MAKERERE UNIVERSITY

MAKERERE UNIVERSITY BUSINESS SCHOOL

CORPORATE GOVERNANCE PRACTICES AND OPERATIONAL PERFORMANCE: A CASE OF NGOs IN KAMPALA CITY

BY

LAMUNU PETRONILLA OUMA

2017/HD10/1057U

Email: lamunu.petronilla@gmail.com

Tel: 0773 65 55 95

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PLAN A

December, 2023

DECLARATION

I hereby declare that this dissertation is my original work which to the best of my knowledge has never been submitted to any other institution of higher learning for any academic award. Sources of Information have been duly acknowledged.

Signed.....Date: 18th. December. 2023

LAMUNU PETRONILLA OUMA

2017/HD10/1057U

APPROVAL

This dissertation has been carried out under our supervision and it is approved for submission.

Signed: .....Date: 18/12/2023

Prof. Vincent Bagire

Makerere University Business School

Signed.....Date: 19/12/2023

Mr. Lubogo Richard

Makerere University Business School

DEDICATION

This work is a fruit of countless and arduous sacrifices. Through the researchers' effort, this work is heartily and proudly dedicated to the people who serve as an inspiration. I dedicate this piece of work to my children and siblings of whom I believe will find inspiration from this work to excel in whatever they do.

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LIST OF ABBREVIATIONS

NGO Non-Governmental Organization

CG Corporate Governance

SPSS Statistical Package for Social Sciences

CVI Content Validity Index

ABSTRACT

The major purpose of the study was to investigate the corporate governance practices and operational performance: a case of NGOs in Kampala city. Despite the importance of NGOs, their impact on the ground has over the years been affected by their poor credibility over how the resources they receive from donors are utilized (Uganda NGO Bureau, 2021; Mabaya et al, 2021), moreover, not much empirical research has been done to explore this terrain in Uganda. Specifically, the study investigated the measures of corporate governance independently with operational performance; the relationship between transparency and operational performance; the relationship between accountability and operational performance; the relationship between equity and inclusiveness and operational performance and the combined effect of transparency, accountability, equity, and inclusiveness on operational performance. The study adopted a cross sectional study and data was collected using a questionnaire. Questionnaires were received from 80 respondents giving a response rate of 100% from 80 NGOs that were sampled. Analysis was done with the help of Statistical Package for Social Sciences (SPSS). With the help of SPSS, Cronbach Alpha was above 0.7 which meant that other studies like correlations and regressions could be carried out. The correlation results showed that there is a significant relationship between transparency and operational performance; there is a significant positive relationship between accountability and operational performance; there is a significant positive relationship between equity and inclusiveness and operational performance. Regression results indicate that there was a significant combined effect of governance practices on operational performance and that they predict 74.6% of operational performance of NGOs. There are several limitations with this study; the study focused on a cross sectional research design; the data collection instrument was a standard questionnaire which limited the ability to collect respondents' own views. The study recommends further study to be conducted on a longitudinal research basis to study variables for a long period of time. The study also recommends that NGOs should adopt corporate governance practices to improve on their operational performance.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter presents the background to the study, problem statement, research objectives, scope of the study, significance, conceptual framework, and description of the conceptual framework on the study of corporate governance practices and operational performance in Non-Governmental Organizations (NGOs).

1.2 Background to the Study

Good corporate governance improves efficiency and stimulates operational performance for organizations. Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled (Chen, 2021). Corporate governance practices are standards of rules that allow organizations including NGOs to ensure that they are serving the needs of their shareholders, stakeholders, management team and beneficiaries effectively and responsibly. Corporate governance is the framework of practices such as transparency, accountability, fairness, responsiveness, independence, equity, and inclusiveness (Gune & Bhebhe, 2020) among other dimensions.

High levels of Corporate Governance (CG) practices are associated with good operational performance (Aguilera, Kabbach, Lee, & You, 2012). Research on Corporate Governance (CG) practices and operational performance indicates that there has been both positive (Buyuksalvarci, & Abdioglu 2010) and negative correlations (Bozec & Dia, 2007) as well as a possibility of no relationship (Shahwan, 2015). For example, a study in Brazil found out a positive strong relationship between growth in the structuring of listed companies with CG practices (Black, De Carvalho & Gorga, 2012). For the case of Non-Governmental Organizations (NGOs), the principles of good corporate governance practices hold true in the

dynamic environment facing issues of transparency, accountability, disclosure, equity, and inclusion among others.

In this study, the researcher focuses on transparency, accountability, equity and inclusiveness practices as determinants of CG. Transparency is aimed at ensuring that information and actions are available and seen to measure the organization's performance and to guard against any possible misuse of powers. Accountability focuses on being responsible for one's actions and having the ability to provide sound reasoning for actions. Equity and inclusiveness focus on the needs of every stakeholder and ensures the right conditions are in place for each stakeholder to achieve their full potential.

The subject of measurements of performance in NGOs has attracted greater attention in the recent past. Stakeholders are asking whether NGOs practice what they preach and how this can be measured (Beamon & Balcik, 2008). The debate on the appropriate performance measures of NGOs is continuing. Some scholars have argued that operational performance of NGOs comprises the actual output or results of an organization measured against its intended outputs or goals and objectives (Bagire, Aosa, & Awino, 2014). Operational performance for NGOs has also been attributed to effectiveness, efficiency, economy, and efficacy (Teelken, 2008). In this study the researcher focused on effectiveness and efficiency as measures/ determinants of NGO performance.

Effectiveness is considered as the degree to which an activity is successful in producing the desired result while efficiency is considered as the ability to achieve an end goal with little to no waste, effort, or energy (Oghojafor, Muo, & Aduloju, 2012). Efficiency is achieving results by putting the resources an organization has in the best way possible. Studies indicate that efficiency is linked to organization's ability to survive (Wang & Chen, 2013) and that efficiency is the corner stone in achieving the kind of performance that leads to sustained

excellence. Furthermore, there is an increasing need to address the very basic question of how the Ugandan NGOs are performing in relation to effectiveness and efficiency (Uganda National Bureau for NGOs, 2021).

The study adopted stewardship theory (Donaldson & Davis, 1991) that states that a steward protects and accounts for the resources entrusted to them. Stewardship is as an obligation to provide services in an effective and efficient manner that meet the needs of the citizens without exception (Nzimakwe & Mpehle, 2012). Stewardship theory is all about being in control of something that has been entrusted to one's care but does not belong to the entrusted person (Motubatse, Ngwakwe, & Sebola, 2017). Hence, NGO workers specifically the managers are entrusted with the care of the resources placed under their control during their operational period as enshrined in their strategic plan documents (Kock et al, 2011).

For the case of this study, it is thus advisable for NGOs to follow good corporate governance practices to strengthen their own internal structure to avoid any crisis arising out of poor governance such as poor operational performance and to establish the public good image and credibility of the organization by exhibiting corporate governance practices that include among others, transparency, accountability, equity, and inclusiveness (Mulili & Wong, 2011).

There is no previous study which has been done on the relationship between corporate governance practices and operational performance in non-governmental organizations in Uganda therefore this study will provide literature and knowledge regarding the study variables.

1.3 Statement of the Problem

The role of NGOs in the development processes cannot be underrated. NGOs now impact policies and advance initiatives that were once exclusively the domain of governments. Their service has become vital to the well-being of societies throughout the globe. Despite their importance, their impact on the ground has over the years been affected by their poor credibility over how the resources they receive from donors are utilized (Uganda NGO Bureau, 2021; Mabaya et al, 2021), moreover, not much empirical research has been done to explore this terrain in Uganda. There is little attention that has been devoted to finding the relationship between corporate governance practices and the operational performance of NGOs in Uganda. If no steps are taken to address this challenge, there is a likelihood that there will be increased corporate governance related issues like fraud within the NGOs in Uganda which lead to poor operational performance of NGOs and hence development partners will withdraw funds due to ruined reputation. This will threaten the work of NGOs in the development process in Uganda.

1.4 Purpose of the Study

The purpose of this study is to investigate the relationship between corporate governance practices and the operational performance of NGOs in Uganda particularly in Kampala City.

Study Objectives

i. To investigate the relationship between transparency and operational Performance of NGOs.
ii. To investigate the relationship between accountability and operational performance of NGOs.
iii. To investigate the relationship between equity and inclusiveness and operational Performance of NGOs.
iv. To investigate the combined effect of Corporate Governance Practices on operational

performance.

Research Questions

i. What is the relationship between transparency and operational Performance of NGOs?

ii. What is the relationship between accountability and operational performance of NGOs?

iii. What is the relationship between equity and inclusiveness and operational Performance of NGOs?

iv. What is this the combined effect of Corporate Governance Practices on operational performance?

1.5 Scope of the Study

Content Scope

The study focused on corporate governance practices (transparency, accountability and equity and inclusiveness) and Operational Performance (effectiveness and efficiency).

Geographical Scope

The study was carried out on the Non-Governmental Organizations within Kampala City. Specifically, the study took place in the five divisions that make up Kampala city that is Makindye, Kampala central, Nakawa, Kawempe and Rubaga Divisions.

1.6 Significance of the Study

The study contributes to the already existing literature and enriches studies on issues relating to corporate governance practices and operational performance of NGOs.

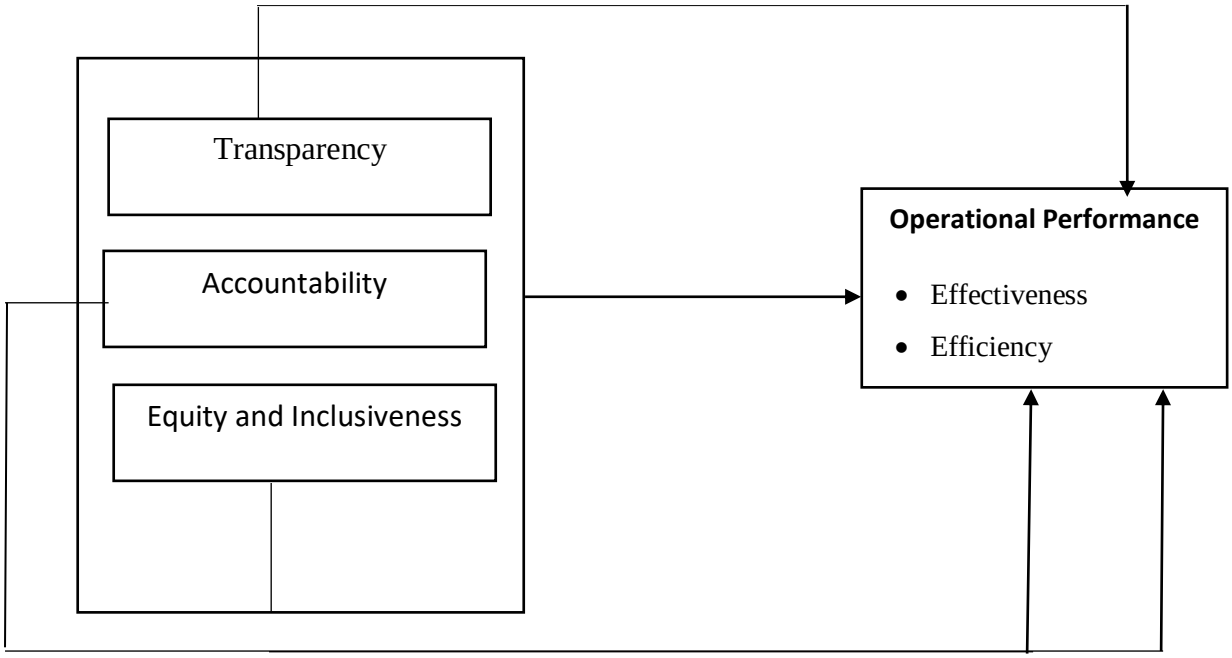
The result of this study provides insights and information to key stakeholders so that they appreciate the need for good corporate governance practices in NGOs.

The study is very useful to policy makers in the NGO sector, specifically the NGO Bureau under Ministry of Internal Affairs.

The study also provides areas of further research to the academicians interested in the same area of study.

1.7 Conceptual framework

Corporate governance practices



Source: Self developed and modified from the literature**:** (Gune & Bhebhe, 2020; Kimaite, 2016; Kimunguyi, Memba, & Njeru, 2015).

Figure 1.1: Corporate Governance practices and operational performance of NGOs

Description of Conceptual Model

From the figure 1.1 above, the conceptual model presents the hypothesized relationship between corporate governance practices and the operational Performance of NGOs. The dependent variable is operational performance measured by effectiveness and efficiency. The independent variable is corporate governance practices conceptualized using transparency, accountability, equity and inclusiveness. Under the independent variable, the conceptual framework indicates that transparency within an NGO leads to its operational performance defined by effectiveness and efficiency; accountability being a determinant of corporate governance practices leads to operational performance of the NGO; equity and inclusiveness

of an NGO leads to its operational performance and lastly the conceptual framework indicates that there is a combined effect of the corporate governance practices on operational performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical review, reviews from main concepts in the conceptual framework, and those of the research objectives. The reviews were from journal articles, books, and online articles.

2.2 Theoretical Review

In this study, the researcher focused on Stewardship Theory by (Donaldson and Davis, 1991). The stewardship theory states that a steward protects and accounts for the resources of the organization. Stewardship is as an obligation to provide services in an effective and efficient manner that meet the needs of the citizens without exception (Nzimakwe & Mpehle, 2012). Stewardship theory is all about being in control of something that has been entrusted to one's care but does not belong to the entrusted person (Motubatse, Ngwakwe, & Sebola, 2017).

The steward theory highlights that stewards protect and maximize shareholders' (donor) interests through operational performance defined by effectiveness and efficiency. Stewards are organizational executives and managers in this case the NGO directors, program managers, among others working for the donors (shareholders) to help them realize their goal. In the theory, stewards are satisfied and motivated when organizational goals are attained (Wei, Sial, Comite, Thu, Badulescu, & Popp, 2021) in this case through operational performance that is effectiveness and efficiency. The theory further stresses on the position of organizational staff to act transparently, be accountable and ensure equity and inclusiveness so that donor's goals are maximized.

2.3 Corporate Governance Practices

Hodson, Marvin, Robinson and Swilling (2012) define governance as the framework in which the institution pursues its goals, objectives and policies in a coherent and coordinated

manner. According to Kamal and Begum, (2018) corporate governance refers to policies and rules that articulate the rights and responsibilities of various actors, and how they interact. In this case, NGO governance places emphasis on the process of setting policies and long-term goals as well as the strategies for reaching these goals. Corporate governance is at the heart of the successful running of an organization. It is important that companies/organizations strive to follow good corporate governance practices (Gune & Bhebhe, 2020).

Chauhan, Lakshmi and Dey, (2016) on his study of the effects of firm-level corporate governance practices on firm performance for publicly traded Indian firms where founder ownership is concentrated, the results showed that corporate governance is positively associated with firm performance. Another study done by Gune and Bhebhe, (2020) on .assessing the existence of good corporate governance practices in NGOs sector in Zimbabwe and how the existence or absence of the good corporate governance practices affected their organizational performance, the study used descriptive research design. The findings showed that some Non-Governmental Organizations (NGOs) have bad corporate governance practices such as not conducting audits regularly, poor ethical practices and some of the NGOs' activities were not transparent. The study recommended Non-Governmental Organizations to adopt corporate governance best practices to improve performance.

Transparency

According to Ball, (2009) transparency comprises the legal, political, and institutional structures that make information about the internal characteristics of a government and society available to actors both inside and outside the domestic political system. This also applies to the NGOs. Transparency is increased by any mechanism that leads to the public disclosure of information, whether a free press, open government, hearings, or the existence of non-governmental organizations with an incentive to release objective information (Parris, Dapko, Arnold, & Arnold, 2016).

According to Ball, (2009) the definition of transparency reveals three metaphors: transparency as a public value embraced by society to counter corruption and transparency. In the first metaphor, transparency is subtly intertwined with accountability. In the second, as transparency encourages openness. In the third, policymakers create transparency alongside accountability, efficiency, and effectiveness. The analysis concludes that these meanings affect the way organization members conduct and will conduct their day-to-day activities and how policies are and will be created (Parris et al, 2016).

Accountability

Prichard (2017) refers accountability to the obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner. According to IBON International, non-governmental organizations are accountable to various stakeholders that are directly or indirectly involved in the administration and management of NGOs. It can be divided into two categories; Internal stakeholders such as staff, board, supporters, local partners, members, fund raisers, and external stakeholders - government, private sector, beneficiaries, international organizations, corporates who provide funds through their CSR and the society at large (Cordelia, Ngozi, & Ebuka, 2020).

According to Cordelia et al (2020), board members are supposed to ensure that their NGOs are accountable to donors, project partners, and local communities and considering these, experts have suggested four aspects of accountability. This can be inform of upward Accountability, where it is the responsibility of an NGO towards being accountable to funders, donors and government institutions; horizontal Accountability where NGOs are responsible to their project partners, peers and related organizations; downward accountability where NGOs are responsible towards their beneficiaries and the target

audience and lastly internal accountability which is one of the most important aspects of accountability that relates to one being answerable to their own employees and their organizations mission (Prichard, 2017).

Equity and Inclusiveness

Equity and inclusiveness is the process by which an organization involves people who are affected by its decisions or can influence the implementation of its decisions (Thomson, Perry, & Miller, 2014). According to Weibel, Den Hartog, Gillespie, Searle, Six, and Skinner, (2016) within the NGO sector, corporate governance involves the following categories of people; the primary stakeholders who are the board, management, and employees; stakeholders who are the clients/participants on the projects, donors, sponsors, suppliers, partners, sub-contractors, and government as well as the influencers among others.

In Uganda, the issue of equity and inclusiveness within the NGO sector has started to take center stage where according to the Uganda National Bureau of NGOs (2021) press release noted that there is a growing number of fraudulent practices involving some NGOs and members of the general public. The press release further highlighted that there are unscrupulous individuals taking advantage of the NGO sector to defraud their stakeholders. Several NGOs were cited in a press release of Uganda National Bureau of NGOs (2021), that had defrauded their stakeholders and the NGO bureau proceeded to revoke their NGO permit, cancelled their certificate of registration, and blacklisted them.

A review of the literature reveals that when equity and inclusion is well utilized, it results into improved operational performance including that of the NGOs (Smith & Bititci, 2017). However, most of the recent existing literature largely relates the discussion of inclusion to the private sector (Secundo, Toma, Schiuma, & Passiante, 2018; Mainardes, Alves, & Raposo, 2012). It has also been observed with concern that most of the studies on

stakeholder engagement have been conducted in other countries other than Uganda. Therefore, this research provides initial insights into how equity and inclusiveness affect the performance of NGOs in Uganda.

2.4 Operational Performance of NGOs

The subject of measurements of performance in NGOs has attracted greater attention in the recent past. Stakeholders are asking whether NGOs practice what they preach and how this can be measured (Beamon & Balcik, 2008). The debate on the appropriate performance measures of NGOs is continuing. Some scholars have argued that operational performance of NGOs comprises the actual output or results of an organization measured against its intended outputs or goals and objectives (Bagire, Aosa, & Awino, 2014). Operational performance for NGOs has also been attributed to effectiveness, efficiency, economy, and efficacy (Teelken, 2008). In this study the researcher focused on effectiveness and efficiency as measures/ determinants of NGO performance.

Effectiveness is considered as the degree to which an activity is successful in producing the desired result while efficiency is considered as the ability to achieve an end goal with little to no waste, effort, or energy (Oghojafor, Muo, & Aduloju, 2012). Efficiency is achieving results by putting the resources an organization has in the best way possible. Studies indicate that efficiency is linked to organization's ability to survive (Wang & Chen, 2013) and that efficiency is the corner stone in achieving the kind of performance that leads to sustained excellence. Furthermore, there is an increasing need to address the very basic question of how the Ugandan NGOs are performing in relation to effectiveness and efficiency (Uganda National Bureau for NGOs, 2021).

In Uganda, the performance of NGO has so far been given limited attention and only in private sector organizations, where the performance is measured only by productivity and turnover dynamics (Abdalkrim, 2013). Very little interest has been given to the study of

performance of the NGO in all sectors of development in general and in the non-profit sector in particular. Hence, the researcher considers that this study will contribute to filling the gap that exists in research into the NGO sector in the country.

Transparency and operational performance

According to Fernandez-Feijoo, Romero, and Ruiz (2014), transparency is the availability of firm's specific information to the outside or general public. It is important because of the existence of the information asymmetry. By disclosing more and better inside information, the outside decision makers could make better resource allocation decisions (Neifar, Salhi, & Jarboui, 2020). Lopez-Arceiz et al, (2017) adds that transparency and its analysis as a desirable quality in organizations has been part of the academic literature since the late twentieth century and the concept is promoted by both public management studies (Piotrowski & Van Ryzin, 2007) and by business (Aguilera, Desender, Bednar & Lee, 2015) and non-profits research (López-Arceiz, Bellostas-Pérezgrueso Moneva-Abadía, & Rivera-Torres, 2018).

In the case of NGOs, the outside decision makers may include donors, beneficiaries, government, and the community. For example, donors want to know whether NGOs use their contributions in a meaningful, effective, and efficient way (Parsons, 2003). Transparency of an organization can be measured based on the three components which are corporate reporting, acquisition, and communication of information accompanied by information dissemination. To be a good organization nowadays also evidently means to be transparent (López-Arceiz et al, 2018). In its basic premise, transparency is supposed to render organizations more comprehensible, legitimate, and trustworthy, furthermore, it ought to enhance their performance and prevent corrupt or otherwise damaging behavior.

According to Zaman and Arslan (2014), there is a significant relationship between transparency with an organization's performance. Outcomes have shown that by practicing good corporate governance practices like transparency enhance the organizational value and can create a positive integration between firm's performance and corporate governance. The response to demands of the stakeholders is led through the active dialogue with the organization, which can only be carried-out with the implementation of transparency mechanisms such as disclosure (Martinuzzi, Krumay, & Pisano, 2011*)*.

Despite being a widely used term in the literature, some ambiguity in its use still exists. Some authors identify transparency to institutional accountability (Ball, 2009; Kosack & Fung, 2014). Against this trend, where transparency has a passive role, an alternative point of view identifies transparency to the interaction with the stakeholders (Aguilera et al., 2015; López-Arceiz et al.,2017).

Much as there has been literature on transparency, there is still literature gap on transparency as a corporate governance practice in NGOs in determining operational performance particularly in NGOs in Uganda. Therefore, this study contributes to the scarce literature on transparency and operational performance of NGOs in Uganda.

Accountability and operational performance

Sherif, (2021) asserts that accountability in an organization has a strong relationship in enhancing financial sustainability, relevancy, and effectiveness in the operation activities of the organization hence leading to an increase in operational performance. In the recent years calls for accountability and media exposure brought demands for increased performance measurement of each of organizations. Many NGOs are blacklisted due to noncompliance of the basic standards of good governance and as a result Governments, donors and corporations are facing difficulties while funding (Sherif, 2021). They are asking for a mechanism to

identify good and reliable organizations.

Today's NGOs have realized that it is their basic responsibility to show accountability towards their donors and the public. They must constantly work with an outcome focus and think long-term impact. Consequently, NGOs are currently under pressure to prove themselves by increasing their accountability in order to showcase their effectiveness towards the society (Prichard, 2017).

Accountability in their governance is the one method which helps NGOs to strengthen their internal systems and process in their organization. According to Prichard, (2017), the demand for the role and accountability of NGOs has been voiced by different countries for several reasons such as number of NGOs increasing day by day; Blacklisting the NGOs due to mismanagement of funds; Fundraising practices without proper regulations; Conflicts of interest in between the board members; Public trust on NGOs reducing; NGOs ineffectiveness in provision of services and not up to the mark of funding agencies. As a result, more interest and attention is being given to NGOs accountability (Cordelia et al 2020).

Eliab Mpora, Frank, Moses, Chrisostom and Arthur, (2021) posits that accountability is concerned with giving explanations through a credible story of what happened, and a calculation and balancing of competing obligations, including moral ones.

Broadbent and Laughlin (2003) contend that the provision of more detailed information does not automatically lead to greater accountability. According to (Chen & Shapiro, 2011) accountability requires openness, transparency, and the provision of information.

Chen and Shapiro, (2011) proposed two aspects of accountability that is public accountability, which involves the public as principals and is concerned with issues of

democracy; and trust, and managerial accountability that is concerned with day-to-day operations of the organization. Under managerial accountability the provision of detailed information is not directed to being more accountable to the public but that rather, it is an attempt by the principals to control the agents (managers) and legitimize past decisions and actions.

Secundo, et al., (2018) revealed that greater accountability is often presumed to provide more visibility and transparency for organizational activity, enabling appropriate organizational behavior and ultimately impact on organizational performance.

Literature is still scarce on the relationship between accountability and operational performance in NGOs particularly in Uganda. However, this study provides more literature on the study variables particularly in NGOs in Uganda since many of these have been identified among those with many fraudulent practices.

Equity and inclusiveness and operational performance

Equity and inclusiveness have a strong relationship to operational performance of organizations due to its influence in successful performance of the organization. In recent years, several social, political and economic changes relating to the NGO performance have increased stakeholders need for increased engagement in the organization's work (Secundo, et al., 2018). In the same vein Pucciarelli & Kaplan (2016) reported that stakeholder engagement strongly supports NGOs to construct a system of social norms and values through which society can warrant their performance. In addition, as result of the normative pressure and the imitation effect (Lieberman & Asaba, 2006), NGOs are encouraged to implement stakeholder engagement so that stakeholders may be held accountable according to international standards of sustainability reporting and regulatory frameworks.

A review of the literature reveals that when equity and inclusion is well utilized, it results

into improved NGO performance (Smith & Bititci, 2017). However, most of the recent existing literature largely relates the discussion of inclusion to the private sector (Secundo et al., 2018, Mainardes et al., 2012), with less attention given to these issues in the NGO sector. It has also been observed with concern that most of the studies on equity and inclusion have been conducted in other countries other than Uganda. Therefore, this research provides initial insights on stakeholder engagement on how it relates to operational performance of the NGOs in Uganda. Beisheim and Dingwerth, (2010) posit that a positive relationship exists between inclusiveness and operational performance of NGOs. Beisheim & Dingwerth, (2010) revealed that the standard currency for judging the operational performance of an NGO is on efficiency and effectiveness with which an organization provides its services and the contribution of its services to the common good (Frantz & Martens, 2006).

2.5 Conclusion

The Literature reveals that transparency, accountability and equity and inclusiveness have significant relationships with effectiveness and efficiency in the operational performance of NGOs. However, the literature is scarce on the study of these variables in NGOs particularly in Ugandan NGOs. Therefore, this study will provide ground for the study of these variables and establish their impact on operational performance of NGOs in Uganda.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the research design, study population, sampling size, sampling method and procedure, data sources and collection methods, research procedure, data collection procedure, measurement of research variables, validity and reliability of the instrument, data processing, analysis, and reporting and lastly ethical considerations.

3.2 Research Design

This study adopted a cross-sectional research design and quantitative research approach. According to Sekaran and Bougie, (2016) cross sectional survey design aims at gathering data just once from a cross-section of sources for purposes of answering the research questions. The cross-sectional design also permitted the establishment of causal relationships and enables the researcher to collect data within a short time. Quantitative approach emphasizes objective measurement and statistical, mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys or by manipulating pre-existing statistical data using computational techniques. The quantitative research approach aimed to enable the researcher to achieve the objectives of the study that require numerical data to establish relationship between the study variables.

3.3 Study Population

The study population comprised of 100 registered Non-Governmental Organizations operating within Kampala Capital City Authority (Uganda National Bureau for NGOs, 2021). The researcher's unit of analysis was the NGOs, and the unit of inquiry was the managers working in these organizations.

A sample size of 80 NGOs was selected out from the study population of 100 NGOs within Kampala according to Morgan and Krejcie (1970), sample size determination for a given

finite population (see attached appendix the approved Morgan and Krejcie, 1970 table). The unit of inquiry comprised of one (I) manager who had the most experience and had stayed for long in the NGOs from each of the 80 NGOs selected from the study population.

Table 1: Study Population

Division	**Population of NGOs**
Central Division	8
Nakawa Division	23
Kawempe Division	30
Makindye Division	22
Rubaga Division	17
Total	**100**

Source: Uganda National Bureau of NGOs, (2021)

3.4 Sampling method and procedure

The researcher used a stratified sampling procedure and as well used purposive sampling from within each selected. The managers were the target of this study. The stratified sampling was used so as to group NGOs according to divisions (location) so has to get equal representation of NGOs from the divisions that make-up Kampala City. Stratified Sampling is the process of grouping the population into different sub-groups (stratas) so as to establish an equal representation of the population. Simple random sampling is a sampling technique where every item in the population has an even chance and likelihood of being selected in the sample. The selection of items in simple random sampling entirely depends on chance. To avoid biasness and ensuring each chance of selection, the researcher first prepared a list of all the NGOs located within Kampala City and then each NGO was marked with a specific number. The researcher chose random samples from the population.

3.5 Data Sources and Collection Methods

Primary data was obtained through the use of a questionnaire given to the respondents. A questionnaire is a structured form with targeted questions or queries, designed to obtain subject specific information or information on a series of subjects from a respondent

(Kothari, 2004). The use of the questionnaire for data collection in this study was because the researcher's questionnaire had predetermined questions that enabled the respondents to fill it in a short time, at their own convenience and cover a wide scope of questions as per the study variables. One questionnaire was collected from each NGO.

3.6 Measurement of Research Variables

The study utilized the established measurement items by earlier researchers to operationalize and measure the variables under the study.

Corporate Governance practices were measured by determinants earlier used by other scholars and modified to fit this study and these were transparency, accountability and equity and inclusiveness (Gune & Bhebhe, 2020). Some of the specific measures used include among others assessing of record keeping, feedback mechanisms and decision-making processes.

The dependent variable was Operational performance of the NGOs that was measured using a modified tool measuring effectiveness and efficiency (Michael, 2014; Mohamedain, 2017). Some of the measures used inhere included among others assessing absenteeism and monthly monitoring of the NGOs progress.

These were modified to fit in the context of the study. A questionnaire with 5-point rating scale as per Likert scale ranging from strongly disagree (1), Disagree (2), Not Sure (3), Agree (4), to strongly agree (5) was used to obtain the extent to which respondents agree or disagree with the measurement parameter of the variable.

The measurement scale of Disagree (2), Not Sure (3), Agree (4), to strongly agree (5) on every statement simply measured the strength of authority on the statement. If the respondent ticked 1 it implied that one strongly disagrees with the statement, 2 = disagrees, 3 = Not

Sure in other words one does not takeany side on the statement, 4 = agrees and 5 = strongly agrees with the statement under discussion.

3.7 Validity and Reliability of the Instrument

Validity is the amount of systematic or built-in error in questionnaire (Bolarinwa, 2015). Validity of a questionnaire was established using a panel of at least four (4) experts who were given the instrument (questionnaire) to provide importance for each of the questions to ascertain their relevance. To achieve content validity, the questionnaire included a variety of questions on corporate governance practices and operational performance. The questions were based on earlier tools developed and literature on the study variables. The content validity index of the study variables was measured using SPSS and it was above .07 as shown in table 2.

Table 2: Validity

Subject Variables	Number of items	CVI
Transparency	8	.890
Accountability	9	.803
Equity and Inclusiveness	7	.856
Operational Performance	15	.901
All variables	39	.941

From the above table 2, all the CVIs were above .70 as recommended by Sekaran, (2003) and hence the researcher proceeded with the tool for further data collection.

A data collection instrument is presumed reliable when it produces the same results when repeatedly used to measure concepts from the same respondents even by other researchers. According to Sekaran and Bougie, (2003) reliability of a measure is an indicative of consistency and stability which helps to assess how good the measure is. To ensure reliability, Sekaran (2003) is of the view that the research instrument be pre-tested from 10 to 15 respondents to provide consistency and comprehensiveness, and as such the researcher pre-tested the tool to 15 selected respondents. Furthermore, some consultations with other researchers, supervisors and peer groups were done to review the research instrument. The

researcher considered the degree of reliability of Cronbach's coefficient Alpha to be above 0.60 as recommended by (Mugenda and Mugenda, 2003). The results in table 3 had all the Cronbach alphas above 0.60 and hence the tool was further used to collect data since it was reliable.

Table *3*: Reliability

Variable	**Number of items**	**Cronbach Alpha**
Transparency	8	.823
Accountability	9	.777
Equity and Inclusiveness	7	.798
Operational Performance	15	.847
All Variables	**39**	**.944**

3.8 Data Processing, Analysis, and Reporting

Statistical Package for Social Scientist (SPSS) version 20 was used for data entry and analysis. Field data was edited and entered into the computer using unique codes for the variables. The researcher coded to reduce the information to categories of the variables. A check for missing values was computed using missing value analysis within the multivariate analysis of the study. The researcher run the linearity test to show the fit for the data within regression line that will give confidence to carryout correlation and regression analysis. Descriptive statistics was carried out to describe the respondent's background characteristics. Correlation analysis was done to establish the relationship between the study variables. Regression analysis was carried-out to measure the predictability of the in-put (corporate governance practices) variable to the out-come variable (operational performance).

3.9 Ethical Considerations

Informed consent: The researcher ensured that informed consent is sought from the respondents. This was done by producing an official University introductory letter. The letter from the University bared the university log, introducing the researcher to the participants upon whom data was be collected.

Anonymity: The researcher provided assurance to the respondents that their identity will not be disclosed and that there is no need to even capture names or other forms of identification. As a result, the respondents were free to express themselves due to high degree of non-disclosure in terms of any form of identification.

CHAPTER FOUR

PRESENTATION, ANALYSIS, AND INTERPRETATION OF RESULTS

4.1 Introduction

This Chapter contains presentation, interpretation, and analysis of the findings of the study following the study objectives. The presentation in this chapter shows the findings according to the objectives of the study which were to investigate the relationship between transparency and operational Performance of NGOs, to investigate the relationship between accountability and operational performance of NGOs, to investigate the relationship between equity and inclusiveness and operational Performance of NGOs and to investigate the combined effect of Corporate Governance Practices on operational performance.

4.2 Response rate

In this study, 80 NGOs were chosen, and the researcher received 100% of the responses required. According to Mugenda and Mugenda (1999), a response rate of above 60% is considered sufficient for analysis in studies. Hence receiving a response rate of 100% was sufficient for this study.

4.3 Descriptive statistics (demographic characteristics of respondents)

To determine the demographic characteristics of respondents in this study, descriptive statistics were used so as to transform large amounts of the collected data into simpler forms that can easily be understood by data users (Field, 2009).

Table 4: Gender of Respondents

Gender	Frequency	Percent
Male	47	59
Female	33	41
Total	**80**	**100.0**

Source: Primary data (2023)

The findings in table 4 shows that majority of the respondents were male. This implies that men are still dominant operational activities of many NGOs in Uganda hence need to continuously support women empowerment in NGOs' operational management and leadership.

Table 5: Age of Respondents

Age	Frequency	Percent
Below 20 years	7	8.1
21-30	37	46.5
31-40	22	29.7
Above 41	14	15.7
Total	**80**	**100.0**

Source: Primary data (2023)

Table 5 above shows the age bracket of the respondents in this study. The findings in the table show that of the 80 respondents in the study, majority respondents were in the age bracket of 21-30 years. This implies that more youth are engaged in NGO activities therefore government can continue support NGOs especially those aimed at empowering youths.

Table 6: Education level of Respondents

Education	Frequency	Percent
UCE	9	11.4
UACE	18	20.0
Diploma	20	28.6
Bachelor's	28	37.3
Master's	5	2.7
Total	**80**	**100.0**

Source: Primary data (2023)

Table 6 above shows the highest education level attained by the respondents. The table shows that of the total 80 respondents in this study, majority respondents had 28 bachelor's degrees and minority had master's degrees. This implies that most of the respondents were educated and were able to interpret the items on the questionnaire. Also, this justifies that fact that level of education also can determine application of corporate governance practices to influence operational performance in NGOs.

Table 7: Respondents' Period of time working with the Organization

Period	Frequency	Percent
Below 1 year	11	12.4
2-5	27	36.2
6-9	21	29.2
10-13	14	15.1
14-17	7	7.0
Total	**80**	**100.0**

Source: Primary data (2023)

Table 7 above shows the number of years working with the organization by the respondents. The table shows that of the total 80 respondents in this study, majority respondents had 2-5 years of experience working with their organization. This implies that all respondents had enough experience of the study variables in practice.

Table 8: Level of operation of activities of the NGOs

Category	Frequency	Percent
International	4	5.0
National	48	60.0
Local	28	35.0
Total	**80**	**100.0**

Source: Primary data (2023)

Table 8 above shows the category of the NGOs in relation to their level of operation of activities. The table shows that out of the total 80 respondents in this study, majority of them were working in NGOs operating at National level with a percentage of 60%, meaning that the NGOs activities stretch across Uganda. Subsequently, local NGOs followed with 35% ad this meant that their operations were within specific districts. Finally, NGOs that operated internationally captured 4% which meant that these NGOs had offices in different countries in the world.

4.4 Correlation Analysis

The correlation results are presented in Table 9 Pearson's correlation coefficient analysis was conducted to establish the association between predictor variables (transparency, accountability and equity and inclusiveness) and the outcome variable (operational

performance). The intention was to evaluate whether relationships existed between predictor variable and the outcome variables. Pearson's correlation coefficient, r, was used because it is a parametric statistic and requires interval data for both variables (Garson, 2012). Bivariate-correlation analyses were performed, and Pearson correlation coefficients were generated to measure the direction and size of the relationship between the study variables (Field 2009).

Table 9: Correlation statistics

	1	**2**	**3**	**4**	**5**
Corporate Governance Practices (1)	**1**				
Transparency (2)	**.943****	1			
Accountability (3)	**923****	.840**	1		
Equity And Inclusiveness (4)	**.915****	.778**	.753**	1	
Operational performance (5)	**.857****	**.772****	**.778****	**.832****	**1**

**. Correlation is significant at the 0.01 level (2-tailed).

Transparency and operational performance

The correlation results in table 9 above shows that there is a very high significant positive relationship between transparency and operational performance (r=.772**, P<.01). This means that a change in transparency will lead to a positive change in operational performance. Therefore, a significant increase in transparency practices in organizations such as openness and declaring conflicts of interest significantly correlates with a significant increase in operational performance of organizations such as timely and quality services.

Accountability and operational performance

The correlation results in table 9 above shows that there is a very high strong significant relationship between accountability and operational performance (r=.778**, P<.01). This means that a change in accountability in organizations will lead to a positive and strong change in operational performance. Therefore, a significant increase in accountability practices in organizations such as producing and sharing and or publishing monthly, quarterly

and annual reports significantly correlate with a significant increase in operational performance of organizations.

Equity and inclusiveness and operational performance

The correlation results in the table 9 above shows that there is a very strong significant relationship between equity and inclusiveness and operational performance (r=.832**, P<.01). This means that a change in equity and inclusiveness in organizations will lead to strong positive change in operational performance. Therefore, a significant increase in equity and inclusiveness practices such as allowing staff participate in decision making and equal representation of staff at governance level in organizations significantly correlates with an increase in operational performance in an organization through timely and quality service delivery.

4.5 Regression analysis

The regression model was used to determine the extent to which corporate governance practices predict operational performance. The results are presented in the next tables 10 and 11.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.866[a]	.750	.746	.31018	.750	181.103	3	181	.000

Table 11: Multiple Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.795	.154		5.155	.000
	Transparency	.118	.061	.145	1.929	.055
	Accountability	.266	.072	.266	3.710	.000
	Equity and inclusiveness	.429	.051	.519	8.407	.000

a. **Dependent Variable:** Operational Performance

The study used Adjusted R Square to give an idea of how well the regression model generalizes the study variables. The results in table 10 indicated that transparency, accountability and equity and inclusiveness predicted 74.6% of operational performance (Adjusted R Square = .746).

The results in table 11 above indicate that Transparency, accountability and equity and inclusiveness are significant predictors of operational performance. The beta values indicated in table 11 indicate that equity and inclusiveness was the highest predictor of operational performance indicated by .519. This simply means that for every 1-unit increase in equity and inclusiveness will increase operational performance by 0.519.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study was carried out to examine the relationship between corporate governance practices and operational performance. This chapter comprises of discussions of the findings of the study, conclusions, recommendations, limitations to the study and suggested areas for further research.

5.2 Discussion of the Findings

This study aimed at finding the relationship between corporate governance practices and operational performance. These findings are in respect to the study objectives as discussed below.

Transparency and operational performance

The correlation results indicated that there is a significant relationship between transparency and operational performance of NGOs. These results imply that practices such as disclosures, openness and making information available for different stakeholders improves the performance of organizations. The results indicated in the correlation table are supported by earlier literature for example, according to Zaman, Arslan and Sidiqui (2014), there is a significant relationship between transparency and organization's performance. Outcomes have shown that by practicing good corporate governance practices like transparency enhance the organizational value and can create a positive integration between firm's performance and corporate governance. The response to demands of the stakeholders is led through the active dialogue with the organization, which can only be carried-out with the implementation of transparency mechanisms such as disclosure (Martinuzzi, Krumay, & Pisano, 2011*)*.

Accountability and operational performance

The correlation results indicated that there is a significant relationship between accountability and operational performance of NGOs. These results imply that practices such as making monthly, quarterly, and annual reports improves the performance of organizations. The results are supported by earlier literature and studies by Sherif, (2021) who asserts that accountability in an organization including that of NGOs has strong relationship in enhancing performance, sustainability, relevancy, and effectiveness in the operation activities of the organization.

Equity and inclusiveness and operational performance

The correlation results indicated that there is a significant relationship between equity and inclusiveness and operational performance of NGOs. These results imply that practices such as making participation in decision making, and equal representation of all staff and other stakeholders in decision making improves the performance of organizations. The results are supported by earlier literature and studies that assert equity and inclusiveness have a strong relationship to operational performance of organizations due to its influence in successful performance of the organization. Secundo, et al., (2018) adds that in recent years, several social, political and economic changes relating to the NGO performance have increased stakeholders need for increased engagement in the organization's work. In the same vein Pucciarelli & Kaplan (2016) reported that stakeholder engagement strongly supports NGOs to construct a system of social norms and values through which society can warrant their performance. In addition, Lieberman and Asaba, (2006) argued that NGOs are encouraged to implement stakeholder engagement so that stakeholders may be held accountable according to international standards of sustainability reporting and regulatory frameworks.

A review of the literature reveals that when equity and inclusion is well utilized, results into improved NGO performance (Smith & Bititci, 2017). However, most of the recent existing literature largely relates the discussion of inclusion to the private sector (Secundo et al., 2018, Mainardes et al., 2012), with less attention given to these issues in NGO sector. It's of great value that this study focused at establishing equity and inclusiveness in NGOs and therefore provides results indicating that equity and inclusiveness have a significant positive relationship with operational performance.

5.3 Conclusion

In conclusion, there is need to improve on corporate governance practices especially those in this study. Measures such as transparency (availability of information, openness); accountability (financial reporting, monthly, quarterly and annual reports); and equity and inclusiveness (inclusive decision making and equal representation of all stakeholders) need to be improved so as to create a positive impact on operational performance of the NGOs.

There is need to increase access to information by NGOs to funders, government, and other stakeholders so as to bring about funder interest in funding NGO activities hence positively affecting their operational performance. Furthermore, there is need for NGO reporting and to emphasize monthly, quarterly and annual reporting of project activities to funders and other interested stakeholders so as to create trust that will have an influence on funder's ability to continue funding NGO projects hence lead to positive operational performance.

Lastly there is continuous need for NGOs to ensure stakeholder participation and equal representation of stakeholders so as project activities are directed to the rightful people hence improve on the operational performance of the NGOs.

5.4 Recommendations

NGOs should embark on improving their transparency, accountability and equity and inclusiveness practices to attract funders/donors, and other stakeholder support which will have a greater impact on their operational performance.

Government should enforce corporate governance practices through establishing policies that will require all NGOs in Uganda to follow through to avoid closure, build trust as well as enhance their operational performance.

5.5 Limitations to the study

The study used only questionnaires with closed ended questions which excluded respondents' views about the study variables.

Given the study was cross-sectional, a longitudinal study should be carried-out to be able to study behavior of transparency, accountability and equity and inclusiveness for a long period of time to investigate them in detail and their reaction for a long period of time

5.6 Areas for further research

The researcher recommends other researchers to embark on researching on other constructs related to corporate governance that affect NGO operational performance.

Further research can also be conducted on the transparency variable to understand why it was not significant in relation to NGO operational performance.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear respondent,

My Name is **Lamunu Petronilla Ouma,** a student at Makerere University Business School pursuing a Master's degree of Leadership and Governance (MLG). As one of the requirements for being awarded with this qualification, I am conducting a study on a topic, CORPORATE GOVERNANCE PRACTICES AND OPERATIONAL PERFORMANCE: A CASE OF NGOs IN KAMPALA CITY. Given your unique experience and position within this organization, you have been chosen purposely for the study. You are kindly requested to answer the questions as honestly as possible. The data sought shall be purely for research purposes and will therefore be treated with anonymity and utmost confidentiality.

Thank you for your kind acceptance

Yours faithfully,

Lamunu Petronilla Ouma

Researcher

SECTION A: Background information

Please choose the best option by ticking in the box spaces providedRespondent

Demographics

1). Age Bracket (Years)

i. 20 years and below ☐ ii.21- 30 years ☐

iii. 31- 40 years ☐ iv. Above 41years ☐

2). Gender of the respondent

i. Male ☐ ii. Female ☐

3). Highest Level of education

i. UCE ☐ ii UACE ☐ iii. Diploma ☐ iv. Bachelor's degree ☐

v. Master's Degree ☐ vii. Others specify .....

4). Period of time working with this organization

i. 1 year and below ☐ ii. 2 - 5years. ☐ iii. 6-9years ☐ iv. 10-13years ☐

v. 14-17years ☐ vi. 18years and above ☐

5). What is the level of operation of activities in your organization?

i. International ☐ ii. National ☐ iii. Local ☐

Position in the organization

Projects manager

Director

Field manager

Others specify: …….

The questions in these three sections are about corporate governance practices. In section B, questionnaire items are about transparency. Kindly tick your suitable response according to the meaning in the table below. For the questions under each table, fill in your opinion in the spaces provided.

Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
1	**2**	**3**	**4**	**5**

SECTION B: Transparency

N		**1**	**2**	**3**	**4**	**5**
T1	Our organization requires that our reports contain detailed information about our organization					
T2	It's a requirement in our organization for our reports to contain detailed information about our activities					
T3	It's a requirement in our organization to present complete information in our reports					
T4	We are mandated to always keep records of all our activities for at least 1-2 years for future reference					
T5	Our organization has a web site where information about the organization is published					
T6	Information about our organization can be obtained in a machine-readable format (word, excel, PDF)					
T7	It's a requirement in our organization to provide information that can easily be understood by all the stakeholders of the organization.					
T8	By reading our information, people can easily understand what we are doing					

SECTION C: Accountability

		1	2	3	4	5
A1	It's a requirement in our organization for the management team to presents financial reports to all Annual General Meetings (AGM) without fail					
A2	All stakeholders are informed that legal actions can be taken for misuse of organizational resources					
A3	Stakeholders are informed that organizational staff can be disqualified for misuse of organizational resources					
A4	Punitive actions are usually taken for misuse of organizational resources					
A5	Internal Audit committee of Organization is fully active and independent					
A6	It's a requirement in this organization to have external financial audit of what the organization has done every year					
A7	Stakeholders are aware of the existence of feedback and complaint mechanisms in our organization					
A8	Our organization has created channels through which different stakeholders can receive feedbacks and complaints.					
A9	Formal feedback and complaint mechanisms are in place in our organization					

SECTION D: Equity and Inclusiveness

		1	2	3	4	5
EI1	The organization's Board ensures that all stakeholders who are affected by the organization's decisions are involved in the organization's activities and decision making					
EI2	Our organization has created a system where norms and values of the organization support equity and inclusion					
EI3	All stakeholders in this organization have a say and can hold management liable for its actions					
EI4	Our organization has created a system where dialogue can easily be made between stakeholders for the betterment of the organization					
EI5	Our organizational norms, values and beliefs focus on inclusive information sharing among stakeholders					
EI6	Our organization has established policies for equity and inclusion among stakeholders.					
EI7	Our organizational performance is attributed to stakeholder inclusion and support					

Section E: Operational performance of NGOs

	Efficiency					
EF1	Our organization's level of efficiency increases over time during the course of the year					
EF2	Our organization shows high levels of strength and stamina when performing tasks in the field					
EF3	Our organization's motivation for performing each day's tasks is high					
EF4	Our staff are rarely absent from work					
EF5	Our staff show high levels of reliability when performing their daily tasks					
EF6	Our organizational goals are attained every year in and year out without fail					
EF7	Our organization monitors progress every after a month to establish deviations and progress					
	Effectiveness					
EFF1	The organization is effective in moving toward the fulfillment of its mission.					
EFF2	The organization is effective in meeting those goals as expressed in its charter and mission statement					
EFF3	The mission is operationalized through program objectives and activities					
EFF4	Quantitative and qualitative indicators are used to capture the essence of the mission.					
EFF5	There is a system for assessing effectiveness, that is, the extent to which goals and objectives are realized.					
EFF6	The organization monitors organizational effectiveness.					
EFF7	Beneficiaries are satisfied with the interventions delivered to them.					
EFF8	The organization uses feedback mechanism to improve itself.					

APPENDIX II: Morgan and Krejcie Table

Table for Determining Sample Size from a Given Population

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size.
S is sample size.