CORPORATE BOARD DIVERSITY AND PROFITABILITY OF CONSTRUCTION AND ALLIED FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE, KENYA

Grace Ndanu Hassan.
Master of Business Administration Student, Department of Accounting and Finance School of Business, Economics and Tourism, Kenyatta University, Kenya.
Dr. Moses Odhiambo Aluoch (PhD).
Lecturer, Department of Accounting and Finance, School of Business, Economics and Tourism, Kenyatta University, Kenya.

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ABSTRACT

Globally, organizations in the construction and allied industry contribute greatly to the expansion and advancement of both the building sector and society as a whole serve as key pillars for Kenya's financial system. However, numerous indexed firms at the Nairobi Securities Exchange have experienced great financial challenges in recent years because of a number of concerns regarding control, such as board diversity which often resulted in the possibility of project stalling and has led to the sequestration, reorganization, and delisting of certain firms. The goal of this investigation is to look into the connection between corporate board diversity and the profitability of construction and related companies that are listed on the NSE in Kenya. The study also evaluated the impact of board nationality, education level, age, and gender composition on the firms' profitability. The theories of Agency, stewardship and stakeholder were all used as the study's theoretical foundation. The study and data analysis was executed using a descriptive research design. The people of interest for the research was the five construction and related companies that are registered with the Nairobi Securities Exchange. There was a design of census sampling used. The Nairobi Securities Exchange's construction and affiliated companies' financial reports was a source of secondary data. Panel regression was used to evaluate the data and determine how the study variables from the years 2017 to 2023 relate to one another. Several evaluation analyses was carried out to assess the suitability of the study framework. Ethical standards was put into considerations and adhered to accordingly. Findings from the outcome noted that board age has an insignificant positive effect on the profitability of the listed firms in Kenya with the conclusion that board age does not play a critical role in enhancing the firms' profitability. Indicatively obtained from the outcome, board gender composition has an insignificantly positive effect on the profitability of these listed firms with the conclusion drawn that the composition of the board play an insignificant role in the determination of these firms profitability. Also, unveiled by the outcome, board education significantly affects the profitability of these firms positively with the study concluding that the educational background of the board play a major role in driving profitability of these firms. Unravelled by the outcome, board nationality has a significant positive effect on the listed firms' profitability leading to the conclusion that the nationality of the board significantly drive profitability of the listed construction and allied firms in Kenya. The recommendation is that policymakers should implement initiatives aimed at increasing the educational qualifications of board members. This could involve establishing a regulatory framework that mandates a minimum level of educational attainment for board members, particularly in fields relevant to construction and management.

Keywords: Board Age Diversity, Board Diversity, Board Education, Board Gender Composition, Board Nationality, Profitability.

INTRODUCTION

Building as well as related industry organizations around the world make significant contributions to the advancement and development of society. However, their result has been below par in some instances due to several factors. The context of the past few years, the construction corporations has grown significantly on a global scale. According to Turner and Townsend's (2018) estimation, the construction sector has been expanding at a pace of almost USD 0.3 trillion yearly. This suggested that between 2010 and 2020, the world's building output will increase by about 45%, from USD 7.4 trillion to USD 10.7 trillion. Furthermore, projections indicated that this sector's global output would amount to USD 13.3 trillion and USD 15.2 trillion, respectively in 2025 and 2030 (Global Data, 2022). The overall performance of the construction sector has been subpar notwithstanding this encouraging increase (Abdi, 2022). For instance, renowned companies like Enron, Delta Air Lines, and WorldCom, which symbolized legendary examples of organizational financial wellness before declaring insolvency, are just a few of the many instances of failure of businesses associated with economic performance that have occurred in the past few years with catastrophic consequences (Kabando, Wepukhulu, & Otinga, 2021).

In the United States, construction companies generated a lower GDP in 2022 than they did in 2020. In addition to a significant manpower shortage, especially for skilled craft employment, the construction industry faces a shortage of contemporary building supplies and equipment (Statista Research Department, 2023). During the eight years starting in 1990, 10,867 construction companies failed in the US in 1997, and over 80,000 failed overall (Sabato, 2020). An additional 225,000 workers wasrequired in the UK to meet the demand for construction in order to address a number of issues affecting the industry, including as labor costs, project delays, and supply chain uncertainties (Massay, 2023). Nonetheless, the construction sector in the UK experienced a decline in expansion, resulting in the closure of businesses such as PDR, Henry W. Polland and Sons Ltd., Crossfield Construction, Kapex, and WRW Constructions in 2020 (BIS, 2021). Philipp Holzmann, the second-biggest construction company in Germany and one that had been in operation for more than 150 years, also filed for liquidation (Strischek and McIntyre, 2018). In Asia, Many challenges faced by construction enterprises lead to their downfall, ranging from financial worries about the environment to regulatory barriers, a lack of skilled workers, and poor project management (Sandstorm, 2023).

The construction industry has grown significantly in the Sub-Saharan African (SSA) territory as well, with an average yearly increase of 6.6% across 2018 and 2020 (Alape, Pinzon, Medina, Cabrera & Isabel, 2023). However there have been a number of setbacks that construction and allied firms have experienced overtime with regards to performance. It is reported that due to intense international rivalry, construction businesses must offer more flexible operations and cheaper rates than their rivals in order to secure deals. At the stage of the project, lowering costs is the best way to get deals, yet construction companies frequently suffer as a result of the aforementioned (Jang, Ahn, Park, Lee & Kwon, 2019). It has also been observed that inadequate financial outcomes for building projects and construction firms are a widespread worldwide issue, particularly for those in South Africa. The decline in overall economic activity and construction firms' lack of determination of long-term financial expansion has been blamed for this which has resulted in stagnation and decline in some cases (Omopariola, Windapo, Edwards & El-Gohary, 2021).

In Kenya, through job creation and improvement in the economy, the building and construction sector makes an enormous contribution to growth. Construction companies are adopting outwards tactics as a direct consequence of the advent of financial internationalization, and international construction has emerged as a paradigm for corporate operations (Sang, Zhang, Ye & Jiang, 2022). As observed by Nyaga and Deya (2022) in Kenya Most of the time, developers urge investors to purchase the apartments while they are still being built in order to improve their liquidity. Poor financial planning during the first stages may lead to poor cost management, which could cause building to stall. When it comes to the fundamental components that support the successful completion of projects, the construction industry has performed poorly (UNDP, 2020). When juxtaposed to their Malaysian parallels, who conduct business at a median technical effectiveness of approximately 88%, the majority of construction and related enterprises in Kenya operate at roughly 52% (KIPPRA, 2018), casting doubt on the sector's ability to accomplish the objectives of Vision 2030. Additionally, a number of construction firms in Vihiga County had to relinquish potential deals from Vihiga clients due to nonperformance stemming from inadequate compensation of their statements. Therefore, the majority of these businesses were compelled to close, while others filed for bankruptcy and others had their assets auctioned off by financiers (Special Auditor General Report on Outstanding Bills of the Vihiga County Government, 2019).

Corporate Board Diversity

Corporate Board Diversity may be described as the broad differences in the overall makeup within an entity's governing body. It is a varied combination of traits, skills, and knowledge offered by those within the board as a contribution to the procedure for decision-making (Song, Yoon, & Kang, 2020). A diverse board can help the effective supervision of managerial staff since the many inputs they strive to provide will increase the effectiveness of the task (Ozgur, 2020). Apart from their oversight and management responsibilities, a diverse board of directors could help the company secure important resources like networking and legal advice (Hsu, Lai, & Yen, 2019). Consequently, it is maintained that having a more diverse board can foster conversations and ideas that will enable board members to better comprehend the environment in which the company operates (EmadEldeen, Elbayoumi, Basuony & Mohamed, 2021). For an equal and all-encompassing perspective, it tries to contribute across the setting, board diversity which includes diversity when it comes to skills, experience, ethnicity, gender, age and qualifications has been suggested as a criterion for effective organizational performance (Okeyide, 2018).

Kagzi and Guha (2018) separated diversity on boards into two groups; Diverse demographics are not the same as structural diversity. Structural diversity is exemplified by characteristics like the board's independence, the CEO's multiple roles, and board size. Conversely, the board's demographic diversity comprises features such as age, gender, nationality, and educational background. A company that attracts talent from a variety of backgrounds by having a diverse board of directors demonstrates that it values having a diverse workforce. EmadEldeen, Elbayoumi, Basuony and Mohamed (2021) also submitted that the most popular analogues in corporate governance are CEO duality, board independence, and board size. That, demographic traits like age, gender, nationality, and education have also emerged as important variables for board diversity. Bin Ayub and Ullah (2020) maintained that when there are more women on the board, there is more active monitoring, which increases governance and young managers are also better equipped strategically, and their companies expand faster than those with older management. Due to their extensive experience in the business and their impartial role, independent directors are considered effective monitors. Having foreign employees boosts a company's competitive edge through global networking, protecting shareholders' interests, and preventing management entrenchment. A varied educational background combined with specialized industry experience can add depth to diversity. There would be more diversity on the board the more directors there were. This study thus considered board age, board gender diversity, board educational diversity and board nationality as variables of corporate board diversity.

Age is a crucial component of the demographic makeup of the board. Li, Xu, Chapple and Jia (2019) reported that two of the most significant causes of board diversity are age and gender of the directors. Age diversity shows how experienced board members are and shows how mature they are in setting company goals. Diversity in age may help people acquire the various knowledge and abilities needed to make wise judgments (Islam, French & Ali, 2022). Age-diverse boards are more common in socially conscious organizations than in non-socially conscious ones. Age variety fosters creativity and competency, which may improve the caliber of decisions made by a board. The benefits that result from the combination of younger colleagues' are efficiency with the experience of the board's elder individuals (Kagzi & Guha, 2018). As a result, it is hoped that a diverse group of directors will contribute a range of perspectives, expertise, and abilities to the board, potentially enhancing performance (Katmon, Mohamad, Norwani & Al Farooque, 2019). The age of the board members was used to calculate the board age in this study.

As a result of the relevance of board gender diversity, it has drawn more interest than other types of demographic variation (Amorelli & García-Sánchez, 2021). Directors influence important strategic decisions that boards make. Cognitive policies are made, and the demographics of the board members—such as gender—have a major influence on them (Islam, French & Ali, 2022). Norms, values, and viewpoints are influenced by gender. According to a report, having more women in senior positions resulted in better judgments (Gould, Kulik & Sardeshmukh, 2018). Boards of directors (BoDs) won't operate as effectively if the talent of particular societal groups is routinely eliminated based on factors like gender and ethnicity rather than their actual competency (Menicucci & Paolucci, 2022). Women have always been associated with empathy, involvement, collaboration, and effective communication. It has also been shown that decisions on community engagement are positively impacted by female directors (Ardito, Dangelico & Messeni, 2021).These characteristics could result in development, which could have an impact on performance. According to Rosliputri and Hudaya (2024) since the presence of women in businesses is thought to give them advantages in decision-making, boards with higher degrees of gender diversity have been demonstrated to offer more options to support their decisions. For instance, because women have a higher emotional intelligence and a tendency to shun risks more than men, having more women on company boards can assist avoid dangerous ventures. In this study, board gender diversity was assessed by the populace of females to total directors on board.

The degree to which directors have completed their education influences how effective they perform hence a board that has personnel with more diverse qualifications performs differently from those that don't. Board educational diversity is the range of qualities, expertise, and experience that board representatives bring to the table in order to help make decisions (Ozgur, 2020). Directors provide organizations with capabilities in the form of expertise, direction, and counsel as well as through maintaining external connections, liaising with significant stakeholders, and supporting the development of strategies (García-Sánchez, Hussain, Khan & Martínez-Ferrero, 2021). Consequently, it is assumed that a more diverse and unique membership of directors will contribute to the board, perhaps influencing the decisions made by the board. A diverse group of professionals will have a distinct advantage over homogeneous ensembles with regard to performance because they will have a broader spectrum of interconnected links (which can bring in supplementary details plus additional capabilities), skill, understanding, and vantage points (Makkonen, 2022). A diverse board of directors with respect to qualification can help ensure that managers are overseen effectively since the many perspectives they bring to the table will improve the quality of the work (Wahid, 2019). The number of board members with industry-specific qualifications wasused as the study's metric.

Board nationality according to Ilaboya and Ashfoke (2019) is the ratio of foreign board members to all board members in an organization. It is advantageous for a business with a diversified board of directors to be aware of different operational conditions and cultures from the surrounding communities (Harjoto, Laksmania & Yang, 2019). Foreign directors can augment the advisory ability of the board overall because of their background, understanding of foreign markets, and access to overseas networks (Odero & Egessa, 2023). Thus, businesses could profit from the consulting services given by international directors. The likelihood of interpersonal conflicts and problems with intercultural communication may increase due to the board's nationality (Alshababi, Pria, & Hussainey, 2022). But having foreign players on the squad is expected to provide the business a competitive advantage. The exclusive goal of corporate governance research has been on the possible benefits of having foreign board members. It wasmeasured in the study as number of foreign nationals to total board members.

Profitability

Construction organizations can assess their economic efficiency and accomplishment through the use of financial performance indicators (Ilori & Omopariola, 2018). It is anticipated that the quest of fiscal stability and expansion will result in effective administration and use of financial performance metrics (Soewarno & Tjahjadi, 2020). Consequently, this improves the completion of high-quality projects that satisfy clients' needs and reduce conflict among project stakeholders (Omopariola & Windapo, 2019). The profitability of a company is a good indicator of its current state of finances. In simple terms, it is a monetary achievement brought about by improved financial handling of the firm, which increased revenue, profit, and worth to investors. Stakeholders, notably the proprietors, have legitimate concerns about the enterprise's financial condition (Naz, Ijaz & Najvi, 2016). Matar and Eneizan (2018) stated that liquidity as well as profitability are included in financial performance, that fulfilling client and workforce fulfillment, worker efficiency, enough cash flow, leveraging, market share, and order worth are all components of financial performance.

Omopariola, Windapo, Edwards and El-Gohary (2021) maintained that the major performance measures for the construction business are worker productivity, market penetration, revenue creation from a bargaining chip, financial stability, access to liquidity, efficacy, and adaptability. That improvement in profitability leads to increases in financial resources. According to Panayiotis (2018) the ability of a business to generate both gross and net revenue from operations related to projects completed within the framework of an accounting cycle is known as profitability. When it comes to their financial commitment decisions, construction stakeholders prioritize profitability above all else. The majority of profit comes from both operational and non-operational sources. Operational profit is derived from the projects that the construction company works on; non-operational profit comes from improved financial management, money made in other sources and insurance proceeds (Omondi-Ochieng, 2018). Measuring profitability involve both accounting and non accounting measures. As Gentry and Shen (2010) puts it, along with return on sales and return on equity, ROA is the most widely used accounting metric used by companies to evaluate their fiscal results. Conversely, Tobin's Q and market return are examples of market-based metrics.

Indicators of profitability include net and gross margins, economic value added, returns on equity less cost of equity, ROE and returns on capital employed. are among the metrics used to assess a company's performance. Other performance metrics include cash flow measurements like free cash flow over sales and growth indicators like historical revenue growth. It is best to use metrics like projected profitability, cash flow, and growth to assess a company's success (Kiaritha, 2018). Accounting measures like as Return on Equity (ROE), Return on Investment (ROI), and Return on Assets (ROA) are recommended as performance indicators by management academics. Net Interest Margin (NIM), Price-to-Earnings (P/E) ratio, and Earnings per Share (EPS) are examples of frequently used performance measures. The NIM variable is calculated by dividing net interest income by total assets. Okiro (2018) assesses finance performances using net interest margin and the ratio of before-tax profit to total assets. Accounting rates of return are often computed in previous research. Examples of Returns on Capital (ROC), ROI, and ROA are included in this ROS. One example of how these indicators could be used to assess managerial performance is how well a company's management uses its resources in order to produce accounting returns per unit of sales (Memba, 2018).

Return on equity was the main metric in this study, which used profitability as a proxy for firm health despite the fact that there are many ways to assess an organization's financial health. Return on equity, or ROE as a term is used in the finance sector to evaluate a company's ability to profit from the investments made by its shareholders. It is calculated as a percentage by dividing the net income of a business by the total equity.

Construction and Allied Firms Listed at the Nairobi Securities Exchange, Kenya

The construction sector is in charge of constructing new residences, apartments, factories, offices, and educational buildings. Among many other things, it also handles with the construction of highways, bridges, ports, railroads, sewers, and tunnels (Kenya Construction Industry Databook, 2020). It also provides the necessary raw materials, like concrete, to build all those structures and handles their upkeep and repair. The industry is significant not only because it supplies the structures and facilities that almost all other sectors rely on, but also because it is a sizable sector (Dyer and Blair, 2019). By 2024, the building and construction sector in Kenya is expected to develop at an average yearly growth rate of 10.4%, reaching KES 580.5 billion. The residential building industry grew at a 9.0% compound annual growth rate (CAGR) between 2015 and 2019. The industry's need for value-based commercial building development is projected to rise at a 10.9% CAGR throughout the forecast timeframe (Ariga, 2022).

The primary goal of Kenya Vision 2030 for the construction industry is to push Kenya toward being the industrial center of Africa by increasing its GDP contribution by at least 10% annually. The construction industry has a strong potential to create jobs, stimulate the development of the agriculture industry and present ample chances for export development (Kenya Construction Industry Databook, 2020). However, in Kenya, In contrast to the overall economy, the growth of the construction industry and related sectors has been slower (KNBS, 2018). Statistics show that manufacturing's share of GDP has steadily been declining over time. Successive Fiscal Assessments have also confirmed that companies in the industry have had difficulty growing. In one scenario, the Manufacturer Value Index (PPI) climbed by 3.91 percentage points in 2015 compared to an uptick of 3.03 percent in 2014, primarily as a result of increased expenses related to raw material imports (Nyaga & Deya, 2022).

Statement of the Problem

One of the principal pillars supporting the financial system of Kenya as it develops it’s the construction industry. The government promotes economic activity by building infrastructure, including highways, railroads, airports, and so forth. The government has been working on massive infrastructure projects in an effort to fulfill the 2030 vision (Nyaga & Deya, 2022). However, there are concerns about the capacity of construction and allied companies in Kenya to attain Vision 2030 dreams due to the fact the bulk of the companies perform at a technical performance of about 52% as compared to their opposite numbers in Malaysia, which common approximately 88% (KIPPRA, 2018). Numerous indexed firms at the NSE have experienced great financial challenges in recent years because of a number of concerns regarding control, such as board diveristy.

When it pertains to the fundamental elements that lead to a project's accomplishment, the construction sector has demonstrated appalling performance (UNDP, 2020). In the construction business, poor administration by the board in the early phases has frequently led the potential for projects to stall (Murutu, 2019). Several of the entities were placed under sequestration as a consequence; certain ones undertook restructuring, while some were delisted. Extra debt for those businesses is a common occurrence, making it challenging for them to function properly (Kabando, Wepukhulu, & Otinga, 2021). Additionally, the construction industry expanded by thirteen percent in the prior year, as reported by Kenya's macroeconomic assessment; however, in the year 2016, the growth rate of the industry slowed to 9.2%. The decline amounts to 4.4% (Mbusi, 2020). The downturn persisted throughout the ensuing years, with the entire sector recording growth rates of 8.5% and 6.3%, correspondingly, in 2017 and 2018, and beyond. This indicates the sector's persistently weak performance (KNBS, 2019). The difficulties that the business world has faced recently may be significantly reduced with the help of an adept board of directors and a strong regulatory framework (Adegboyegun & Igbekoyi, 2022).

Several investigators have probed if a relationship exists between heterogeneity of board and firm performance. For example, After Khan, Khan, and Zhang (2019) investigated how the makeup of the boards of directors and the financial standing of the PSX-listed companies are connected, concluding that the board's makeup influenced the financial performance of the company. Furthermore, Hadjaat (2019) revealed that general performance in a developing country (Indonesia) has been significantly impacted by diversity among non-financial enterprises. Scholtz and Kieviet (2018) investigated whether the presence of diversity on a board affected the profitability of the top one hundred South African enterprises registered on the Securities Exchange of Johannesburg between 2013 and 2015, as well as the development of the business's financial outcomes and revealed that the efficiency of The number of female executives, the size of the board overall, and the proportion of MBA-holding directors all have a strong positive correlation with the performance of South African businesses; however, the ethnic diversity of the board has unfavorable correlation with the businesses' performance.

Despite the existence of literatures that attempted to investigate the subject matter there have been a number of gaps that such literatures left. While some focused on an aspect of board diversity, some placed emphasis on other measures of measuring performance. Yet other research studies were limited to certain demographic. Because previous studies did not provide direct evidence on the subject matter with regards to the same context hence this study interrogated the influence of corporate diversity of board on the profitability of construction and allied firms listed at NSE, Kenya.

Objectives of the Study

The main objective of the study is to examine the effect of corporate board diversity on the profitability of construction and related companies listed on the Nairobi Securities Exchange in Kenya, The specific objectives includes:

i. To examine the effect of board age on profitability of construction and allied firms listed at the Nairobi Securities Exchange, Kenya.
ii. To analyse the influence of board gender compositionon profitability of construction and allied firms listed at the Nairobi Securities Exchange, Kenya.
iii. To establish the effect of board education on profitability of construction and allied firms listed at the Nairobi Securities Exchange, Kenya.

iv. To examine the effect of board nationality on profitability of construction and allied firms listed at the Nairobi Securities Exchange, Kenya.

Research Hypotheses

H_{01}: Board age has no significant effect on profitability of construction and allied firms listed at the Nairobi Securities Exchange, Kenya.
H_{02}: Board gender compositionhas no significant effect on profitability of construction and allied firms listed at the Nairobi Securities Exchange, Kenya.
H_{03}: Board education has no significant effect on profitability of construction and allied firms listed at the Nairobi Securities Exchange, Kenya.
H_{04}: Board nationality has no significant effect on profitability of construction and allied firms listed at the Nairobi Securities Exchange, Kenya.

Scope of the Study

From a conceptual standpoint, the research investigated the link between corporate board diversity and the profitability of construction and allied firms listed on the Nairobi Securities Exchange (NSE) in Kenya. Among the investigation's independent variables are board age, gender distribution, education and nationality. Geographically, the study concentrated on building and associated enterprises that are listed on the NSE of Kenya. Stakeholder as well as agency theory served as the study's main theoretical pillars. Furthermore, it would exclusively concentrate on five NSE-listed construction and related companies. Descriptive research design was the approach of choice to achieve the study's goals. The fiscal year 2017 through the year 2023 is the study's duration as this allowed for collection of comprehensive data for easy comparison of the trends.

LITERATURE REVIEW

Theoretical Review

The three primary theories that was the subject of the discussion in this section are agency, stewardship as well as the stakeholder theory. These theories offer the essential framework for the investigation.

Agency Theory

Stems from research that Jensen and Meckling conducted in 1976. They attempted to apply the body of work on risk-sharing and expanded it using the theory of agency to take into account the underlying dilemma of agency, which arises when collaborating parties have different goals and a different comprehension of the task (Stea, Linder & Foss, 2015). The core of agency theory is the common agency connection, in which a principle designates duties to another person, the agent, who subsequently carries them out. Agency theory uses the example of a contract to illustrate this relationship (Eisenhardt, 1989). The relationship between stockholders (principals) and top executives (agents) is essentially prototyped in the management literature as the principal-agent relationship. With regards to effective management some scholars maintained that based on the agency theory, incentive pay for board should be determined by evaluating an individual's performance against that of comparable firms (Gibbons and Murphy, 1990). Others contended that agency theory allows the owners to rely on the board of directors as the principal internal safeguard instrument of the company, with the board monitoring the conduct of the managerial staff (Dalton & Kesner, 1987). According to Tan (2014) while quoting Fleischer et al. (1988), a board of directors' primary responsibilities includes keeping an eye on management behavior on behalf of the company's owners, developing strategic choices on the organizations operations, and identifying and dismissing relevant managers when they engage in misbehavior.

Agency theory's skeptics claim that it is based only on a scant knowledge of human behavior. Donaldson noted that the notion of agency does not have the ideas for accepting a more positive perspective of management intentions and behavior and instead portrays managers as innately inclined to act in exploitative, self-interested guileful, and lazy ways—at the expense of their companies (Donaldson, 1990). Perrow (1986) deemed the theory to be intrusive and dehumanizing. According to agency theory, a diverse board can lessen agency issues by pulling in a range of viewpoints, experiences, and areas of competence. A diverse group of directors on the board promotes more independent thought, effective supervision, and less collaboration. Smarter governance, more effective decision-making, and alignment with shareholder interests can result from this. Hence the theory was used to support age, gender, educational and nationality diversity.

Stewardship Theory

Schoorman and Donaldson (1997) presented the theory, defining a steward as an individual who protects the contribution of shareholders by maximizing their value through raising the overall performance of the firm. Executives and overseers who work for the equity-owners by maintaining responsibility and protecting owners' returns are stewards in this sense. Corporate leaders and managers are thought of as stewards who protect and increase profits on behalf of the shareholders. In scenarios where the firms accomplish their goals and eventually prosper, the stewards stay inspired and content. On the other hand, they continue to bear the weight when positive outcomes are not achieved in their endeavor to maximize profits for shareholders while fulfilling their designated roles and obligations. Corporation employees perform diligently in their designated roles, taking ownership of them. Stewardship theory suggests that companies should focus on empowering the managers so as to match their interests with the organization's. This can be achieved through mechanisms such as long-term incentive plans, shared ownership, and a strong organizational culture that promotes collective goals over individual ambitions (Hernandez, 2008). This will ensure enhanced organizational performance and sustainable success as managers are stimulated by the organization's long-term health and prosperity.

Given the tenets of this theory, managers' primary goals must be to maximize returns because they are answerable for carrying out tasks and taking on roles that increase shareholders' investment returns. Improving managers' ability to achieve the organization's mission, goals, and objectives at an exceptional level is the main goal that drives them to complete certain tasks. On the other hand, there is a strong emphasis on the need for management and employees to operate for the benefit of shareholders' (owners) interests by optimizing returns. Consequently, this could improve price minimization to accomplish expectations. However, administrators and managers are biased toward maximizing financial performance in addition to profitability and firm value for shareholders in order to maintain their position as the head of the company. This theory therefore supports corporate board diversity.

Stakeholders Theory

Freeman's 1984 reasoning, The roots of stakeholder theory can be found in this definition of stakeholders, which stated that there are people as well as organizations who can either influence or be impacted by the accomplishment of the firm's goals. According to Gilbert and Rasche (2008), How companies consider stakeholder interests is explained by the theory of stakeholders. The concept clarifies the individuals who are affected by an organization's decisions as well as how those decisions effect the enterprise's business objectives. Stakeholders were divided into three categories by Fassin (2009): true stakeholders, stake watchers, and stake keepers. Since these people have a real stake in the business and can legitimately claim power and influence, they are the company's true stakeholders, and they have a moral obligation to uphold (Richter and Dow, 2017). Stake watchers protect real stakeholders' interests by acting as a stand-in or intermediary for them, even though they are not directly involved in the situation. They are comprised of multiple associations that act as watchdogs and protect the interests of investors, the environment, and consumers. Their influence stems from their advocacy of actual stakeholders' interests. Autonomous oversight bodies like governments, courts, regulatory bodies, news outlets, and the media are the stake keepers. They don't have any financial interest in the company, but they do apply some external controls and rules (Fassin, 2009).

The stakeholder theory is not without flaws. For example, It provides absolutely no guidance on how to make management decisions. According to Friedman and Miles (2002), The distinctions between various stakeholder groups are distinctly defined by stakeholder theory. However, in the real world, stakeholder interests differ. Furthermore, different stakeholders have conflicting interests, both among and within a single group of stakeholders. Since executive management is in charge of multiple stakeholder groups, the concept of stakeholders is ambiguous when it comes to balancing the demands of numerous stakeholder groups. Also For a variety of reasons, including uncertainty about the relative significance or fairness of the various stakeholders (or "worth" and a stake of each stakeholder) and the assessment of achievement with respect to the targets of various stakeholders, efforts to define universal groupings of stakeholders are very challenging to accomplish in practice (Hill & Jones, 1992). A diverse board can more effectively represent and handle the issues of various stakeholder groups when it comes to board diversity, according to stakeholder theory. It is better for the board to understand and deal with the expectations and worries of different stakeholders when it includes directors with a variety of backgrounds, experiences, and viewpoints. (Campbell, 1980). Also according to stakeholder theory, having a diverse board can improve an organization's performance by strengthening ties with stakeholders, enhancing reputation, and preventing disputes with various stakeholder groups (Hatami & Firoozi, 2019). Diverse boards are thought to be more inclusive and sensitive to stakeholder requirements, which foster more cooperation, trust, and long-term viability. Stakeholder provided the foundation for corporate board diversity and profitability.

Empirical Review

Board Age and Profitability

Islam, French and Ali (2022) investigated how a company's board of directors' performance in terms of CSR is affected by age diversity. The study employed the Resources Dependency Theory. 19 board directors from 14 Australian businesses were interviewed in-depth to gather the qualitative data. Data analysis was conducted using the six-phase theme analysis technique. The results show that age diversity on boards improves spending on CSR and perspective determinations, which in turn boosts an organization's performance. The study adopted dependency theory whereas the foundation for this research is stewardship, agency and stakeholder theory.

Menicucci and Paolucci (2022) looked into the connection between the board of directors' (BoD) diversity as well as the governance, social, and environmental (ESG) performance. The target demographic for the research analysis consisted of 105 Italian banks between 2017 and 2021. The Refinitiv database, which is maintained by Thomson Reuters, provides an ESG score that is used to quantify the ESG dimensions. In terms of board attributes and CSR/sustainability committee, the report also examines board diversity. The analysis's conclusion showed that board age diversity significantly affects the organizations' performance. However, the study's attention was limited to Italian realities, which are distinct from those in Kenya.

Bustamante, Arenas and Campos (2021) tried to ascertain whether the variety in the board composition of listed companies on the Chilean Financial markets has a beneficial and noteworthy influence on their profitability. A subset of 1,106 documents covering environmental improvement and corporate social responsibility from 2015 to 2020—as well as the associated profits were evaluated in the inquiry. The impact of gender diversity, age, and citizenship on the financial performance of the companies was investigated using descriptive-correlation analysis. The findings indicate, overall, a favorable and noteworthy influence in relation to diversity in age and profitability. The study focused on general businesses in the stock exchange in Chile whereas this investigation placed specific emphasis on construction and allied firms in the NSE Kenya.

Board Gender Composition and Profitability

Kinasih, Nurmasari and Prayogi (2024) investigated the impact of having a varied board and using derivatives on company risk. The sample consisted of 35 Indonesian LQ45 listed on the Indonesia Stock Exchange during the observation period of 2016–2020. The standard deviation of stock returns is a proxy for the risk of the company. Fixed effect regression and random effect regression were the panel data regression models used in this investigation. The study's conclusions revealed an unfavorable partnership between female board directorship and firm risk. It demonstrated the noteworthy contribution made by female board members to the company's board. The study however just placed emphasis on the effect of female directors whereas this study equally looked at effect of board age, board education as well as board nationality.

Kahloul, Sbai and Grira (2022) examined the relationship between the disclosure of ethical company practices and profitability, along with how that relationship is affected by the gender diversity of the board. The study evaluated the effect of the independent factor on performance using Tobin's Q as a performance indicator, utilizing a panel dataset made up of a selection of French companies listed on the SBF 120 index between 2008 and 2015. The study's findings suggested that a gender-diverse board has a moderating effect on CSR, which is reflected in the company's overall profitability. The research placed emphasis on just board gender diversity whereas this study investigated board age, board nationality and board education level diversity.

Islam, French and Ali (2022) examined how gender diversity affected a company's board of directors' performance in terms of corporate social responsibility (CSR). The Resources Dependency Theory was applied in the investigation. 19 board directors from 14 Australian businesses were interviewed in-depth to gather the qualitative data. The data was analyzed using the six-phase theme analysis technique. The findings demonstrate that having a diverse range of gender on boards enhances perspective decisions and CSR expenditure, both of which increase an organization's performance. The study adopted dependency theory whereas the foundations of agency, steward and stakeholder theories are used in this study.

Board Education and Profitability

Adegboyegun and Igbekoyi (2022) looked at the impact of diversity on the boards of Nigerian manufacturing companies on their bottom line. At December 31, 2020, there were 64 manufacturing companies on the market that were included in the study. To choose a sample of twenty listed manufacturing companies, the study employed purposeful sampling. From 2011 to 2020, the annual reports of the chosen companies provided the data used in the analysis. Utilizing panel regression estimate techniques and descriptive statistics, the data were examined. Research result showed a positive correlation over an extended period of time between a diverse board and corporate success, with the exception of financial expertise diversity, which positively impacted profitability. The study, however, focused on manufacturing firms where as this study looked at construction and allied firms.

Nwaorgu and Iormbagah (2021) investigated how the financial performance of Nigerian listed companies was impacted by the diversity of their boards. This research used an ex-post facto methodology and a content analysis strategy to look at financial statement data from a subset of companies listed on the Nigerian stock exchange between 2014 and 2018. The results showed that the leverage ratio of Nigerian listed companies was not significantly impacted by educational diversity. However, because of educational variety, the research suggested that listed businesses appoint creative board members. The board benefited from having the appropriate individuals on board to assess the optimal financing solution in light of capital expenses and potential agency difficulties that could come from this kind of investment choice. The study maximized content analysis to examine data whereas this study made use of descriptive analysis to evaluate data.

Hassan, Saleh and Ibrahim (2020) in a study examined the correlation among board diversity, financial stability, and the disclosure of corporate social responsibility (CSR) data by Malaysian listed businesses. Board diversity was examined from the perspectives of gender, age, years of service, educational attainment, expertise, and operational history, which sets it apart from previous studies. The research selected one of three explanations—diversity as variation—from a typology in the fields of business administration and social psychology. The sample consists of 205 companies that have engaged in trading on Bursa Malaysia. Regression analysis revealed that board diversity in terms of field-specific membership and educational attainment had no effect on the firms' financial viability. The research did however focus on realities in Malaysia which differs from the focus of this study which is Kenya.

Board Nationality and Profitability

Odero and Egessa (2023) looked into the effect that board's nationality has on organizational performance in both developed and developing nations. The study encompassed a comprehensive examination of the existing literature concerning the correlation between board nationality and organizational performance in developed and developing countries from 2010 to 2022. The investigation employed a qualitative research approach, using knowledge gained from a review of previously published works in peer-reviewed journals, unpublished theses, and publications related to the research issue. The papers, unpublished theses, and reports that met the selection criteria of using board nationality and firm performance as the main search terms were located. The majority of the studies' reviews indicated that nationality of the board affected company performance. The previous study utilized systematic review methodology and study period of 2010-2022. The recent study utilized descriptive methodology and study period of 2017-2023.

Awen and Yahaya (2023) investigated the quality of audits and board member nationality in Nigerian Listed Firms. The research made use of a sizable sample of publicly traded Nigerian companies. The investigation used a correlational research design. The 156 listed companies on the Nigerian Exchange made up the target population. A sample of 112 listed enterprises remained after 44 listed firms were eliminated for reasons that suggested they were not in conformity with the regulators. There was use of a binary logistic model. Descriptive and multiple regression analysis were used to analyze the data. The study's conclusions showed that companies with foreign directors pursue audit quality more aggressively. Correlational research methodology was utilized in the previous study, which was conducted in Nigeria. Kenya was the site of the present study, which employed a descriptive methodology.

Ilogho (2020) investigated how board nationality affected the performance of companies listed on the Nigerian stock exchange. Tobin's Q, ROA, and ROE were used in the study as financial metrics. Using periodic observations from 2012 to 2015, the study analyzed data from 60 non-financial enterprises using the ordinary least squares regression approach. After excluding 57 listed firms from the financial sector, 119 listed non-financial companies remained, and the sample size was ascertained utilizing the Yemeni formula. To maintain consistency, the total sample size was further reduced to sixty. The outcomes demonstrated that board nationality had no discernible impact on a company's success in terms of growth (Tobin's Q) or profitability (ROA and ROE). The earlier research was conducted in Nigeria and concentrated on non-financial enterprises. The present study was done in Kenya and focused on construction and allied firms listed at the NSE.

Conceptual Framework

In order to improve understanding of the links between the various factors, this study includes a diagram to visually represent those interactions. The proposed relationship in the conceptual framework indicates corporate board diversity (board age, board gender composition, board education and board nationality) as the independent variables. Profitability depends on corporate board diversity making it the dependent variable and was determined by return on equity. The conceptual framework (figure 2.1) gives a visual presentation of the proposed relationship.

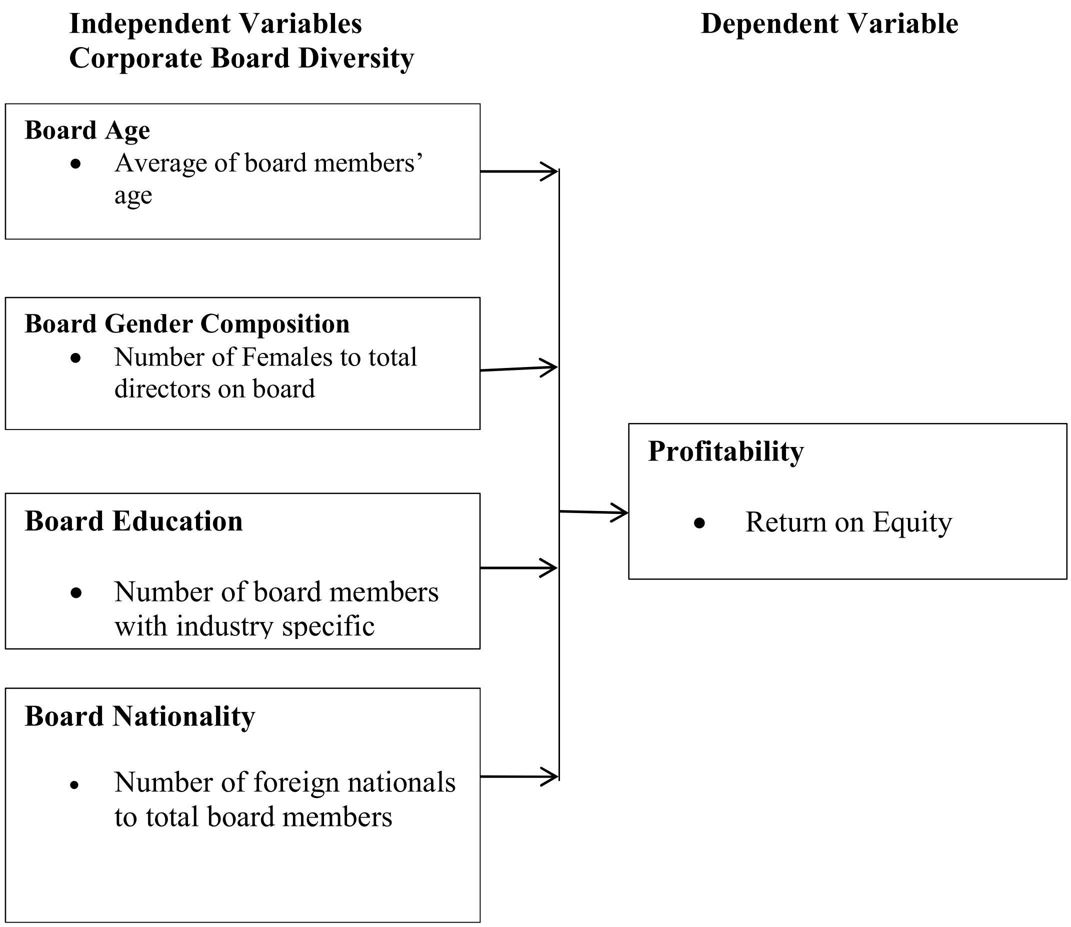

Figure 2:1: Conceptual Framework
Source: Researcher (2025)

RESEARCH METHODOLOGY

Research Design

Research design is a blueprint for the suggested research project and is often referred to as the "glue" or framework that binds the various parts of a research project together (Akhtar, Dr. 2016). To get valid and reliable results, the research design ought to be well structured (Creswell & Creswell, 2018). Using a descriptive study approach, the profitability of construction and allied firms listed at NSE, Kenya was compared with the diversity of their boards. The data came from secondary sources and be appropriately examined using panel regression and correlation analysis.

Target Population

The phrase "target population" describes the specific group of people or things that the study or research effort is intended to examine, or from which broad generalizations might be made. Kenya's main stock exchange is the Nairobi Securities Exchange, which provides a platform for businesses to raise capital from investors by issuing shares. According to the NSE Website as at 31st December, 2023, the study concentrated on the target market of five (5) construction and allied companies that are listed on the NSE in Kenya.

Empirical Model

The variables under investigation were examined in this study using a panel regression model. The equation for the model is:

$$\mathbf{PR_{it} = \beta_0 + \beta_1 BA_{it} + \beta_2 GD_{it} + \beta_3 BE_{it} + \beta_4 BN_{it} + \varepsilon}$$

Where: PR = Profitability (Return on Equity), BA = Board Age, GD = Gender Diversity, BE = Board Education, BN = Board Nationality, β_0 = Intercept, i= Firm, t= Time Period, β_1, β_2, β_3, β_4= Estimated Parameters, ε = Error Term.

Operationalization and Measurement of Variables

The research's independent variables are board age, gender diversity, education and nationality on construction and allied companies that are listed on the NSE in Kenya. Dependent variable is profitability which is measured by Return on Equity.

Table 3.1: Operationalization and Measurement of Variables

Type	Variable	Operationalization of variables	Measurement of variables	Measurement Scale	Hypotheses Direction
Dependent Variable	Profitability	Return on Equity	Net Income/Total Equity	Ratio	-/+
Independent Variable	Board Age	Average of board members' age	Ages of board members	Nominal	-/+
Independent Variable	Board Gender Diversity	Number of Females to total directors on board	Proportion of all female board of directors at firm i, in year t (%)	Ratio	-/+
Independent Variable	Board Education	Number of board members with industry specific qualification	1 = undergraduate educated board members, 0 = Postgraduate educated board members	Ratio	-/+
Independent Variable	Board Nationality	Number of foreign nationals to total board members	Proportion of foreign board of directors nationals at firm i, in year t (%)	Ratio	-/+

Source: Researcher (2025)

RESULTS AND DSICUSSIONS

Descriptive Analysis

Descriptive analysis is a crucial step in data exploration, offering a detailed overview of the essential features of the dataset being studied. This process includes a range of statistical measures, such as means, standard deviations, and ranges, which help to illuminate the central tendencies and variability present in the data. By summarizing the dataset with these metrics, the researchers identified patterns, trends, and anomalies that may require further examination, as illustrated in the findings presented in Table 4.1.

Table 4.1: Descriptive Results

Variable	Obs	Mean	Std. Dev.	Min	Max
Profitability	35	5.145561	6.963463	-6.66457	23.27558
Board Age	35	51.94286	4.324641	45	62
Board Gender Composition	35	.3716213	.2158974	.015302	.742345
Board Education	35	.8571429	.3550358	0	1
Board Nationality	35	.1334828	.0636721	.046073	.25

Source: Study Data (2025)

The profitability of the firms shows a mean of 5.15, indicating a generally positive performance. However, the high standard deviation of 6.96 suggests considerable variability in profitability among the firms. The minimum profitability of -6.66 indicates that some firms are experiencing losses, while the maximum of 23.28 highlights that others are performing exceptionally well. This disparity may reflect differences in management practices, market conditions, or the impact of board diversity on financial outcomes. The average age of board members is 51.94 years, with a relatively narrow range from 45 to 62 years. With a standard deviation of 4.32, it implies that the gaps in between the age of these board members are significantly small. This suggests a mature board composition, which may contribute to stability and experience in decision-making. Older board members often bring a wealth of knowledge and industry experience, potentially enhancing the strategic oversight of the firms. However, a lack of younger members could limit innovative thinking and responsiveness to market changes.

The mean for board gender composition is 0.37, indicating that approximately 37% of board members are women. While this is a positive sign towards gender diversity, the standard deviation of 0.22 suggests significant variation among firms. The minimum value of 0.02 indicates that some boards are predominantly male, while the maximum of 0.74 reflects a more balanced representation. Gender diversity on boards has been associated with improved financial performance, as diverse perspectives can lead to better decision-making and risk management. With a mean education level of 0.86, it can be inferred that a majority of board members possess higher education qualifications. This high level of education is likely to enhance the board's capability in strategic planning and governance. However, the standard deviation of 0.36 indicates that there are boards members with post graduate education, which could further enhance effective oversight and strategic decision-making of the firms.The mean nationality score of 0.13 suggests that there is limited diversity in terms of board nationality, with a range from 0.05 to 0.25. This low level of national diversity may restrict the variety of perspectives and experiences that can inform decision-making processes. Increased national diversity can enhance a board's ability to navigate global markets and understand diverse consumer needs, potentially leading to improved profitability as unveiled by a standard deviation value of 0.06.

Regression Results

Regression analysis enables the quantification of the influence exerted by independent variables, including board age, board gender composition, board education, and board nationality, on the dependent variable of profitability. This section explored into the results of the regression analysis, a pivotal statistical technique utilized to investigate the effect of corporate board diversity on the profitability of Kenyan construction and allied firms listed on the NSE. Table 4.3 comprehensive displayed these outcomes.

Table 4.3: Regression Results

Profitability	Coef.	Robust Std. Err.	Z	P>z	[95% Conf.	Interval]
Board Age	.3401884	.1378094	2.47	0.069	-.0424317	.7228086
Board Gender Composition	19.36733	7.345303	2.64	0.058	-1.026497	39.76116
Board Education	2.261774	.673462	3.36	0.028	.3919436	4.131604
Board Nationality	141.3139	36.23637	3.90	0.018	40.70559	241.9222
_cons	-40.52375	14.06129	-2.88	0.045	-79.56415	-1.483341
R-Square	0.3364					
F (4, 4)	55.53					
Prob > F	0.0009					

Source: Study Data (2024)

The results revealed that the model has a constant coefficient of negative (-40.52375) with a p-value of 0.045, suggesting that it is statistically significant. This implies that the baseline level of profitability, assuming all other variables remain constant, is significantly different from zero. The R-squared value of 0.3364 indicates that approximately 33.64% of the variability in profitability can be accounted for by the model. Although this suggests that additional factors not included in the model may also influence profitability, the F statistic of 55.53 with a p-value of 0.0009 indicates that the overall model is statistically significant.

The findings revealed a positive coefficient for board age at (0.3401884) with a p-value of 0.069, suggesting that board age does not have a statistically significant impact on profitability. This indicates that an increase in board age would lead to a profitability increase of 0.340% for the firms. Meanwhile, the coefficient for board gender composition is positive (19.36733) with a p-value of 0.058, which is also statistically insignificant at the 0.05 level. This implies that the gender composition of board members does not significantly influence the profitability of the firms.

The coefficient for board education is positive (2.261774) with a p-value of 0.028, indicating that board education has a significant impact on profitability. This means that an increase in the educational qualifications of board members would lead to a profitability increase of 2.261% for the firms. Additionally, the coefficient for board nationality stands at 141.3139 with a p-value of 0.018, demonstrating a statistically significant positive effect on profitability. This suggests that an increase in the diversity of nationalities on the board would result in a profitability boost of 141.31% for these firms in Kenya.

Hypothesis Testing and Discussion of Findings

This section focused on testing the hypotheses that corresponded with the specific objectives of the study. Hypotheses H_{01}, H_{02}, H_{03} and H04 examined various aspects of corporate board diversity and their effect on the profitability of construction and allied firms in Kenya. The evaluation of these hypotheses was conducted using panel regression techniques, and the p-value method was utilized to assess the null hypotheses of the research.

Effect of Board Age on Profitability of Construction and Allied Listed firms in Kenya

The specific objective of this study was to determine the effect of board age on the profitability of Kenyan construction and allied firms listed on the NSE. The hypothesis stated that board age does not significantly impact profitability. Consequently, the null hypothesis, which suggests that board age has no significant effect on the profitability of these firms, was upheld. This implies that the age of board members does not substantially influence the profitability of the listed firms in this sector. The findings may be attributed to the relatively homogenous age distribution of these boards resulting in the diversity of thought and perspective that typically comes with a varied age range may be lacking. Therefore, a board composed primarily of members within a similar age bracket may not benefit from the range of ideas and innovative approaches that younger members could provide, thereby limiting the potential positive impact on profitability. The outcome contradicts the findings of Menicucci and Paolucci (2022), who demonstrated that board age diversity significantly affects organizational performance. Similarly, Bustamante, Arenas, and Campos (2021) found a positive and significant influence of age diversity on profitability. The divergence in study outcomes may be attributed to the different contextual frameworks in which they were conducted. Additionally, variations in the measurement of factors could have contributed to the diverse results across these studies.

Effect of Board Gender Composition on Profitability of Construction and Allied Listed firms in Kenya

In examining the impact of board gender composition on the profitability of construction and allied firms in Kenya, the hypothesis proposed that board gender composition does not significantly influence these firms' profitability. The analysis results indicated that board gender indeed has no significant effect on profitability, resulting in the acceptance of the null hypothesis. This implies that the composition of gender on the board does not substantially affect the profitability of these firms. The outcome could be linked to the perception of male dominated profession which may allow these firms to have few female as symbolic representation rather than professional expertise which does not significantly affect decision making of these firms profitability. These findings stand in contrast to those of Kinasih, Nurmasari, and Prayogi (2024), Kahloul, Sbai, and Grira (2022), and Islam, French, and Ali (2022), who all assert that gender composition significantly impacts profitability. The differences in outcomes may be attributed to variations in the measurement factors utilized in the respective studies.

Effect of Board Education on Profitability of Construction and Allied Listed firms in Kenya

To ascertain the impact of board education on the profitability of construction and allied firms listed on the Nairobi Securities Exchange (NSE) in Kenya, the hypothesis proposed that board education does not significantly affect profitability. However, the results derived from the analysis contradict this assertion. The null hypothesis, which states that board education has no significant effect on the profitability of Kenyan firms, is refuted. This finding suggests that the educational background of board members substantially influences the profitability of these firms. It implies that the education of board members is a critical factor in determining the profitability of construction and allied firms in Kenya. The outcome is credited to the higher educational qualifications of the board members which often possess advanced analytical skills and a deeper understanding of complex business environments. This educational background enables them to make more informed decisions that can positively impact the firm's strategic direction and operational efficiency, ultimately leading to increased profitability. The result contrasts with the findings of Nwaorgu and Iormbagah (2021) and Hassan, Saleh, and Ibrahim (2020), who argued that education does not influence the profitability of the sector. This discrepancy in outcomes may be attributed to the differing contextual frameworks within which these studies were conducted.

Effect of Board Nationality on Profitability of Construction and Allied Listed firms in Kenya

The board nationality effect on the profitability of firms in Kenya was thoroughly examined. The hypothesis proposed that board nationality does not have a significant influence on these firms' profitability. However, the analysis revealed that board nationality indeed has a substantial effect on profitability, resulting in the rejection of the null hypothesis. This outcome indicates that the nationality of board members is a vital factor in boosting the profitability of Kenyan firms. The outcome is attributable to the different board members nationalities which brings a wider range of perspectives, experiences, and expertise to the table. Board members from various countries may have unique insights into global best practices, innovative strategies, and market trends that can enhance decision-making and drive profitability. This outcome aligns with the results of Odero and Egessa (2023) and Ilagho (2020) who concluded that nationality of the board affected firms' profitability significantly. This implies that a board with diverse nationalities may be better equipped to navigate these complexities and identify opportunities for growth in different markets.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The primary focus of the conducted survey was to analyze the effect of corporate board diversity on the profitability of Kenyan construction and allied firms listed on the stock exchange. Specifically, the study aimed to uncover the effect of various aspects of board composition, including age, gender, education, and nationality, and the profitability of these publicly traded companies.

One key aspect of the study centered on the influence of board members' age on the profitability of the listed firms. The findings on board age exhibited a positive effect on profitability with the effect not statistically significant. Conclusively noted from the outcome is that while it is expected that a more experienced board could drive better decision-making and strategic oversight, the evidence suggests that age alone does not translate into enhanced profitability within this sector. This implies that factors such as innovation, adaptability, and the ability to respond to market dynamics may play a more critical role in profitability than board age. Therefore, companies may benefit more from fostering a diverse board that combines youthful energy and fresh perspectives with the wisdom of experience, rather than simply prioritizing age as a metric of value.

With regards to the effect of board gender composition on profitability, the study's findings indicate that board gender composition has an insignificant positive effect on the profitability of construction and allied firms listed in Kenya. This conclusion prompts a deeper exploration of the dynamics between gender diversity on corporate boards and profitability noting that while the presence of women on boards is often championed as a catalyst for enhanced decision-making and innovation, the results suggest that simply increasing gender representation does not automatically translate into improved profitability for these firms. This suggests that factors such as the quality of engagement, the integration of diverse perspectives in strategic discussions, and the overall effectiveness of board dynamics are crucial in determining how gender diversity can contribute to a firm's success.

Particularly taking into account the effect of board education on profitability, the outcome unveiled that board education has a significant positive effect on the profitability of construction and allied firms listed in Kenya. This outcome underscores the critical role that educational qualifications and expertise play in shaping effective corporate governance and driving financial success. The evidence suggests that boards composed of members with higher educational backgrounds are better equipped to make informed decisions, navigate complex industry challenges, and ultimately enhance the profitability of these firms.

With reference to the effect of board nationality on the profitability of these listed firms, output unveiled that board nationality has a significant positive effect on the profitability of construction and allied firms listed in Kenya. This result provided the importance of diverse national backgrounds within corporate boards, suggesting that a mix of perspectives and experiences can lead to enhanced decision-making and ultimately drive financial success. The presence of board members from various nationalities may bring unique insights into global best practices, market trends, and innovative strategies that are crucial for navigating the complexities of the construction industry thus leading to better profitability.

Recommendations

The survey findings served as a guide in shaping the recommendations put forth, with a keen focus on the factors that significantly influence the profitability of Kenyan listed firms in the construction and allied sectors. By aligning the recommendations with the empirical evidence uncovered through the study, stakeholders can make informed decisions to enhance the financial performance of these organizations.

Policy Recommendations

The survey recommends that policymakers should implement initiatives aimed at increasing the educational qualifications of board members. This could involve establishing a regulatory framework that mandates a minimum level of educational attainment for board members, particularly in fields relevant to construction and management. Additionally, the government could incentivize firms to invest in the continuous education and professional development of their board members through tax breaks or grants for training programs. By prioritizing educational qualifications at the board level, firms can cultivate a governance structure that is better equipped to make informed decisions, ultimately leading to improved financial performance.

Policymakers should consider implementing regulations that encourage the inclusion of diverse nationalities on corporate boards. This could involve establishing guidelines that promote a minimum percentage of board members from different national backgrounds, thereby fostering a more inclusive governance structure. Additionally, the government could create incentives for firms that successfully diversify their boards, such as tax benefits or recognition programs. By promoting board diversity at the national level, policymakers can help enhance the strategic decision-making capabilities of firms, ultimately driving greater profitability and competitiveness in the construction sector.

Practice Recommendations

In practice, construction and allied firms should actively seek to enhance the educational composition of their boards by recruiting individuals with diverse and relevant educational backgrounds. Companies can establish partnerships with universities and professional training institutions to create mentorship and internship programs aimed at developing future leaders in the industry. Furthermore, firms should encourage ongoing education by providing opportunities for board members to attend workshops, seminars, and conferences that focus on industry trends, regulatory changes, and innovative practices. By fostering a culture of learning and prioritizing educational excellence, these firms can not only improve their governance but also position themselves for sustainable growth and enhanced profitability in a competitive market.

Construction and allied firms should actively prioritize the recruitment of board members with varied national backgrounds to tap into a broader range of perspectives and experiences. Companies can implement targeted outreach programs to attract international talent and establish partnerships with global organizations to facilitate knowledge exchange. Furthermore, firms should cultivate an inclusive corporate culture that values diverse viewpoints, ensuring that all board members feel empowered to contribute to discussions and decision-making processes. By embracing a diverse board composition, these firms can enhance their strategic agility and responsiveness to market dynamics, leading to improved financial performance and sustained growth in a competitive landscape.

Contribution to Knowledge

This survey significantly enhances comprehension of the linkage concerning corporate board diversity and the profitability of listed construction and allied firms in Kenya. By exploring this particular context, it not only expands upon existing research but also illuminates the impact of board diversity on profitability. Beyond its theoretical contributions, the findings provide practical insights that are beneficial for both policymakers and the management of these companies. They reinforce the foundations of essential theories such as agency, stewardship, and stakeholder theory, while also showcasing their relevance within the distinct landscape of Kenyan listed construction and allied firms. Ultimately, this study illustrates how these theories can be adapted to effectively understand and address the complexities surrounding corporate board diversity and profitability in this sector.

This study developed a conceptual framework that connects corporate board diversity to the profitability of construction and allied firms listed on the Nairobi Securities Exchange (NSE) in Kenya. Through empirical analysis, it provided insights into the interplay relating critical factors such as board age, gender composition, education, and nationality. The research revealed new perspectives on how these elements interact and affect profitability. Moreover, it contributed to the existing body of knowledge by formulating and testing hypotheses regarding the influence of corporate board diversity on profitability. Additionally, an empirical model was created that integrates the examined factors, serving as a valuable resource for future research and guiding policymaking efforts.

Suggestions for Further Studies

This survey explored the ways in which corporate board diversity affects the profitability of construction and allied firms listed in Kenya. Future researchers might consider expanding this inquiry to examine the impact of board diversity on profitability across a broader spectrum of industries in Kenya, including sectors like manufacturing, agriculture, microfinance, and commercial banking. Additionally, employing a methodology that incorporates primary data could provide valuable insights into the underlying reasons for the negligible influence of board age and gender composition on the profitability of these firms.

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