and standards set by institutions in different sectors.

The basic responsibilities of boards include:

- Establishing an organization’s vision, mission and purpose.
- Hire, monitor and evaluate the Chief Executive Officer.
- Provide proper financial oversight.
- Ensuring legal compliance and ethical integrity.
- Recruit and orient new members and assess board performance.
- Strengthening an organization’s programs and services.

Women on Boards

A phrase all too familiar ‘**Where are the Women**’ has often been used to describe the glaring absence of women in leadership spaces with board rooms being no exception. Board rooms still remain a strange place for women in Kenya as evidenced by the failure of various institutions to recognize the importance of having women in the boardroom. This is despite the numerous studies portraying that institutions with a high proportion of women board members score higher than their peers in financial performance, innovation and business longevity.

Status of Women’s Leadership on Boards

Women have risen in ranks to lead some of the biggest industry companies in different sectors. They have torn down gender bias in the workplace and taken up managerial seats. Going by a recent report by the African Development Fund on ‘Where are the Women: Inclusive Boardrooms in Africa’s top listed companies, Kenya has the highest percentage of women Board Directors with 19.8%. South Africa, Botswana, Zambia, follow with above average percentages of 17.4%, 16.9%, 15.9%, and 15.7%, respectively.

While there is a clear process for board appointments to state-owned companies, the final decision in reality rests with the Minister of the ‘parent’ ministry to which the companies belong. The possible heavy intrusion of politics in these appointments, as well as cronyism, may enter the best laid-out process. There is also a sense that without penalties for non-compliance or a timeline for implementation, some state-owned companies may not feel compelled to reach the 33.3% threshold.

This can be attributed to the progressive Constitution of Kenya 2010, particularly on addressing gender discrimination by adhering to the not more than two thirds gender rule in both elective and appointive positions as stated under article 27 (8).

Women are underrepresented on all rungs of the corporate ladder; in non-management as well as middle and senior management positions as per the following; Women make up 48% of entry level employees, but only 38% as managers, 34% as senior managers or directors, 29% as Vice Presidents, 23% as Senior Vice Presidents, and just 22% as C-Suite executives.

Only eight of 63 chief executive officers or managing directors of companies listed on the Nairobi Securities Exchange are women. An even smaller number, four, chair the board of directors in the firms.

Interesting Statistics

Going by the KIM Board Diversity and Inclusion Report 2021, the following statistics were derived:

- women representation in public listed companies board rooms, stands at 36% in 2021 up from 21% in 2017, 18% from 2015 and 12% from 2012. This significant progress surpasses the global average of 23.3%.
- Board chairperson's positions are heavily skewed towards the male gender with women chairpersons at 7.7%; only four companies out of the 52 had female chairpersons. This however compares better to the global average of 4% and also other advanced markets like the US, Canada and Europe.
- Men in chairperson positions outnumber women 11 to 1 in Kenya. A clear indication that we are far from attaining gender parity in this area.
- Like the boardroom, women representation in senior management still stand at a quarter meaning that one woman for every three men in the senior management teams.
- The proportion of women falls quickly as you look higher in the corporate hierarchy.
- In Kenya, men in boards outnumber women by 4 to 1.
- Retail has the highest representation of female directors but only constituted less than 2% of the total directors of the 52 companies sampled. Banking sector which had over 20% of the total directors had 24% female directors' representation.

Factors that Impede Women's Participation on Boards

- **Historical preference for men in leadership positions**. This is despite the requirement of the Constitution which defines equality as a national value in Article 10 and provides for affirmative action to aid in the realization of gender equality. In Kenya, women represent 50.3% of the total population and therefore have a significant role to play in the Kenyan quest for global competitiveness. Additionally, the Constitution requires that not more than two thirds of any elective and appointive bodies shall be of the same gender.

- **Cultural stereotypes and biases** as to what women can do and achieve, which in turn, limit women's economic futures.
- **Discriminatory practices in the workplace**. Many Women tend to be clustered at the lowest levels despite the gains made in educational attainment by Kenyan women in recent decades that have enabled them to gain entry into corporate employment.
- **The lack of female senior executives with board experience is often cited by corporate boards as to why they do not appoint many**. There is indeed a limited pool of women in senior management, because companies are not proactively grooming them for leadership roles.
- **Entrenchment of sitting board members**. Few of the stock exchanges have listing requirements setting age or term limits on board directors. Without limitations on length of board service, openings are rare and the board continues with little change in composition for a long period time. Moreover, a number of current corporate governance codes, listing requirements, or legislation governing companies require only a minimum of two directors for their boards, a rather low threshold. The smaller boards and their ability to operate without age or term limits for a long period of time hinders opportunities for boards to open up seats for more women. There is an equally important consequence, which is the inability of boards to refresh themselves and to bring in new perspectives and experience needed to grow a company.

Women in Business

Women owned businesses make a significant contribution to the Kenyan economy. Their businesses account for about 48 percent of all micro, small and medium sized enterprises (MSMEs), which contribute around 20% to Kenya's GDP.

The employment and ownership of enterprises in the informal sector in Kenya, is dominated by women. The 2016 Micro, Small and Medium Enterprises (MSME) Survey shows that out of the 7.4 million MSME's, 98% are micro enterprises employing less than 10 people. Women's share of licensed MSME's is 32.2% compared to Male share of 47.9%. Women ownership is concentrated among the micro enterprises that are informal with 60% of all unlicensed MSME's belonging to them.

The businesses that are run by women contribute toward diversification, competition, economic dynamism, productivity, economic empowerment of the poor as well as innovation to better cater to the niche needs that cannot be catered to by-products produced for the mass market.

Traditionally, there has been an established tradition of women working in small businesses. However, it is only recently that female entrepreneurship has gotten attention from policy makers and economic planners especially in developing countries such as Kenya. Even though the government has given acknowledgment to the fact that giving support to businesses that are run by women promotes economic empowerment as well as gender equality, most of the businesses that are run by women face several issues.

Factors that Impede Women's Participation in Business

1. Raising start-up capital as banks require collateral which most of them do not have.

2. Sexual exploitation in exchange for credit facilities and compliance clearance.
3. Banking policies such as lending policies and methodologies are very restrictive and do not favor women. In addition, there are few know financial institutions that have remodeled their businesses to incorporate the needs of women.

Recommendations

- The Government needs to consider formulating a policy to ensure compliance with the Constitutional requirements of Article 27(8) that no more than two-thirds of the members of any elective and appointive body shall be from one gender.
- This could also be realized by recommending a framework for increasing women representation on boards in both public and private sectors in line with the constitutional requirement
- In support of national values, all publicly listed companies need to comply with constitutional requirement on gender equality and equity.
- The Directorate of Gender needs to collect and make public data on the number of men and women appointed to positions in public boards and commissions and that annual reports of State-Owned Enterprises should include a breakdown of board members by gender.
- That all directors of publicly listed companies and the private sector should be required to undergo training in corporate governance and be members in good standing of a professional association of directors.

Conclusion

Evidently, the scarcity of women occupying corporate leadership positions has persisted in many fields despite the fact that more girls and women are educated than ever before, and make up nearly half of the country's workforce. Additionally, women play a key role in driving macroeconomic growth and contributing to sustainable growth and development. This therefore calls for the need to dig deeper and explore how well women are involved all the way from providing tertiary services to being at the decision making table. Furthermore, investing in women's leadership is the surest way to change Kenya's political and economic landscape to enable the realization of an inclusive and just society.