

Moderating Effect of Adaptive Capacity on Workplace Diversity Practices and Organizational Performance: A Sectoral Analysis of Publicly Quoted Companies in Kenya

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Abstract

The study examined the sectoral moderating effect of adaptive capacity on the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya. Anchored on dynamic capabilities theory, the study adopted a pragmatic philosophical underpinning through a convergent parallel mixed-methods design. The study targeted 168 respondents for the quantitative survey, comprising three senior managers, heads of human resource, finance, and strategy, from each of the 56 publicly quoted companies on the Nairobi Securities Exchange. Following pretesting, six companies were excluded from the final data collection, namely Sasini Plc from the Agricultural sector, Kenya Airways from the Commercial and Services sector, Bamburi Cement Ltd from the Construction and Allied sector, KenGen Plc from the Energy and Petroleum sector, CIC Insurance Group from the Insurance sector, and British American Tobacco Kenya Plc from the Manufacturing and Allied sector. This reduced the target population to 150 respondents from the remaining 50 companies. Out of the 150 questionnaires distributed, 132 were completed and returned, representing a response rate of eighty-eight percent. Data were analyzed using sectoral descriptive statistics and correlation analysis, while qualitative data were analyzed through thematic analysis. The study found that adaptive capacity is a dynamic, context-sensitive moderator that plays a positive and statistically significant moderating role on the relationship between internal, external, and organizational diversity practices and organizational performance across all sectors of publicly quoted companies on the Nairobi Securities Exchange, leading to rejection of the null hypothesis. Adaptive capacity demonstrated a more powerful role as a moderator than as a standalone performance predictor, a finding corroborated by qualitative evidence showing that process innovation, lean structures, and adaptive capacity are mutually reinforcing organizational capabilities. The study recommends that boards of directors and senior management of NSE-listed companies deliberately invest in sector-specific adaptive capacity frameworks alongside workplace diversity practices to achieve sustained organizational performance outcomes across all sectors of publicly quoted companies on the Nairobi Securities Exchange in Kenya.

Keywords: *Adaptive capacity, workplace diversity practices, organizational performance, publicly quoted companies, Nairobi Securities Exchange, Kenya*

1.1 Introduction

Workplace diversity practices have gained significant recognition as strategic organizational tools for enhancing performance. Adiguzel and Cakir (2020) established that diversity practices significantly enhance firm performance by encouraging creativity and innovative capability in organizations. In the United States, Atkinson et al. (2022) confirmed that workforce diversity management is a crucial component of providing representative, high-quality service while enhancing organizational sustainability and resilience. The World Economic Forum (2025) however noted that various regions face limited data availability for diversity research, with resources for diversity programs heavily dependent on the economic status of different countries. In Pakistan, Hanif et al. (2022) demonstrated that successful workforce diversity management has become a business imperative given growing gender and ethnic workforce diversity. Similarly, Sanyang and Othman (2019) found in Malaysia that diversity boosts employee retention, ultimately enhancing organizational performance across different economic contexts.

Globally, diversity management remains unevenly developed across African organizations. Mousa et al. (2020) found that diversity management practices are still underdeveloped in the majority of African countries, with organizations in Egypt experiencing social discrimination and majority-minority classification, leading to employee underperformance and eventual organizational underperformance. However, Adeniyi et al. (2024) noted that some African countries such as South Africa have enacted robust labor laws and policies ensuring more inclusive workplaces, which have improved performance. Olanipekun et al. (2023), studying distilleries firms in Southwest Nigeria, found that efficient administration of cultural diversity enhances organizational performance, with employees of different ages collaborating to present creativity and innovative mechanisms. Morfaki and Morfaki (2022) further noted that cultural diversity informs specific corporate diversity management strategies, concentrating on particular dimensions of workforce diversity relevant to specific organizational contexts.

In East Africa, the NSE, established in 1954, is at a more advanced stage of development compared with other regional securities exchanges. Mukyala et al. (2020) indicated that despite the NSE and Uganda Securities Exchange having listing guidelines, some publicly quoted companies have reported low share prices and low market capitalization as indicators of poor performance. Marx et al. (2021) further demonstrated that ethnic diversity adversely affected performance during ethnic conflicts in Kenya, highlighting workplace internal diversity as a persistent organizational challenge. According to James (2021), companies in Kenya witnessed significant progress at board level, as diversity and inclusion rose from twelve percent in 2012 to thirty-six percent in 2021, leading to improved performance. Lemunen (2022) further noted that companies implementing gender diversity initiatives experienced better performance in certain Kenyan sectors, underscoring the strategic importance of diversity practices at the national level.

The performance of publicly quoted companies on the NSE has been persistently problematic, reflecting deep-seated organizational challenges. According to NSE Handbooks covering five years from 2020 to 2024, the proportion of companies issuing profit warnings fluctuated significantly -rising as high as forty-three percent in 2021 - demonstrating the magnitude of continued performance challenges. Theuri (2021) noted that manufacturing firms were particularly vulnerable, with nearly half issuing profit

warnings, while Eysimkele and Koori (2019) documented declining performance among agricultural companies on the NSE. Apee (2021) further established that commercial banks quoted on the NSE persistently exhibited poor financial performance despite governmental initiatives aimed at fostering a conducive business environment. According to Ogachi et al. (2020), declining profitability of quoted companies not only affects company interests and employees but also causes investors to suffer significant losses, underscoring the urgency of addressing performance determinants.

The regulatory environment governing NSE-listed companies, while comprehensive, has not been sufficient to arrest the persistent performance decline. The Capital Markets Authority requires quoted companies to have suitably qualified and experienced senior management, maintain minimum capital thresholds, and publish audited financial statements compliant with International Financial Reporting Standards (CMA, 2020). Despite these requirements, Owino (2021) observed that many publicly quoted companies continue facing challenges leading to poor performance. Irungu (2019) documented that while certain NSE-listed firms demonstrated enhanced performance, others encountered diminishing fortunes, with some facing delisting. Mbuthia and Gatauwa (2022) further established that NSE-listed companies faced significant financial performance challenges, with some recording dwindling earnings and losses, while the National Gender and Equity Commission (2022) noted that out of fifty-eight companies audited, only fourteen percent had female Chief Executive Officers, reflecting significant diversity gaps in senior leadership.

Despite growing interest in diversity and organizational performance, significant research gaps persist in the Kenyan context. Lemaiyan and Chelogo (2023) observed that existing studies often focus on either diversity or innovation in isolation, lacking integrated models capturing their interactive effects on organizational outcomes. Chijoke-Mgbame et al. (2020) highlighted measurement challenges relating to assessment of diversity's impact on organizational performance in Africa, citing inconsistent data collection, varying definitions of diversity, and lack of standardized performance metrics. Mwangi (2021) further noted that research tends to underrepresent gender, ethnic, and generational diversity beyond the board level, missing key dimensions of workforce heterogeneity that could influence innovation capacity. Kilonzo and Mutuku (2025) established that socioeconomic bias affects hiring practices in NSE-listed companies, weakening diversity's potential benefits. These gaps collectively underscore the need for this study examining how adaptive capacity moderates the relationship between workplace diversity practices and organizational performance across sectors of publicly quoted companies in Kenya.

1.2 Statement of the Problem

Kenya's publicly quoted companies continue to experience persistent underperformance despite the Capital Markets Authority's requirement that such companies maintain qualified and experienced senior management to achieve and sustain good performance. According to NSE Handbooks covering five years from 2020 to 2024, the proportion of quoted companies issuing profit warnings fluctuated significantly, rising as high as forty-three percent in 2021, demonstrating the magnitude of the continued performance problem. Otike et al. (2022) noted that despite substantial investments in workplace diversity practices aimed at leveraging heterogeneous talent pools, many organizations fail to realize anticipated performance benefits. Onsongo et al. (2020) further established that

commercial and services firms listed on the NSE faced liquidity risk and foreign exchange exposures associated with declining profitability, while Walela et al. (2022) showed that financial risk factors increased the likelihood of financial distress and weak performance across NSE-listed firms.

The researcher lacks evidence that previous studies have adequately examined how specific diversity practices affect organizational performance in publicly quoted companies in the Kenyan context. Although innovation capability has been identified as a potential driver of performance outcomes, limited empirical research has explored its moderating role in strengthening the effect of workplace diversity practices on organizational performance in Kenya. Charlotte and Wanyoike (2020) warned that challenges faced by quoted companies may lead to failure because of not taking advantage of benefits of diverse top talents, missed opportunities for enhanced innovation, and diminished organizational performance. The continued publishing of profit warnings by a number of quoted companies is a manifestation of the seriousness of this persistent performance problem, which disproportionately affects certain sectors more than others, as the NSE has often reported that poor performance was not similar across all sectors.

This study therefore identifies six gaps -knowledge, contextual, empirical, methodological, population, and evidence gaps -with the key focus on knowledge and contextual gaps. Having appropriate workplace diversity practices in place is proposed as a possible solution to the persistent performance problem of publicly quoted companies in Kenya. The problem is a major concern to existing and prospective shareholders, as annual reports consistently indicate that human resources are the most important organizational resource, yet this is hardly reflected in actual financial results published in financial statements. Hence, the study examined the moderating effect of adaptive capacity on the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya.

1.3 Research Objective

To conduct a sectoral analysis of the moderating effect of adaptive capacity on the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya.

1.4 Research Hypothesis

H₀: There is no statistically significant moderating effect of adaptive capacity on the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya across sectors.

2.0 Literature review

This chapter presents a comprehensive review of literature relevant to adaptive capacity, workplace diversity practices and organizational performance. The review is organized into three interconnected sections: the theoretical review, which anchors the study on dynamic capabilities theory; the empirical literature review, which synthesizes existing scholarly evidence on adaptive capacity, workplace diversity practices and organizational performance; and the conceptual framework, which presents a diagrammatical representation of the hypothesized relationships among the study variables.

2.1 Theoretical Review

The study was anchored on dynamic capabilities theory. Dynamic capabilities theory was originally developed by Teece, Pisano, and Shuen (1997) and subsequently refined by Teece (2007), who defined dynamic capabilities as the ability of an organization to sense opportunities and threats, seize emerging opportunities, and reconfigure existing assets to maintain competitiveness in rapidly changing environments. The theory posits that sustainable organizational performance is not derived from static resource possession but from an organization's capacity to continuously integrate, build, and reconfigure internal and external competencies in response to environmental changes. Underpinning the theory are three core assumptions: first, that organizational environments are inherently dynamic and unpredictable; second, that competitive advantage is path-dependent and rooted in organizational routines and capabilities; and third, that firms differ systematically in their capacity to adapt, learn, and reconfigure resources -differences that directly explain performance variation across organizations and sectors (Eisenhardt & Martin, 2000; Nayernia, 2025).

The dynamic capabilities theory is relevant to this study in multiple interconnected ways. It provides the conceptual foundation for understanding adaptive capacity as an organizational capability that moderates how effectively workplace diversity practices translate into organizational performance, since organizations with stronger dynamic capabilities are better positioned to integrate and leverage diverse human capital toward performance goals. The theory further explains why this moderating effect varies across sectors, as each sector presents a unique environmental context that shapes the development and expression of adaptive capacity differently. Sectors characterized by greater environmental dynamism are expected to exhibit stronger adaptive capability development, amplifying the moderating role of adaptive capacity on the diversity–performance relationship. The theory therefore justifies the sectoral analytical framework adopted in this study, providing a theoretically coherent explanation for why adaptive capacity does not exert a uniform moderating effect across all publicly quoted companies on the Nairobi Securities Exchange.

2.2 Empirical Literature Review

The conceptual boundaries of adaptive capacity have been progressively clarified through both individual and organizational-level studies. Park and Park (2021) clarified that adaptive performance encompasses cognitive, motivational, and behavioral dimensions of employee responses to change, while Jundt, Shoss, and Huang (2015) established that task complexity, job demands, and organizational context significantly shape individual adaptive effectiveness. Together, these studies confirm that adaptive capacity operates simultaneously at individual and organizational levels, making it a multi-layered construct whose moderating influence on organizational outcomes cannot be reduced to a single mechanism. This layered understanding is foundational to the current study, where adaptive capacity is theorized to moderate the relationship between workplace diversity practices and organizational performance across sectors of NSE-listed companies, each characterized by distinct job demands and organizational contexts that inevitably shape how adaptive capacity manifests and functions.

Building on this multi-dimensional conceptualization, Hassel and Cedergren (2025) conducted a comprehensive literature review on methods for assessing organizational

adaptive capacity, concluding that it is best understood through sensing, learning, response flexibility, and resource reconfiguration capabilities. Critically, their review found that existing assessment methods frequently underestimate sectoral variation in adaptive capacity, as different industries develop distinct adaptive repertoires shaped by unique operational environments and regulatory contexts. This methodological insight provides strong scholarly justification for the current study's sectoral analytical approach, supporting the decision to disaggregate adaptive capacity's moderating effect by sector rather than treating it as uniform across NSE-listed companies. The significant sectoral variation in adaptive capacity's moderating effects documented in this study empirically validates Hassel and Cedergren's (2025) warning against sector-blind assessments of adaptive capacity in organizational research.

Zhang (2021) provided compelling empirical evidence that organizational adaptive capacity significantly determines performance maintenance under environmental stress, finding that organizations with robust adaptive mechanisms sustained operational effectiveness even during severe external disruptions. This positions adaptive capacity not merely as a performance enhancer under normal conditions but as a critical resilience mechanism under adversity. Extending this argument, Afshar and Shah (2025) found that adaptive capacity serves as the foundational mechanism through which organizational resilience is built and sustained, with organizations investing systematically in adaptive capacity development demonstrating significantly stronger resilience profiles. Importantly, both studies found that adaptive capacity's contribution to performance and resilience is moderated by organizational structure, leadership orientation, and sectoral context -directly supporting the current study's expectation that adaptive capacity will exert differential moderating effects across Kenya's publicly quoted companies in different sectors.

The workforce and leadership dimensions of adaptive capacity have been equally well-documented in the literature. Prasetya, Anas, Khairunisa, and Ekhsan (2025) demonstrated through a qualitative literature review that adaptive leadership creates inclusive, collaborative work environments through open communication, flexibility, and employee empowerment, concluding that organizations should prioritize leadership development programs embracing adaptability and cultural intelligence. Complementing this, Mujtaba (2026) established that cultural competence -the ability to work effectively across cultural and demographic boundaries -is a prerequisite for translating diversity into measurable performance gains. Together, these studies confirm that adaptive capacity, when expressed through leadership behavior and cultural competence, functions as the critical bridge converting diverse human capital into organizational performance -a relationship that is central to the moderation hypothesis tested in the current study across NSE-listed companies operating in diverse sectoral environments.

The role of human capital, social capital, and organizational learning in developing adaptive capacity has received significant scholarly attention. Mitchell, Boyle, and Nicholas (2021) established that managerial diversity significantly enhances adaptive capability by broadening available knowledge and relational resources for problem-solving and strategic reconfiguration, suggesting that adaptive capacity's moderating effect may itself be shaped by the depth of existing diversity practices. Viterouli, Belias, Koustelios, and Tsigilis (2024) further found that organizational learning culture positively mediates the relationship between generational diversity and adaptive performance, with significant variation across different workforce age groups. These findings collectively suggest that

adaptive capacity is not a static organizational attribute but a dynamic capability continuously shaped by diversity practices, learning culture, and intergenerational knowledge transfer -explaining why its moderating effect on the diversity–performance relationship varies significantly across sectors of NSE-listed companies.

The synthesis of evidence across all reviewed studies converges on a central theoretical proposition that adaptive capacity is a dynamic, context-sensitive moderator whose influence on organizational outcomes is shaped by sectoral characteristics, environmental conditions, leadership orientation, and organizational learning culture. Yusuf (2023) further confirmed that adaptive capacity plays a dual role -directly enabling value creation while shaping how effectively transformation efforts translate into measurable performance outcomes -reinforcing its centrality in the diversity–performance nexus. This proposition aligns with the dynamic capabilities theory anchoring the current study, which posits that organizations must continuously sense, seize, and reconfigure resources in response to changing conditions. Collectively, these studies justify treating adaptive capacity as a moderating variable and support the expectation of significant sectoral variation in its moderating effect on the relationship between workplace diversity practices and organizational performance among NSE-listed companies in Kenya.

2.3 Conceptual Framework

The conceptual framework is a diagrammatical representation that shows the relationships between variables. Figure 1 presents the conceptual framework guiding this study.

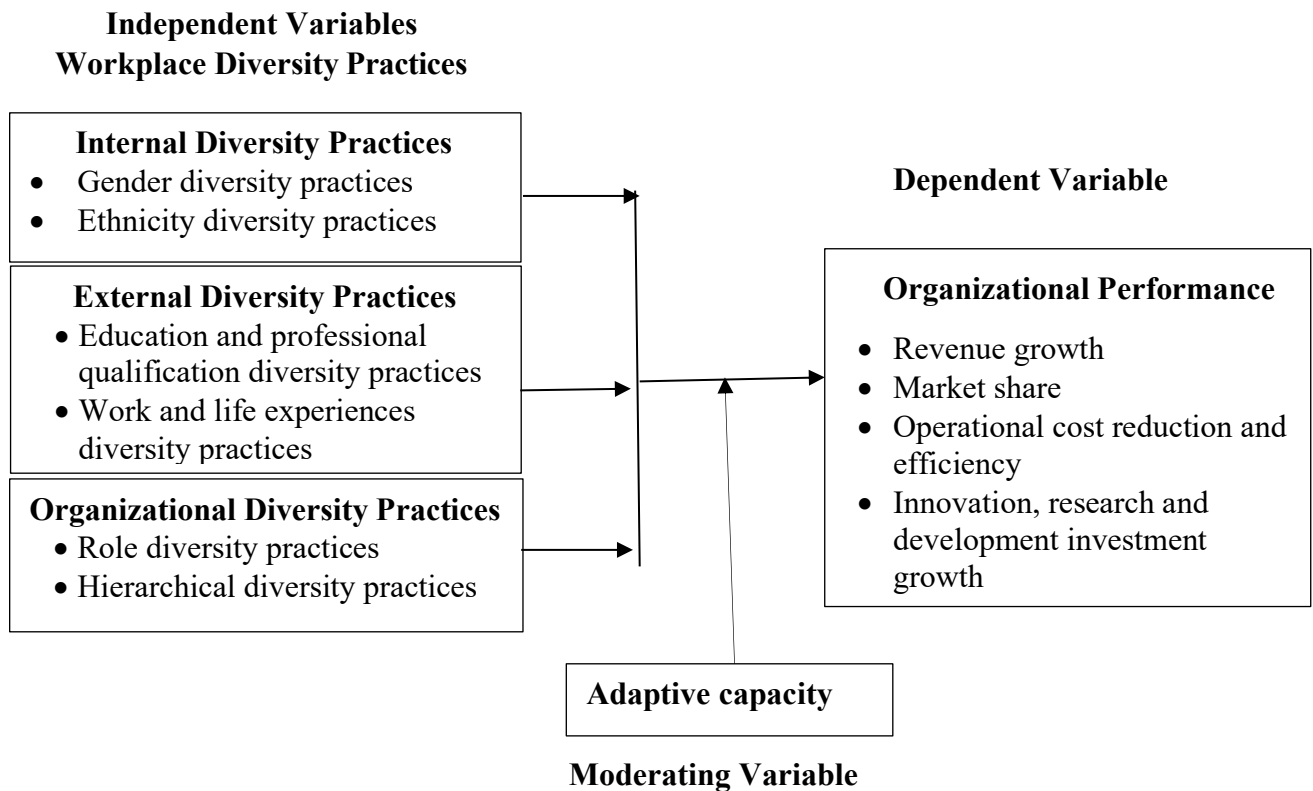


Figure 1: Conceptual Framework

3.1 Research Methodology

The study adopted a pragmatic philosophical underpinning, which allowed for the simultaneous use of both quantitative and qualitative methods through a convergent parallel mixed-methods design (Al-Ababneh, 2020). A census approach was employed given the manageable total population of 56 publicly quoted companies listed on the Nairobi Securities Exchange, distributed across 11 sectors, namely Agricultural, Automobiles and Accessories, Banking, Commercial and Services, Construction and Allied, Energy and Petroleum, Insurance, Investment, Investment Services, Manufacturing and Allied, and Telecommunication and Technology (NSE, 2024). The study targeted 168 respondents for the quantitative survey, comprising three senior managers, heads of human resource, finance, and strategy, from each of the 56 publicly quoted companies on the Nairobi Securities Exchange. Following pretesting, six companies were excluded from the final data collection, namely Sasini Plc from the Agricultural sector, Kenya Airways from the Commercial and Services sector, Bamburi Cement Ltd from the Construction and Allied sector, KenGen Plc from the Energy and Petroleum sector, CIC Insurance Group from the Insurance sector, and British American Tobacco Kenya Plc from the Manufacturing and Allied sector. This reduced the target population to 150 respondents from the remaining 50 companies. All Cronbach alpha coefficients exceeded the 0.7 threshold, confirming reliability, while KMO values and Bartlett's test of sphericity confirmed construct validity across all variables (Taber, 2018; Bryman et al., 2022). For the sectoral analysis specifically, data were analyzed using sectoral descriptive statistics and correlation analysis. Qualitative data from the 11 sectoral interviews were analyzed using thematic analysis. Triangulation of quantitative and qualitative findings ensured the credibility and comprehensiveness of sectoral conclusions across all sectors represented on the Nairobi Securities Exchange.

4.0 Data Presentation, Analysis and Interpretation

This chapter presents the data collected from questionnaire respondents and interview participants across publicly quoted companies on the Nairobi Securities Exchange, analyzed to examine the moderating effect of adaptive capacity on the relationship between workplace diversity practices and organizational performance. The quantitative data are presented through sectoral descriptive statistics and correlation analysis, while qualitative data derived from in-depth interviews are presented through a network diagram and thematic analysis to provide contextual explanations for the quantitative sectoral patterns observed.

4.1 Response Rate

The study targeted 168 respondents for the quantitative survey, comprising three senior managers, heads of human resource, finance, and strategy, from each of the 56 publicly quoted companies on the Nairobi Securities Exchange. Following pretesting, six companies were excluded from the final data collection, namely Sasini Plc from the Agricultural sector, Kenya Airways from the Commercial and Services sector, Bamburi Cement Ltd from the Construction and Allied sector, KenGen Plc from the Energy and Petroleum sector, CIC Insurance Group from the Insurance sector, and British American Tobacco Kenya Plc from the Manufacturing and Allied sector. This reduced the target population to 150 respondents from the remaining 50 companies. Out of the 150

questionnaires distributed, 132 were completed and returned, representing a response rate of eighty-eight percent.

For the qualitative component, the study conducted in-depth interviews with eleven managers from human resource departments, one representing each of the eleven sectors on the Nairobi Securities Exchange. All targeted interview respondents participated, achieving a hundred percent response rate for the qualitative data collection. The high response rates for both quantitative and qualitative components enhanced the reliability and credibility of the study findings, ensuring that conclusions drawn from the data are representative of the diversity practices and organizational performance patterns across all sectors of publicly quoted companies in Kenya. According to Mugenda and Mugenda (2019), a response rate of fifty percent is adequate for analysis, sixty percent is good, and seventy percent and above is excellent. The eighty-eight percent response rate for questionnaires significantly exceeded these benchmarks, confirming the adequacy of the data collected for rigorous quantitative sectoral analysis. The hundred percent qualitative response rate further strengthened the comprehensiveness of the study, enabling thorough triangulation of quantitative and qualitative findings across all eleven sectors represented on the Nairobi Securities Exchange.

4.2 Sectoral Descriptive Statistics

This section presents the sectoral descriptive statistics for the study variables across the eleven sectors listed on the Nairobi Securities Exchange. The analysis presents mean scores and standard deviations for each sector, providing a comparative view of how each sector performs on adaptive capacity, internal diversity practices, external diversity practices, organizational diversity practices and organizational performance.

Table 1: Sectoral Descriptive Statistics for Adaptive Capacity

Sector	Mean	Std. Deviation
Agricultural	4.043	0.410
Automobiles & Accessories	3.833	0.289
Banking	3.706	0.634
Commercial & Services	3.824	0.560
Construction & Allied	3.778	0.326
Energy & Petroleum	3.981	0.504
Insurance	3.833	0.446
Investment	3.699	0.492
Investment Services	3.890	0.535
Manufacturing & Allied	3.743	0.307
Telecommunication & Technology	3.708	0.254
Average	3.822	0.432

The sectoral descriptive statistics for adaptive capacity reveal a generally high but meaningfully differentiated landscape across the eleven sectors listed on the Nairobi Securities Exchange. The Agricultural sector recorded the highest mean adaptive capacity score ($M = 4.043$, $SD = 0.410$), followed closely by Energy and Petroleum ($M = 3.981$, $SD = 0.504$) and Investment Services ($M = 3.890$, $SD = 0.535$), all surpassing the overall sectoral average of 3.822. In contrast, the Investment sector recorded the lowest mean ($M = 3.699$, $SD = 0.492$), closely followed by Banking ($M = 3.706$, $SD = 0.634$) and

Telecommunication and Technology ($M = 3.708$, $SD = 0.254$). The standard deviation patterns are equally informative-Banking recorded the highest variability ($SD = 0.634$), suggesting considerable heterogeneity in adaptive capacity among companies within that sector, whereas Telecommunication and Technology exhibited the lowest variability ($SD = 0.254$), indicating a more uniform level of adaptive capacity development across its listed firms. These within-sector differences suggest that adaptive capacity is not uniformly developed even among companies operating under similar regulatory and operational environments.

The sectoral variation in adaptive capacity carries significant implications for how workplace diversity practices translate into organizational performance across NSE-listed companies. Sectors with higher adaptive capacity means, such as Agricultural and Energy and Petroleum, are theoretically better positioned to leverage diverse human capital, since their stronger sensing, learning, and reconfiguration capabilities enable them to channel diversity-driven creativity into measurable performance gains. Conversely, sectors with lower adaptive capacity scores, particularly Investment and Banking, may be constrained in realizing the full performance benefits of diversity practices, suggesting that diversity investments alone are insufficient without parallel investments in building adaptive organizational capabilities. The high standard deviation in Banking further implies that within-sector inequality in adaptive capacity could widen the performance gap between well-adapted and poorly-adapted banking institutions. For policymakers and boards of directors, these findings underscore the importance of designing sector-specific adaptive capacity interventions rather than applying uniform diversity and performance frameworks across all NSE-listed companies, as each sector's unique operational context, regulatory environment, and human capital composition shapes how adaptive capacity develops and ultimately moderates the diversity-performance relationship.

Table 2: Sectoral Descriptive Statistics for Workplace Diversity Practices

Internal Diversity Practices		
Sector	Mean	Std. Deviation
Agricultural	3.970	0.103
Automobiles & Accessories	4.071	0.069
Banking	3.894	0.110
Commercial & Services	3.907	0.107
Construction & Allied	3.903	0.167
Energy & Petroleum	3.932	0.101
Insurance	3.853	0.085
Investment	3.912	0.127
Investment Services	3.732	0.135
Manufacturing & Allied	3.886	0.132
Telecommunication & Technology	3.980	0.130
Average	3.913	0.115
External Diversity Practices		
Sector	Mean	Std. Deviation
Agricultural	3.789	0.116
Automobiles & Accessories	3.972	0.153
Banking	3.836	0.079
Commercial & Services	3.875	0.105
Construction & Allied	3.880	0.108
Energy & Petroleum	3.890	0.132
Insurance	3.823	0.125
Investment	3.853	0.095
Investment Services	3.801	0.229
Manufacturing & Allied	3.792	0.135
Telecommunication & Technology	3.820	0.104
Average	3.848	0.126
Organizational Diversity Practices		
Sector	Mean	Std. Deviation
Agricultural	4.006	0.103
Automobiles & Accessories	3.873	0.115
Banking	3.945	0.123
Commercial & Services	3.927	0.092
Construction & Allied	4.071	0.134
Energy & Petroleum	3.934	0.144
Insurance	3.971	0.108
Investment	3.938	0.128
Investment Services	4.018	0.029
Manufacturing & Allied	3.998	0.105
Telecommunication & Technology	3.944	0.157
Average	3.966	0.112

Across the eleven sectors listed on the Nairobi Securities Exchange, internal diversity practices recorded a sectoral average mean of 3.913 (SD = 0.115), reflecting a consistently

high but differentiated adoption of internal diversity initiatives. The Automobiles and Accessories sector led with the highest mean ($M = 4.071$, $SD = 0.069$), followed by Telecommunication and Technology ($M = 3.980$, $SD = 0.130$) and Agricultural ($M = 3.970$, $SD = 0.103$), suggesting that these sectors have made relatively stronger commitments to internal diversity practices such as inclusive recruitment, equal opportunity employment, and workforce representation policies. Investment Services recorded the lowest mean for internal diversity practices ($M = 3.732$, $SD = 0.135$), a notable gap from the sectoral average that may reflect the historically homogenous talent pipelines characteristic of investment-oriented firms. The narrow standard deviations across most sectors indicate a relatively consistent level of internal diversity practice adoption within sectors, with Construction and Allied exhibiting the highest within-sector variability ($SD = 0.167$), pointing to uneven implementation of internal diversity initiatives among its listed companies.

For external diversity practices, the sectoral average mean of 3.848 ($SD = 0.126$) was the lowest across the three diversity dimensions, suggesting that engagement with external stakeholder diversity-encompassing supplier diversity, community inclusion, and diversity-focused partnerships-remains comparatively less developed across NSE-listed companies. Automobiles and Accessories again led this dimension ($M = 3.972$, $SD = 0.153$), while the Agricultural sector recorded the lowest mean ($M = 3.789$, $SD = 0.116$), which may reflect the sector's relatively narrow external stakeholder engagement structures and limited exposure to diversity-driven supply chain requirements. Investment Services recorded the highest standard deviation for external practices ($SD = 0.229$), indicating considerable within-sector disparity in how firms in that sector engage with external diversity. The generally lower scores on external diversity practices across all sectors carry important implications, as external diversity engagement is increasingly recognized as a driver of organizational legitimacy, stakeholder trust, and long-term performance sustainability-dimensions that NSE-listed companies may be underutilizing relative to their internal and organizational diversity efforts.

Organizational diversity practices recorded the highest sectoral average mean of 3.966 ($SD = 0.112$) among the three diversity dimensions, indicating that structural and policy-level diversity arrangements-such as diversity governance frameworks, board-level diversity policies, and formal diversity management systems-are the most developed form of diversity practice across NSE-listed companies. Construction and Allied led this dimension with the highest mean ($M = 4.071$, $SD = 0.134$), followed by Investment Services ($M = 4.018$, $SD = 0.029$) and Agricultural ($M = 4.006$, $SD = 0.103$), reflecting strong institutional commitment to diversity at the organizational level in these sectors. Notably, Investment Services recorded the lowest standard deviation across all sectors and dimensions for organizational diversity practices ($SD = 0.029$), suggesting remarkable consistency in how firms within that sector have formalized diversity at the organizational level. The Automobiles and Accessories sector recorded the lowest organizational diversity mean ($M = 3.873$), despite leading on both internal and external dimensions, which suggests a possible misalignment between operational diversity implementation and formal organizational diversity governance in that sector. Taken together, the three-dimensional analysis underscores that workplace diversity practices are not uniformly developed across dimensions or sectors, and that targeted sector-specific interventions addressing the weakest diversity dimensions within each sector are necessary for NSE-listed companies

to fully realize the performance benefits that comprehensive diversity practice adoption can deliver.

4.3 Correlation Analysis

Table 3 presents the Pearson correlation coefficients between workplace diversity practices, adaptive capacity, and organizational performance.

Table 3: Correlation Matrix

		Organizational Performance	Internal Diversity Practices	External Diversity Practices	Organizational Diversity Practices	Adaptive capacity
Organizational Performance	Pearson Correlation	1.000				
	Sig. (2-tailed)					
Internal Diversity Practices	Pearson Correlation	.425	1.000			
	Sig. (2-tailed)	0.000				
External Diversity Practices	Pearson Correlation	.389	0.025	1.000		
	Sig. (2-tailed)	0.000	0.777			
Organizational Diversity Practices	Pearson Correlation	.473	-0.039	-0.052	1.000	
	Sig. (2-tailed)	0.000	0.658	0.557		
Adaptive capacity	Pearson Correlation	0.372	0.741	0.434	0.786	1.000
	Sig. (2-tailed)	0.008	0.029	0.006	0.024	

Internal diversity practices recorded a positive and statistically significant correlation with organizational performance ($r = 0.425$, $p = 0.000$), as did external diversity practices ($r = 0.389$, $p = 0.000$) and organizational diversity practices ($r = 0.473$, $p = 0.000$), collectively confirming that all three dimensions of workplace diversity practices are positively and significantly associated with organizational performance among publicly quoted companies in Kenya. Organizational diversity practices recorded a positive and statistically significant correlation with organizational performance among the three diversity dimensions, suggesting that functional-level diversity comprising role diversity and hierarchical diversity exerts the greatest independent influence on organizational performance. The three diversity dimensions recorded negligible and statistically non-significant inter-correlations among themselves, with coefficients ranging from $r = -0.052$ to $r = 0.025$, confirming the absence of multicollinearity among publicly quoted companies on the Nairobi Securities Exchange in Kenya.

Adaptive capacity recorded a positive and statistically significant correlation with organizational performance ($r = 0.372$, $p = 0.008$) among all study variables, affirming that publicly quoted companies with higher levels of adaptive capacity tend to achieve superior organizational performance outcomes. Adaptive capacity further recorded positive and statistically significant correlations with all three dimensions of workplace diversity practices-organizational diversity practices ($r = 0.786$, $p = 0.024$), internal diversity practices ($r = 0.741$, $p = 0.029$), and external diversity practices ($r = 0.434$, $p = 0.006$)-confirming that adaptive capacity is significantly associated with the full spectrum of workplace diversity practices. These positive and statistically significant associations affirm that well-developed adaptive capacity comprehensively supports the embedding of internal, external, and organizational diversity practices across all organizational levels among publicly quoted companies on the Nairobi Securities Exchange in Kenya.

Based on the correlation results, the null hypothesis-that there is no statistically significant moderating effect of adaptive capacity on the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya across sectors-is rejected. This decision is justified by the positive and statistically significant correlation between adaptive capacity and all three dimensions of workplace diversity practices-internal diversity practices ($r = 0.741$, $p = 0.029$), external diversity practices ($r = 0.434$, $p = 0.006$), and organizational diversity practices ($r = 0.786$, $p = 0.024$). These statistically significant associations provide robust cumulative evidence that adaptive capacity exerts a significant moderating influence on the relationship between workplace diversity practices and organizational performance across the sectors of publicly quoted companies on the Nairobi Securities Exchange in Kenya.

4.4 Qualitative Analysis

Figure 2 presents the network diagram of adaptive capacity derived from in-depth interviews conducted with human resource departments across eleven publicly quoted companies on the Nairobi Securities Exchange.

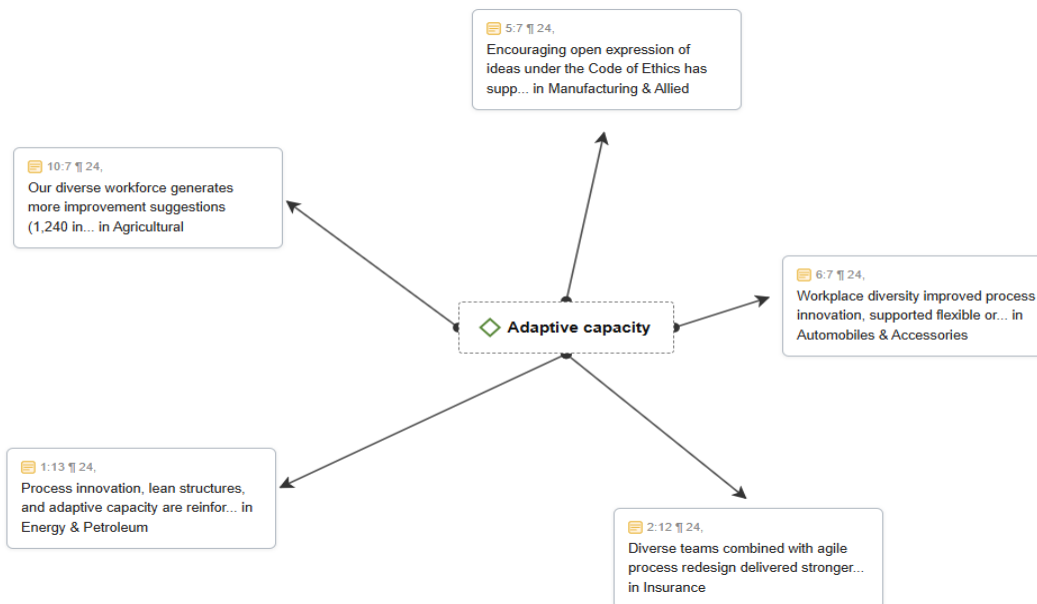


Figure 2: Network Diagram of Adaptive capacity

The diagram reveals themes emerging from the qualitative data, each anchored in specific organizational experiences across different sectors. Encouraging open expression of ideas was identified as a key enabler of adaptive capacity, while respondents indicated that their diverse workforce generates over 1,240 improvement suggestions, demonstrating how diversity directly fuels organizational adaptability. It was found that process innovation, lean structures, and adaptive capacity were mutually reinforcing organizational capabilities, confirming the interconnected nature of innovation and adaptability in driving organizational performance across sectors. The qualitative evidence further revealed that adaptive capacity manifests differently across sectors depending on organizational context and diversity composition. Respondents revealed that workplace diversity improved process innovation and supported flexible organizational structures, highlighting the structural dimension of adaptive capacity in the commercial sector. Respondents

demonstrated that diverse teams combined with agile process redesign delivered stronger organizational performance outcomes, reinforcing the quantitative finding that adaptive capacity significantly moderates the diversity–performance relationship. Collectively, these qualitative insights provide rich contextual explanations for the sectoral variation in adaptive capacity's moderating effects documented in Table 3, confirming that organizations that deliberately cultivate adaptive capacity through diversity-driven practices consistently achieve superior performance outcomes across different sectors of NSE-listed companies.

5.1 Conclusion

The sectoral analysis of the moderating effect of adaptive capacity on the relationship between workplace diversity practices and organizational performance of publicly quoted companies in Kenya conclusively established that adaptive capacity plays a positive and statistically significant moderating role across all eleven examined sectors, though the specific diversity dimensions-internal, external and organizational-through which this moderation manifests vary distinctly from sector to sector. The Agricultural sector recorded the highest adaptive capacity development while the Investment sector recorded the lowest, confirming that adaptive capacity is unevenly developed across publicly quoted companies on the Nairobi Securities Exchange. Adaptive capacity demonstrated a more powerful role as a moderator than as a standalone performance predictor, corroborated by qualitative evidence showing that process innovation, lean structures, and adaptive capacity are mutually reinforcing organizational capabilities. Consequently, the null hypothesis was rejected, and the study concludes that strengthening adaptive capacity across sectors is critical for converting workplace diversity practices into superior and sustainable organizational performance outcomes among publicly quoted companies on the Nairobi Securities Exchange in Kenya.

6.1 Recommendations

The study recommends that boards of directors and senior management of publicly quoted companies on the Nairobi Securities Exchange deliberately invest in sector-specific adaptive capacity frameworks alongside workplace diversity practices, since adaptive capacity was confirmed as a significant moderator of the diversity–performance relationship and its development varied considerably across sectors. Sectors recording the lowest adaptive capacity levels require the most urgent and targeted investments to unlock the full performance benefits of their existing diversity practices, and organizations should therefore embed adaptive capacity development into their human resource strategies, leadership development programs, and organizational learning cultures. Since external diversity practices remained the least developed dimension across all sectors, organizations should prioritize strengthening external diversity engagement encompassing supplier diversity, community inclusion, and diversity-focused partnerships as a strategic lever for enhancing organizational legitimacy, stakeholder trust, and long-term performance sustainability. The Capital Markets Authority should further incorporate adaptive capacity metrics into its governance and compliance frameworks to institutionalize these priorities across all NSE-listed companies.

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