


Chapter 12

Board–Level Diversity Management as a Strategy to Enhance Organizational Performance

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ABSTRACT

Diversity brings in different perspectives and helps to strengthen the quality of decision-making. Hence, diversity is of importance at all levels of organizations, and more so at the board level as the decisions made therein affect the long-term success of any organization. Hence, adopting a qualitative research approach in combination with a hybrid of exploratory and descriptive research methods the objective of the chapter is to enhance the understanding and deliberate on the significance of board-level diversity as a strategy to enhance organizational performance in the context of the public sector with a focus on Namibia. According to the study findings, there is moderate diversity management at the board level, which needs to be increased so as to aid in better quality decision-making to improve performance. Based on the analysis and findings there are recommendations to the Ministry of Public Enterprises (MPEs) which is the appointing authority.

INTRODUCTION

Board diversity is defined as differences in the composition of boards of directors, and these differences can be clustered in two ways: directly visible differences, such as nationality, age, gender, and ethnic background, and less visible differences, such as educational, functional, and occupational background (Kang, 2007 cited, Jyoti, Teerooven & Vanisha, 2011). Moreover, earlier research has characterized Organizational performance in terms of financial and physical capital returns (such as profit on investments, and profit from share values). While the contrary, organizational performance, is defined as the

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efficiency with which the organization's intellectual capital resources add value (Rampling, 2019). As a result, the research focuses on the importance of board diversity and how leaders can make everyone aware of and attentive to the needs and differences of others, as well as how they may benefit from a diverse workforce. It will also involve an examination of how different enterprises handle board diversity as part of a strategic plan to meet the organization's mission and objectives. In recent times, corporate board diversity has received much political and media coverage. Six nations have implemented binding quotas to encourage gender diversity on corporate boards since 2008, others, on the other hand, have non-binding quotas or are debating the legal terms (Smith, 2014 as cited by Kowalsky, 2020). With the new trends and new paradigms, there has been a shift from an undefined social Europe to more democracy at work.

Research has been conducted on the subject of the influence of men and women on company leadership. This is frequently promoted as a means of achieving greater social equity or diversifying the director skill pool. This research will look at diversity from both a similarities and differences standpoint. The study will use the social exchange theory to correlate the research objective with the theory. Interactions among individuals or members of certain organizations, communities, or networks that can be considered social exchanges make up a large component of social life (Cook, Cheshire, & Gerbasi, 2020) thus, the adoption of the social exchange theory by this study. The social exchange theory suggests that performance is likely to be effective in a diverse work group as long as the organization manages diversity efficiently (Avery & McKay, 2010). Hence the objective of this chapter is to examine the board diversity to enhance the organizational performance of Public Enterprises in Namibia.

BACKGROUND

This chapter discusses the need for diversity management at the board level for PEs in Namibia, to enhance their organizational performance. It emphasizes the importance of board diversity and how leaders may make everyone aware of and attentive to others' needs and differences, as well as how they can draw strength from a diverse board of directors if they want to use diversity as a competitive advantage approach. In the aftermath of huge company failures (for example, the American company, WorldCom, and the European company Ahold), several specialists on company board governance have supported the calling for a greater mixture of company leadership. Historically, organizations have experienced substantial losses as a result of high-profile scandals. Consequently, numerous top corporations folded, followed by many legislators and the top authorities examining company leadership in registered enterprises. Most of the time, the major cause of these corporate disasters was weak corporate governance standards. When it comes to executive leadership, organizational diversity, and corporate governance are inextricably linked. The Board of Directors provides organizational leadership and is responsible for formulating plans, including establishing planned objectives that improve organizational performance.

Well-mixed corporate boards can effectively supervise senior management groups and managers, and studies on firm board diversity point to the improvement of board freedom in publicly traded companies. As a result, diverse organizational boards may have a significant effect on the generation of company value and the improvement of financial performance. Diversity is thought to foster a sense of inclusivity, cohesion, and equality among an organization's working group, as well as improve performance. However, achieving success remains a challenging issue in many enterprises. Various conceptions and processes on corporate leadership, including how it might safeguard that the investors' expectations

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