

THE IMPACT OF EXPERIENCE AND AGE OF BOARD MEMBERS ON PROFITABILITY AND EFFICIENCY: EVIDENCE FROM STATE ENTERPRISES AND PARASTATALS IN EMERGING MARKETS

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Abstract

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Chiri (2017) described Zimbabwe's state enterprises and parastatals (SEPs) as a burden to the fiscus. The article seeks to determine the effect of board member experience and age on profitability and efficiency of SEPs, respectively, as there has been little research, particularly in emerging markets. A positivist paradigm was adopted using a cross-sectional survey. The target population of the study consisted of all SEPs totalling 107 from which a sample of 20 SEPs was selected from the clusters using the simple random sampling technique. The Likert scale questionnaire was administered to respondents from the line ministry and targeted SEPs. The categorical principal component analysis was used as the main data analysis method. The value from Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity and Cronbach's alpha proved that the data obtained from the sample was adequate and reliable. A simple ANOVA conducted obtained a significance value of 0.000 leading to acceptance of both hypotheses because of $p\text{-value} (0.000) < 0.001$. The article concludes that board experience is a critical determinant of profitability and a positive relationship between the age of board members and SEPs efficiency exists. A policy framework on diversity in experience and age of board members should be enforced. The study is critical since SEPs occupy strategic sectors of the economy yet their contribution to gross domestic product continued to drop (World Bank, 2017).

Keywords: Emerging Markets, Experience of Board Members, Age of Board Members, Profitability, Efficiency, Performance of State Enterprises and Parastatals

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1. INTRODUCTION

The main purpose of the study was to determine whether board composition in respect of board member experience and age diversity has an effect on the performance of state enterprises and parastatals (SEPs) as measured by profitability and efficiency, respectively. The empirical study was carried out against a background of weak corporate governance as the majority of Zimbabwean SEPs were technically insolvent (Machivenyika, 2017). Researchers like Sikwila, Chavunduka, and Ndoda (2014) attributed insolvency to the erosion of investor confidence in SEP board composition. More so, several SEPs, such as Zimbabwe Electricity Supply Authority, Public Service Medical Aid Society, Zimbabwe Broadcast Corporation to mention but a few have faced difficulties linked to board failure (The Financial Gazette, 2016). Extant studies by Chavunduka et al. (2014) and Dalton, Daily, Johnson, and Ellstrand (2012) suggest that board experience might impact on SEPs performance but the studies fall short of empirically testing whether experience has a positive impact on the profitability of SEPs. In addition, existing empirical literature such as Dagsson and Larsson (2011) indicates that age diversity improves the ability to solve work-related tasks. Wegge, Roth, Neubach, Schmidt, and Kanfer (2008) confirm a link between board member age and job tenure as critical factors that affect organisational profitability and efficiency. However, none of these studies empirically tested whether the age of board members had an effect on the efficiency of SEPs in emerging markets like Zimbabwe.

The two major questions to be addressed by this paper are:

RQ1: Does board member experience have an effect on the organisational profitability of SMEs?

RQ2: Does the age of board members have an effect on the organisational efficiency of SMEs?

To answer these questions, the study adopted a conceptual framework whose predictor variables were experience and age of board members and organisational profitability and efficiency as outcome variables, respectively. Since the study was predominantly quantitative, a positivist philosophical framework and a cross-sectional survey research design were adopted. A Likert scale questionnaire was administered to the targeted respondents and the categorical principal component analysis method was used to gather data.

The study was critical since SEPs have been the most effective strategic pillars that act as enablers of economic performance (Hadebe, Mandaza, Moyo, Mutondoro, & Ncube, 2015) yet corporate failures of SEPs largely points to board inefficiency due to lack of proper board supervision, the inappropriate balance of skills set, inadequate expertise and experience (The Sunday Mail, 2018; Mandaza, 2014; Mhandu, 2015; Ministry of State Enterprises and Parastatals, 2012; Zvavahera & Ndoda, 2014; Wushe, Shenje, & Ndlovu, 2015). Yet the practice of sound corporate governance in business in general and in SEPs in particular improves the financial and service delivery performance of firms (Cherry, 2018). Therefore, this study has the potential to contribute to the existing body of knowledge by providing the contextualised impact

of board member experience and age on the performance of SEPs in emerging markets using Zimbabwe as the testing ground. In turn, the results of the study could be generalised to other African SEPs in emerging markets.

The structure of this article is as follows. Section 2 reviews the relevant literature. Section 3 presents methodology used to conduct the study. Section 4 presents results of the study. Section 5 presents a discussion of the results and Section 6 presents conclusions of the study.

2. LITERATURE REVIEW

The primary task of the board of directors is to ensure that management is acting in the best interest of the shareholders, through an advisory and monitoring role (Vagliasindi, 2008). By law, board members have fiduciary duties and responsibilities, namely: the duty of care, the duty of loyalty, and other contextual duties which they are expected to discharge (Vagliasindi, 2008). Directors' fiduciary obligation entails undertaking their duties in good faith and in the best interest of the company. Therefore, board members should exercise their skills with reasonable care expected from persons of their standing (Sime & Taylor, 2012). Additionally, board members should also have governance policies covering areas of conflict of interest, the role of the chair, and adherence to relevant bylaws (Guest, 2007). There is also a need for assessing whether the board contributes meaningfully to the formulation and implementation of the "organization's vision" and strategy, performing its risk management role and financial oversight and competency to handle an unexpected crisis (Guest, 2007). Once appointed, shareholders expect the directors to carry out the day-to-day management of the firm and to ensure that the company observes sound corporate governance (Colley, Doyle, Eisenberg, Sundgren, & Wells, 2013). As noted by Brickley, Coles, and Jarrell (2007), there are several factors that are considered when assessing board composition and its effectiveness on firm performance in general. The current article, aimed at determining the effect age and experience of board members have on the performance of SEPs. Characteristics such as the experience and age of the board members are expected to have both positive and negative contributions to the performance of a firm. For instance, some scholars such as Chavunduka et al. (2014) argue that a board with diverse experience is vital to the profitability of Zimbabwean state enterprises and parastatals. This implies that it is vital for these organizations to have boards that are well diversified with adequately experienced members. On the contrary, older-age board members appear to be more aggressive and dictatorial with decisions and unfortunately, these characteristics may result in risky decision making, which may undermine a firm's performance (Dalton et al., 2012). Additionally, board members with a higher age average may face more limited pressures to a changing business environment and this may hinder the implementation of more innovative and strategic decisions. Even though there has been a conflicting view on the relationship between a board's level of experience and a firm's performance, Wegge et al. (2008) argue that theory

on restrained resources considers that board members with more experience will cope better within a business environment by working well in a group which will contribute positively to a firm's performance.

Some scholars counter-argue that board members with a higher age average will have much more experience compared to a younger age average. Dalton et al. (2012) are of the view that board member experience has the potential to positively contribute to better firm performance. Chavanduka et al. (2014) add that a board member with diverse experience is key to the profitability of Zimbabwe's SEP's; hence it is vital for these organizations to ensure that boards are well composed with adequate experienced members. Firm- and industry-specific experiences are critical to directors' ability to discharge their duties (Arthurs, Busenitz, Hoskisson, & Johnson, 2009; Filatotchev, Toms, & Wright, 2006; Kor & Sundaramurthy, 2009; Le, Walters, & Kroll, 2006). Thus, directors' experience can impact decision making abilities and performance (Kor, 2006; Kroll, Walters, & Le, 2007). From the foregoing discussion, we hypothesise that:

H1: There is a positive relationship between board experience and profitability.

Kim and Zulfiqar (2017) emphasise the need for efficient management to enhance the performance of SEPs. The results of an empirical study by Dagsson and Larsson (2011) revealed that age heterogeneity improved the ability of groups to solve work-related tasks. However, for groups working on simple tasks, age heterogeneity tended to increase incidents of self-reported health problems implying that groups of diverse ages should be utilized particularly for innovation or solving complex problems. Wegge et al. (2008) attributes the positive results of age composition to the extended job tenure of the participants as age can predict the extent of experience and risk-taking by individuals. For instance, youthful managers tend to be more inclined to undertake risky strategies, and firms with younger managers will experience higher growth than their counterparts with older managers (Hambrick & Mason, 2014). This view is shared by Hermann and Datta (2005), younger executives lead to higher levels of international diversification. Logically, this implies that older managers tend to be more risk-averse than younger managers who tend to have a higher ability to process new ideas, lower willingness to accept the status quo, and less interest in career stability (Hambrick & Mason, 2014).

As much as Zvavahera and Ndoda (2014) provide evidence that there is a positive association between older CEO or board chairman and higher financial performance, the authors also state that Zimbabwean parastatals' boards should include young minds to achieve organizational efficiency. Thus, viewpoints regarding the evaluation of strategies and performance become more diverse (Arthurs et al., 2009; Bruton, Filatotchev, Chahine, & Wright, 2010). For instance, Cheng, Chan, and Leung (2010) indicate that older chairpersons in China have a significant impact on some performance measures, namely return on assets, cumulative returns, and abnormal returns as older executives tend to have richer experiences which accumulate into skill-based competencies. Hence, from the preceding discussion, we hypothesise that:

H2: There is a relationship between the age of board members and organizational efficiency.

Measurement of SEP's performance with the results or outcomes of board activity is critical and sound judgment is particularly required as the issues are complex (John & Senbet, 2011). Performance measurement has been introduced in many public entities in order to ensure transparency of public decisions and the use of public funds and to boost performance. But often, such performance measurement practices give rise to speculative behaviors and generate perverse effects (de Bruijn, 2002). There are various measures of organization's performance but for the purposes of this article, only two, namely profitability and efficiency, were considered and are briefly reviewed in turns below.

Traditionally, the success of a company has been evaluated by the use of financial measures (Finkelstein & Mooney, 2003). Four useful measures of profitability are the rate of return on assets (ROA), the rate of return on equity (ROE), operating profit margin, and net income (Hansen & Mowen, 2005).

Profitability measures the extent to which a business generates a profit from the factors of production: labor, management, and capital. Profitability analysis relates to the relationship between revenues and expenses and also the level of profits relative to the size of investment in the business (Hansen & Mowen, 2005). A well-designed and implemented board management with sufficient experience is expected to contribute positively to the creation of a firm's value or profitability of the organization (Padachi, 2006). The dilemma in financial management is to achieve the desired trade-off between liquidity, solvency, and profitability (Lazaridis & Tryfonidis, 2006). The area of corporate financial performance has received significant attention from scholars and researchers in the various areas of business and strategic management. It has also been the primary concern of business practitioners in all types of organizations since financial performance has implications to an organization's health and ultimately its long-term survival. High performance reflects board and management experience, effectiveness, and efficiency in making use of the company's resources, and this, in turn, contributes to greater profitability, which is supposed to benefit the country's economy at large (Kiel & Nicholson, 2003).

Efficiency as a measure of organisational performance in the public sector can be compared with that of the private sector only when the objectives are identical. In fact, even in this case, it is not fully comparable because the public sector develops complex projects which consider not only the economic benefits but also social benefits (Stoian & Ene, 2003). When analysts talk about efficiency, they refer to the economic efficiency, taken from the private sector and subjected to analysis in the public sector, in order to illustrate the so-called "inefficiency" of the latter. The efficiency in the public sector must thus be viewed in terms of economic efficiency and social benefits (Brennan, 2006). Also, the time horizon for measuring the efficiency obtained should be adjusted to the investment. Usually, the private sector seeks economic effectiveness on a short-term (annual profit), while most public sector investments

generate results over a longer period of time, these future flows of efficiency are often ignored in the analysis (Ozawa, 2006).

In order to apply the measuring techniques of the efficiency from the private sector to the public sector, its objectives must be measured quantitatively and this is a rare situation. The difficulty of measuring the efficiency in the public sector is largely caused by the inability to quantify accurately the effects (outputs) because they are direct but also indirect due to the externalities which they generate, but also due to the clear and accurate non-statement of the objectives (Hall & Lobina, 2005). Whilst financial efficiency measures the degree of efficiency in using labour, management, and capital, efficiency analysis deals with the relationships between inputs and outputs. Since inputs can be measured in both physical and financial terms, a large number of efficiency measures in addition to financial measures are usually possible (Finkelstein & Mooney, 2003).

3. METHODOLOGY

Empirical data to determine the influence of board member experience on SOEs' profitability and the effect of board member age on SOEs' efficiency was gathered using the positivist paradigm as it allowed an analysis of empirical data, formal propositions, quantifiable measures of variables, and hypothesis testing (Williams, 2011). Cross-sectional survey design was adopted as it allowed the collection of data from both large and small populations (Angus & Katona, 2010). The study population consisted of Zimbabwe's 107 SEPs from which a sample of 20 enterprises was selected from cluster-using simple random sampling in order to generate a more efficient probability sample (Wintoki, Linck, & Netter, 2007). In addition, the Kaiser-Meyer-Olkin (KMO) measure was used to check for sample adequacy and to authenticate the sample as satisfactory to conduct a factor analysis. A structured 5-point Likert scale questionnaire was used to allow respondents to express the extent to which they agreed or disagreed with specific mini statements regarding what the data sought.

The study employed both descriptive and inferential statistics to analyse data using the Statistical Package for Social Science (SPSS), Version 20. The categorical principal component analysis was used as the extraction method. Thus, factor analysis was performed to establish factors that explained the pattern of correlations within a set of observed variables. Wei and Geng (2008) suggest that if the latent variables explain 50% of the total variance in the explanatory factor analysis, the results are deemed to be good results. The rotated component matrix was calculated to establish the factor loadings for each variable component on which each variable loaded most strongly on. Sub-variables that would be loaded strongly on component 1 would confirm that there existed a positive relationship between board experience and SEPs' profitability and between board member age and SEP's efficiency.

A reliability test was conducted on all the 10 items that made up the Likert scale questionnaire using the Cronbach's alpha test with values ranging from 0 to 1. Lastly, a one-way ANOVA was conducted to test the two hypotheses on whether board experience was important in defining SEPs profitability and whether board member age was important in defining SEPs efficiency. In both cases, where the p-value is less than 5% (p-value = 0.000), the conclusion would be that there existed a positive relationship between the independent and dependent variables of interest (Core, Holthausen, & Larcker, 2009; Davies, 2012).

4. RESULTS

The KMO measure was used to check for sample adequacy since an inadequate sample yields unreliable outcomes. More so, the test was done as a prerequisite for authenticating the sample as satisfactory to conduct a factor analysis. In addition to the KMO measure, Bartlett's test, which is often acknowledged as a consistency measure when testing large samples for sampling adequacy, was also used. However, the Bartlett test is less reliable when testing small sample sizes hence the use of the KMO measure with sampling adequacy ranging from 0.5 to 1.

Table 1. KMO and Bartlett's test

<i>KMO measure of sampling adequacy</i>		0.603
<i>Bartlett's test of sphericity</i>	Approx. Chi-square	1294.490
	Df	0.90
	Sig.	0.000

Table 2. Reliability statistics

<i>Cronbach's alpha</i>	<i>No. of items</i>
0.749	21

Table 1 above shows an acceptable KMO value of 0.603.

All the 21 variables which made up the questionnaire (see Appendix) were tested using the Cronbach's alpha test. Cronbach's alpha values range from 0 to 1. In this study, a Cronbach's alpha index of 0.749 was obtained as is shown in Table 2 above.

The accompanying outcomes are exhibited around the objectives which are interlinked with

the two hypotheses (*H1* and *H2*) of the article. The article used both descriptive and inferential statistics to test data.

Factor analysis

Factor analysis is often used in data reduction to identify a small number of factors that explain most of the variance that is observed in a much larger number of manifest variables. Any item that failed to meet the criteria of having a factor loading value greater than 0.5 and loads on one and only one

factor was dropped from the study (Wei & Geng, 2008). Components matrix in factor analysis showed the components matrix before rotation. The matrix contained the loading of each variable on each factor. Factor analysis was performed to test the validity of the model. Factor analysis also

attempted to identify underlying variables or factors, that explained the pattern of correlations within a set of observed variables. As suggested by Wei and Geng (2008), if the latent variables explain 50% of the total variance in the explanatory factor analysis, the results are deemed to be good results.

Table 3. Principal component analysis: Board experience and profitability

Component	Total variance explained								
	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	2.788	55.764	55.764	2.788	55.764	55.764	2.492	49.837	49.837
2	1.155	23.104	78.868	1.155	23.104	78.868	1.452	29.030	78.868
3	0.496	9.925	88.793						
4	0.344	6.874	95.666						
5	0.217	4.334	100.000						

Table 4. Rotated component matrix^a: Board experience and profitability

Code	Component	
	1	2
BEP1	0.97	0.027
BEP2	0.623	0.558
BEP3	0.039	0.966
BEP4	0.44	0.454
BEP5	0.863	0.006

Notes: Extraction method: Principal component analysis. Rotation method: Varimax with Kaiser normalization. a. Rotation converged in 3 iterations.

Table 3 above presents 2 critical components extracted from the data using factor analysis to test the first hypothesis (H1).

From Table 4 above the rotated component matrix shows the factor loadings for each variable that is the component on which each variable loaded most strongly on. One of the sub-variables loaded strongly on component 1 with a factor loading

of 0.897 to confirm that there is a relationship between board experience and profitability. For the second sub-variable, a strong factor loading of 0.966 on component 2.

A one-way ANOVA was conducted to find out if board experience is important in defining profitability.

Table 5. ANOVA^a: Board experience and profitability

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	1.758	1	1.758	9.914	0.006 ^b
	Residual	3.192	18	0.177		
	Total	4.950	19			

Notes: a. Dependent variable: BEP1. b. Predictors: (Constant), BEP4.

Table 6. Coefficients^a: Board experience and profitability

Model		Unstandardized coefficients		Standardized coefficients	T	Sig.
		Beta	Std. Error	Beta		
1	(Constant)	-1.606	0.660		-2.434	0.026
	BEP4	0.596	0.189	0.596	3.149	0.006

Note: a. Dependent variable: BEP1.

Table 6 above validates the results attained on the ANOVA results. The results show a beta value of 0.596, which is way below the t-value of 3.149.

The second hypothesis states that there is a relationship between the age of board members and organizational efficiency.

In this regard, a factor analysis, ANOVA was shown using SPSS and the extraction method used was categorical principal component analysis. The outcomes are shown below in Table 7.

Table 7. Principal component analysis: Age of board members and organizational efficiency

Component	Total variance explained								
	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	1.830	36.595	36.595	1.830	36.595	36.595	1.579	31.578	31.578
2	1.280	25.597	62.191	1.280	25.597	62.191	1.511	30.222	61.800
3	1.023	20.467	82.658	1.023	20.467	82.658	1.043	20.859	82.658
4	0.725	14.506	97.164						
5	0.142	2.836	100.000						

Table 8. Rotated component matrix^a: Age of board members and organizational efficiency

Code	Component		
	1	2	3
ABOE1	0.911	0.167	0.156
ABOE2	0.250	0.857	0.160
ABOE3	0.066	0.025	0.945
ABOE4	0.822	0.025	0.268
ABOE5	0.081	0.865	0.167

Notes: Extraction method: Principal component analysis. Rotation method: Varimax with Kaiser normalization. a. Rotation converged in 4 iterations.

Table 7 above presents 3 critical components extracted out of the data using factor analysis to test the second hypothesis (*H2*).

From Table 8 above the rotated component matrix shows the factor loadings for each variable that is the component on which each variable loaded most strongly on.

A simple ANOVA was conducted to test whether the age of board members is dependent on organizational efficiency. As per the evidence shown in the table above, the p-value < 0.001, and as such, we accept the alternative hypothesis (*H2*).

Table 9. ANOVA^a: Age of board members and organizational efficiency

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	2.622	1	2.622	7.460	0.000 ^b
	Residual	6.328	18	0.352		
	Total	8.950	19			

Notes: a. Dependent variable: ABOE1. b. Predictors: (Constant), ABOE4.

Table 10. Coefficients^a: Age of board members and organizational efficiency

Model		Unstandardized coefficients		Standardized coefficients	T	Sig.	95.0% confidence interval for Beta	
		Beta	Std. Error	Beta			Lower bound	Upper bound
1	(Constant)	0.310	0.302		1.029	0.317	0.323	0.944
	ABOE4	0.672	0.246	0.541	2.731	0.00	0.155	1.190

Note: a. Dependent variable: ABOE1.

Table 11. Descriptive statistics

Code	N	Mean	Std. Deviation
ABOE5	114	3.20	0.410
Valid N (listwise)	114		

Table 10 above authenticates the results attained on the ANOVA (Table 9). The results show a beta value of 0.541 which is way below the t-value of 2.731.

In Table 11 above, a small standard deviation of 0.410 away from the mean of 3.20 indicates that the age of board members highly influence organizational efficiency.

5. DISCUSSION OF THE RESULTS

Bartlett's test of sphericity in Table 1 with a significant value of 0.000 implies that there was enough evidence to proceed to conduct further tests using factor analysis. The value indicates the absence of an identity correlation matrix, in other words, there was no scope for reduction. The value to the rejection of the null hypothesis that we have an identity matrix.

Results of reliability statistics in Table 2 have a high index which reflects that a highly reliable data collection was used for the study. Gibbs (2018) notes that Cronbach's alpha values of 0.5 and above indicate a highly reliable questionnaire, thus, since the questionnaire used for this study had an index of 0.749, then it was considered to be a highly reliable data collection tool.

The outcomes of factor analysis in Table 3 show that there are 2 components that explain the 78.868% of the total variance. This means that

these 2 components have a major contribution of 78.868% of the total variance. Hence, these results are considered to be good results as supported by Wei and Geng (2008).

The results in Table 4 confirm the *H1* which postulates that there is a positive relationship between board experience and profitability. More so, Padachi (2006), Kiel and Nicholson (2003) conducted studies whose results also support the findings of this study that there is a positive relationship between board experience and firm profitability. Therefore, the article's results implied that financial problems and poor profitability within state enterprises and parastatals in Zimbabwe could be a result of a lack of adequate experience in their board members.

As per the evidence shown in Table 5, the p-value is less than 5% (p-value = 0.006), and as such, it was concluded that there exists a positive relationship between board experience and profitability and there is adequate statistical evidence to conclude that board experience is critical in determining profitability. Also, the ANOVA results led to the acceptance of the *H2* that states there is a positive relationship between board experience and profitability, which also conforms to the studies by Pachadi (2006).

The results in Table 6 are a confirmation of the presence of a positive relationship between board experience and profitability. There is also

a 95% confidence interval attributed to these results. It, therefore, leads to the conclusion that the profitability of Zimbabwe's state enterprises and parastatals could improve if board members have adequate experience. This conclusion is also supported by Chavanduka et al. (2014); a board with diverse experience will positively impact profitability and overall organisational performance.

The outcomes of factor analysis in Table 7 show that there are 3 components that explain 82.658% of the total variance. This means that these 3 components have a major contribution of 82.658% of the total variance confirming the relationship between the age of board members and organizational efficiency.

Evidence provided in Table 8 confirm the 3 distinct components that contributed to the total variance explained by 82.658%. The rotated component matrix (Table 8) further shows the different components onto which each of the 5 variables of ages of board members and organisational efficiency loaded on. Results of the rotated component matrix show that SEPs should consider the age of board members and this is evidenced by a factor loading of 0.911 on component 1. On component 2, the factor loading of 0.865 strongly confirms that the age of board members was the most influential factor on organizational efficiency. The results of studies by Wegge et al. (2008) and Dagsson and Larsson (2011) also support the findings that the age of board members influence organizational efficiency.

At $\alpha = 0.05$ level of significance, as shown in Table 9, there exists enough evidence to conclude that the slope of the population regression line is not zero and, hence, concluding that board members should be a combination of young and old individuals. These results were also supported by the study conducted by Wegge et al. (2008) that groups of diverse ages should be utilized particularly for innovation or solving complex problems. Thus, SEPs need to include both young and older board members so as to cater for diversity which could result in ultimate organizational efficiency.

Results in Table 10 confirm the existence of a positive relationship between the age of board members and organizational efficiency. There is also a 95% confidence interval attributed to these results. Hence, this article concluded that the SEPs' boards need to be blended with a mixture of board members of different age groups to allow continuity and flow of ideas which could result in organizational efficiency, hence higher organisational performance. These results are in agreement with Zvavahera and Ndoda's (2014) that Zimbabwe parastatals need to blend young blood and older experienced members as this could result in greater efficiency. Thus, the results lead to the conclusion that board members should be a blend of younger and older individuals for SEPs to achieve organizational efficiency.

6. CONCLUSION

The main purpose of this article was to empirically determine the effectiveness of board composition in terms of experience and age on the performance of SEPs as measured by profitability and efficiency, respectively. The conclusions are thus premised on two hypotheses restated below.

The first hypothesis (H1)

From the results of the article, there exist adequate evidence that board experience is a critical determinant of profitability implying that there exists a positive relationship between board experience and profitability. Thus, the conclusions of this article are in sync with results of studies by Padachi (2006), Kiel and Nicholson (2004) that there is a positive relationship between board experience and firm profitability. This conclusion implies that the potential board members should be properly qualified and experienced to possess relevant expertise. Since there is a positive correlation between board experience and firm profitability, this article also concluded that the appointment of board members with necessary experience could lead to enhanced profitability hence improved corporate performance by SEPs.

The second hypothesis (H2)

Both the reviewed literature and evidence from the empirical results of this article confirmed the existence of a positive relationship between the age of board members and organizational efficiency. Therefore, the results of this article imply that SEPs boards require a blend of board members of different age groups as this would allow continuity and exchange of diverse ideas which, in turn, could result in improved organizational efficiency, hence improved firm performance. More so, the results suggest that the proportion of the young people in the boardrooms of the SEPs is relatively low yet there is a significant positive association between diversity in ages of board members and organizational efficiency. Therefore, this could imply that younger board members are more likely to be motivated to face new challenges and strategic changes that lead to higher performance, as noted by Hambrick and Mason (2014) and Wiersema (2003). Thus, the article concluded that the age of board members has a bearing on organizational efficiency.

Premised on the findings and conclusions of this article, the following recommendations were made.

Relevant line ministry should come up with a policy framework that enforces appointment to the board of directors' individuals with proven relevant and diverse experience in leading organizations at the senior level. This would ensure meaningful board member contributions towards improved performance of SEPs. This view was also echoed by Chavanduka et al. (2014) in their study which revealed that board members with diverse experience are critical to the profitability of Zimbabwe's SEPs.

Since empirical results of this article and other studies confirmed a positive association between board member age diversity and organisational efficiency, SEPs should come up with a policy framework requiring the appointment of board members with a mixture of young and older incumbents to bring in the much-needed board member age diversity. This recommendation, on the one hand, is informed by the results of a study by Cheng et al. (2010) that older board chairpersons in China had a significant positive impact on return on assets and cumulative returns. On the other hand, the recommendation was also informed by the results from a study by Hambrick and Mason

(2004) that younger managers are more inclined to undertake risky strategies that lead to higher firm growth than firms led by older managers.

Nevertheless, this study has its own weaknesses as it considered only two determinants of board composition, namely experience and age, whilst only two outcome variables of organizational performance, namely profitability and efficiency, were considered. Therefore, a key potential future area for further research would be a replication of the study in

the same sector focusing on the impact of other board composition variables, such as board policy, board expertise, and gender on other outcome variables of organizational performance, such as market share, service delivery, return on investment, debt-to-equity ratio and others. This would in turn enhance the generalizability of the findings to SEPs in other emerging markets that are facing the same performance challenges linked to board composition.

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APPENDIX A: STUDY QUESTIONNAIRE

General instructions

Please read the question below and tick [✓] in the appropriate box.

SECTION A: DEMOGRAPHIC INFORMATION

1. **Gender** (please tick where appropriate):

Male Female

2. **Age group** (please tick where appropriate):

25-34 years
 35-44 years
 45-54 years
 55 and above

3. **Highest qualification achieved** (please tick where appropriate):

Secondary
 Diploma
 Degree
 Masters
 Others (please specify)

4. **Position** (please tick where appropriate)

Workers of parent ministry
 Workers of SEP's
 Senior managers of SEP's
 CEO (representatives)
 Other stakeholders

SECTION B

Please indicate (by ticking) the extent to which you agree or disagree with statements below using the following Likert scale:

Strongly disagree 1
 Disagree 2
 Neutral 3
 Agree 4
 Strong agree 5

1. **Views of respondents on the link between board experience and profitability**

Code	Item	1	2	3	4	5
BEP1	The organisation has made profits in the last 5 years.					
BEP2	The board members meet minimum or maximum years of experience.					
BEP3	Board members have variety of work experience.					
BEP4	Board experience has an influence on profitability.					
BEP5	Board experience is vital for the organisation to realise profits.					

2. **Views of respondents on the relationship between board policy and service delivery**

Code	Item	1	2	3	4	5
BPSD1	The board policies has been favourable to improve service delivery.					
BPSD2	Different board policies to promotion has improved delivery of services to external customers.					
BPSD3	Innovative approaches and policies has smoothened service delivery process.					
BPSD4	Service delivery is been evaluated regularly using a set benchmark by the board.					
BPSD5	Board policies influence service delivery.					

3. Views of respondents on the relationship between board expertise and contribution to GDP

<i>Code</i>	<i>Item</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>BEC1</i>	The organization has been directly contributing to the GDP in the last 5 years.					
<i>BEC2</i>	Board have the right blend of skill, expertise and personalities to effectively discharge its duties.					
<i>BEC3</i>	Directors possess expertise in a field relevant to the organization's mandates.					
<i>BEC4</i>	Board has done enough to ensure the organization contribute to the GDP.					
<i>BEC5</i>	Board expertise influence the organization's ability to contribute to the GDP.					

4. Views of respondents on the link between ages of board members and organizational efficiency

<i>Code</i>	<i>Item</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>ABOE1</i>	The organization has not received funding from the government in the last 5 years.					
<i>ABOE2</i>	The board members meet the minimum or maximum age requirements.					
<i>ABOE3</i>	The board have a blend of both young and older members.					
<i>ABOE4</i>	The board is fully responsible for approving the use of the organizational resources.					
<i>ABOE5</i>	Ages of board members is the most influential factors on organizational efficiency.					

5. Views of respondents on the link between gender and organizational effectiveness

<i>Code</i>	<i>Item</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<i>GOE1</i>	The board is gender balanced.					
<i>GOE2</i>	All committees are appropriately comprised of male and female representatives.					
<i>GOE3</i>	Board committees are very effective.					
<i>GOE4</i>	The board understands and effects appropriate incentives for enhanced performance.					
<i>GOE5</i>	Gender influence organizational effectiveness.					

Any other information you may wish to provide if any?

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Thank you for your corporation.

APPENDIX B: INTERVIEW GUIDE FOR STATE ENTERPRISES AND PARASTATALS MANAGEMENT

1. How long have you been in the management position?
2. What is your level of experience in other areas outside the public sector?
3. Would you like to spend the rest of your career in the public sector?
4. What is your overall view on board composition of public entities?
5. Do you think board composition affect performance of state enterprises and parastatals?
6. Does experience of board members affect the profitability of state enterprises and parastatals?
7. Do you feel ages of board members have any effect on organizational efficiency?
8. Does board policy have a direct effect on service delivery?
9. Do you think gender balance in boards contribute to organizational effectiveness?
10. What are other critical corporate governance issues to do you think contribute to enhanced performance of state enterprises and parastatals?