**CORPORATE GOVERNANCE MECHANISMS AND PERFORMANCE OF PUBLIC SECTOR ENTITIES IN UGANDA: THE CASE OF UGANDA NATIONAL ROADS AUTHORITY**

**BY**

**BRAZZA KWESIGA**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER'S DEGREE IN MANAGEMENT STUDIES (FINANCIAL MANAGEMENT) OF UGANDA MANAGEMENT INSTITUTE**

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## DECLARATION

I, Brazza Kwesiga hereby declare that this dissertation is my original work and has never been submitted for any academic award or publication in any institution or University. Due acknowledgement has been made for the work of others in this report, through quotation and references.

Signed ______________

**Brazza Kwesiga**

Date_________________

## APPROVAL

This is to certify that this dissertation entitled ***"Corporate Governance Mechanisms and Performance of Public Sector Entities in Uganda: The Case of Uganda National Roads Authority"*** was conducted under my supervision. Its final report is now being submitted to Uganda Management Institute**.**

______________________ ______________________

**DR. Stella Kyohairwe.** **Mr. Kiiza Kenneth Alfred.**

Date: ___________________ Date: ___________________

## DEDICATION

This work is dedicated to my family and many friends who have supported me throughout the study. I will always appreciate all they have done for me especially words of encouragement and being there for me throughout the entire program.

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## LIST OF ABBREVIATIONS AND ACRONYMS

| | | |
|---|---|---|
| OAG | : | Office of the Auditor General |
| CEO | : | Chief Executive Officer |
| CRS | : | Corporate Social Responsibility |
| ED | : | Executive Director |
| IIRC | : | The International Integrated Reporting Council |
| IRCSA | : | Integrated Reporting Council of South Africa |
| OECD | : | Organisation for Economic Co-operation and Development |
| RBV | : | Resource Based View of the firm |
| UNRA | : | Uganda National Roads Authority |
| USA | : | United States of America |

# ABSTRACT

The general objective of the study was to establish the extent to which Corporate Governance Mechanisms influence the Performance of public sector entities in Uganda, taking the case of Uganda National Roads Authority. The specific objectives of the study included; to establish the relationship between board composition and performance of UNRA, to establish the extent to which board empowerment influences the performance of UNRA, to establish the extent to which corporate reporting influences the performance of UNRA. The study used a cross-section design using both qualitative and quantitative approaches on a sample of 71 UNRA staff from all its directorates. Data was collected using a questionnaire, interview and documentary review. The study found out that board composition significantly influences the performance of public sector entities. It was also found that board empowerment significantly influences the performance of public sector entities. It was further found out that corporate reporting significantly influences the performance of public sector entities. The study concluded that public sector boards were not adequately constituted into comprehensive board committees yet there were noticeable knowledge and skills gaps which adversely affects organisational performance. It was also concluded that public sector board had limited power to influence the strategic direction of entities which negatively affects performance of the public sector entities. The study further concluded that public sector entity's corporate reporting mechanisms were still weak and constrained performance of the entities. From the study, it is recommended that: i) at minimum, board committees should be constituted to handle matters relating to audit, remuneration, and nominations. ii) The statutes where public entities derive their mandate and powers should be revisited by the relevant organs of government to vest powers of deciding the strategic direction and objective in the entity's board. iii)The power to appoint, reappoint or terminate the Chief Executive Officer (ED) should be fully delegated to the boards iv) UNRA should adopt the use of multi-media communication avenues and integrate its corporate reports.

# CHAPTER ONE

# INTRODUCTION

## 1.1. Introduction

In this chapter the researcher presents background to the study, statement of the problem, purpose of the study, research objectives, research questions, research hypotheses, conceptual framework, significance of the study, justification of the study, scope of the study and operational definitions.

## 1.2. Background to the Study

### 1.2.1 Historical Evolution of Corporate Governance

Corporate Governance debate has been raging since Adam Smith's (1776) publication of the Nature and Causes of Wealth of Nations. It was revealed that separation of ownership and management encouraged self-centered executives to take decisions that benefit themselves at the expense of the business owners and other stakeholders (Finch, 2011).

At the turn of the 20$^{th}$ Century up to around 1970, Corporate Governance was characterized by strong managers and weak owners with the resulting separation of ownership and control seen as giving power to managers and resulting in what came to be called agency problems (Gordon, 2007). Lazonick (2007) equally notes that corporate boards were predominately made up of insiders, chosen from company executives and former executives, or friends of the CEOs whose roles were largely advisory, rarely overturning or even mounting any major challenges to the CEO's decisions.

Lazonick (2007) further notes that in the 1980s businesses were characterised by the high competition arising from foreign investors, emerging markets and high cost of funds and to survive in the turbulent times, focus shifted to monitoring the role of managers as core to corporate governance in the face of takeovers and mergers. The role of the board equally become of interest.

Dittmar and Dittmar (2008) note that, by the 1990s, the trend toward greater shareholder influence continued but was reshaped by the responses of managers in their attempt sought to defend their own power by shielding firms from unwanted takeover bids. By the year 2000, most of the key pillars, in the U.S. "model" of Corporate Governance, such as determination of purpose, holding to account, governance culture and compliance were in place and conventional wisdom began to see these elements as a normative benchmark for "good" Corporate Governance Mechanism around the world.

In the early 2000 the collapse of major corporations such as Enron, World Com and the subsequent financial crises in US and Europe sparked a wide-ranging re-examination of Corporate Governance around the world (Dharan and Bufkins, 2008). As a result a number of studies, reports and codes on Corporate Governance have been published with the aim of providing guidance to the Boards and Corporate Executives on how to avoid such crises in future (OECD, 2004).

Like elsewhere in the world, Corporate Governance Mechanisms in the public sector entities in Uganda have been modelled on the private sector practices and in many of the entities, the formal Corporate Governance structures have been put in place (Wanyama,et al., 2007) with great expectations for improved performance. However performance reports from such entities like UNRA show a different picture and there is no clear explanation as to why long after Corporate Governance Mechanisms were introduced, performance of the public sector entities in Uganda has remained below expectation (Matama, 2008).

### 1.2.2 Theoretical Background

The study was underpinned by the Agency Theory that was proposed by Jensen and Meckling, (1976), which asserts that managers act out of self-interest and are self-centred, thereby, giving less attention to shareholders interests. Consequently, the managers (Agents) cannot be trusted and therefore should be strictly monitored by the board in order to protect shareholder's interest and achieve superior performance. The agency theory views a firm as a nexus of exchange contracts between shareholders and Managers intended to mitigate the costs arising out separation of ownership (principal) from management (agent) (Jensen & Meckling, 1976). It works on the assumption that the interests of managers and owners diverge. Therefore the Agency theory as used in corporate governance requires transparency in form of disclosure of more information to reduce agency costs and information asymmetry in a diffused ownership environment (Jensen and Meckling, 1976).

A review of the works of some of the scholars (Weir et al., 2002; Roberts et al., 2005) who have used the agency theory in Corporate Governance reveals that various governance mechanisms such as board composition, board empowerment and corporate reporting have been undertaken to address the agency problems with the aim of protecting shareholders' interests.

The agency theory therefore guides this study as it suggests the need to constitute an effective governance mechanism consisting of an independent and empowered board of directors with delineated roles to monitor management (Agent) to guarantee achievement of UNRA's (Principal) goal; to optimize the quality, timeliness and cost effectiveness of road works and guarantee all year round safe and efficient movement of people and goods throughout the country. The Agency Theory equally suggests the concept of corporate reporting demanding communication and disclosure of information on agent's operations in its annual reports.

The study was also underpinned by the Freeman (1984) Stakeholders Theory which expresses the idea that business organizations are dependent upon stakeholders for success, and stakeholders have some stake in the organization. Stakeholder theory suggests the purpose of the firm is to serve broader societal interests beyond economic value creation for shareholders alone. The assumption is that managers have a moral obligation to consider and appropriately balance the interests of all stakeholders.

In relation to Corporate Governance, the boards of directors are expected to take care of the interests of stakeholders' groups including interest groups linked to social, environmental and ethical considerations (Freeman, 1984; Freeman et al., 2004). The Stakeholders' Theory therefore, guided this study as it suggests the need for the board to ensure the needs of different stakeholders such as the public, government, donors, contractors, land owners and the environment are considered in the development of the road network in Uganda.

The study was also guided by the resource based view of the firm (RBV) by Penrose (1959) and Wernerfelt, (1984) which asserts that firms with superior, rare and immitigable resources such as human, financial, equipment and material resources have a better competitive advantage and achieve superior performance than similar firms in the industry. Some Corporate Governance researchers have taken a view that it is an error to overemphasize the monitoring role of boards, and that more emphasis should be paid to the skills and other knowledge resources that directors, and particularly non-executive directors, can bring to the firm (Short, Keasey, Wright, and Hull, 1999). The RBV of the firm therefore underpinned this study as it suggests the concept of board composition based on recruitment of board members with the desirable skills and competencies necessary to supervise management in performing the board's oversight roles.

### 1.2.3.Conceptual Background

Ezat and Masry (2008), defined Corporate Governance as the system of rules, practices and processes by which the firm is directed and controlled and essentially involves balancing the interests of the many stakeholders in the firm. The stakeholders may include its shareholders, management, customers, suppliers, financiers, government and the community. Agrawal and Chadha (2005) equally noted that since Corporate Governance also provides the framework for attaining the firm's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. This study conceptualized Corporate Governance to include three dimensions of board composition, board empowerment and corporate reporting.

Board composition according to Dossani (2012) normally concerns issues related to board independence extended to board committees and diversity focusing on firm and industry experience, functional backgrounds of board members. A board that consists of directors with a diverse set of functional expertise, industry experiences, educational qualifications, ethnic and gender mix might be better equipped to deal with a wide range of issues facing the firm and provide executives with advice and consultation from multiple perspectives. In this study, board composition was conceptualized to include two indicators of board committees and board skills diversity required to perform board duties.

There is no definitive definition of board empowerment but Conger, Finegold and Lawlyer (1998) and Cadbury (1992) offer some characteristics of board empowerment. They noted that board empowerment involves sharing power and authority between the board and management to ensure that the board is the legitimate body that sets the strategic direction of the company and can independently monitor managerial and company performance. This study therefore borrows from the above description and conceptualizes board empowerment to include two indicators of capacity to set strategic direction and independence to monitor managerial and organizational performance.

According to ICSA (1998) a good corporate report includes integrated reporting, financial reporting, corporate governance, executive remuneration, corporate responsibility, narrative reporting. On the other the International Integrated Reporting Council (IIRC, 2013) defines integrated reporting as the communication and disclosure of information about the organisation's current decisions with its future prospects; connecting information about strategy, risk, and performance while also recognizing the role of the environment and society to the business. This implies that corporate reporting helps boards of directors to clearly identify organisation issues and explaining their business rationale to stakeholders with greater clarity and authority. From the above elements of corporate reporting, this study adapted corporate communication and integrated financial reporting as the indicators of corporate reporting.

Haas, R., Felio, G., Lounis, Z., Cowe Falls, L. (2009) as well as the OECD (2001) and Karlaftis et el (2012) provide guidance on performance measures for roads and roads agency. They propose that road agency should consider assessing the current and future state of road infrastructure, agency efficiency in service, safety provision to users, productivity, cost-effectiveness, environmental protection and preservation of investment among others. It equally important to note that UNRA's goals are to optimize the quality, timeliness and cost effectiveness of road works and guarantee all year round safe and ensure efficient movement of people and goods throughout the country. Therefore this study considered that one way of measuring performance in UNRA can be by use of efficiency measures such timely delivery of road works(time) and completion of road works within budget (cost) .

### 1.2.4.Contexual Background

Uganda National Roads Authority (UNRA) is a body corporate established under The Uganda National Roads Authority Act, No. 15 of 2006, laws of Uganda. It became operational on 1st July 2008 with the mandate of developing and maintaining 20,000 Kms of national roads network, advise Government on general roads policy and contribute to addressing of transport concerns among others. This was to be achieved through optimizing timeliness and cost effectiveness of road works to guarantee all year round safe and efficient movement of people and goods throughout the country (UNRA, 2008-2013). Structurally UNRA road maintenance is delegated to up-country stations while road design and development are centralized.

However, UNRA's performance is under a close scrutiny of the Board and the Executive Director (ED). The Act requires that the Board of Directors consist of not less than five and not more than seven members appointed by the Minister responsible for roads with the approval of Cabinet. The Executive Director (ED) is responsible for day-to-day operations and performance of the Authority under the guidance of the board. He is appointed by the minister upon recommendations of the board and is (ED) an Ex official of the board. In this array the Minister of Works and Transport represents the owner who is the State and parliamentary accountability arrangement makes the ED accountable to both the Minister and Parliament as the UNRA board plays an advisory role to the Minister responsible for Public works (UNRA Act, 2006).

The governance mechanisms envisaged effective performance of the Authority and a review of UNRAs performance since its inception in 2008 reveals that over 1500km of paved roads have been constructed, over 1500km were under construction or rehabilitation by June 2013, bridges have been built and many others are under construction, whilst more than 21'000km of roads are being maintained and eight ferries professionally managed (UNRA, 2014).

However, the Office of the Auditor General (OAG) Engineering Audit Report on UNRA, (2009) faults the roads authority for using different versions of General Specifications for Roads and Bridge Works on the Fort-Portal- Kyenjojo, Soroti-Dokolo, Dokolo-Lira, and Matuga-Semuto-Kapeeka roads. There were cases of heavy investments being incurred on maintenance of some roads which are earmarked for rehabilitation in the near future such as Ntungamo – Kabale – Katuna & Kawempe - Kafu).

According to the OAG Report on UNRA (2009) the costs of construction for a number of road works were noted to be on the high side. For certain road works the flexible pavement cost is comparable to that of a rigid pavement which has at least twice the design life and very low maintenance costs. Comparison of road works costs against the cost for other similar works indicate that the rates of constructing a kilometre of a road vary by great margins in UNRAs budgets up to 300%; for example, the cost of installing a 600mm diameter culvert is quoted as UGX 186,000 for Rakai – Mbarara Border road works while the same culvert size installation is quoted at UGX 705,000 for Hoima-Kizirafumbi road works, a variance of 279%. It is reported that in about 17 out of 45 road works audited by the Auditor General there was slow progress, delays and or extension of time (OAG, 2009).

### 1.3. Statement of the Problem

Ideally, both the private and public sector firms adopt Corporate Government Mechanisms encompassing board composition (Dossani, 2012), board empowerment(Finegold and Lawlyer, 1998) and corporate reporting (IIRC, 2011) as a framework for achieving performance expectations (Agrawal & Chadha, 2005). Cognizant of the Corporate Governance necessity, UNRA adopted a governance mechanism providing for corporate leadership, board composition and corporate reporting (UNRA, Act, 2006; UNRA Strategic plan, 2008-2013). Despite the existence of Corporate Governance mechanisms, the performance of UNRA leaves a lot be desired with a persistent noticeable failure to accomplish UNRA’s roads construction road works in the stipulated time and costs. The Government of Uganda Annual Performance Report, (OPM, 2012) findings reveal poor performance of the roads sub-sector largely in terms of road works delays with excessive increment about 40% road works going to 117% time increment. Another dilemma has been in the arena of escalating costs of road works with UNRA failing to control costs both at procurement and during implementation stages resulting into excessive cost overruns up to 300% and significant cost variance up to 279% for construction of similar road works (OAG, 2009). There are questions whether UNRA was delivering on its goal of optimizing the quality, timeliness and cost effectiveness of road works UNRA (2009/10). The performance challenges puts to question the role of the Corporate Governance Mechanisms on the performance of UNRA. Therefore, this study sets out to explore the relationship between Corporate Governance Mechanisms and Performance of public sector entities using UNRA as a case study.

## 1.4.Objectives of the Study

### 1.4.1.General Objective

To establish the extent to which Corporate Governance Mechanisms influence the Performance of public sector entities in Uganda, taking the case of Uganda National Roads Authority.

### 1.4.2.Specific Objective

i. To establish the relationship between board composition and performance of UNRA.

ii. To establish the extent to which board empowerment influences the performance of UNRA.

iii. To establish the extent to which corporate reporting influences the performance of UNRA

## 1.5.Research Questions

Investigation of the above objectives was guided by the following set of research questions:

i. What is the relationship between board composition and performance of UNRA?

ii. To what extent does board empowerment influence the performance of UNRA?

iii. To what extent does corporate reporting influence the performance of UNRA?

## 1.6. Study Hypotheses

The study tested the following non-directional hypotheses

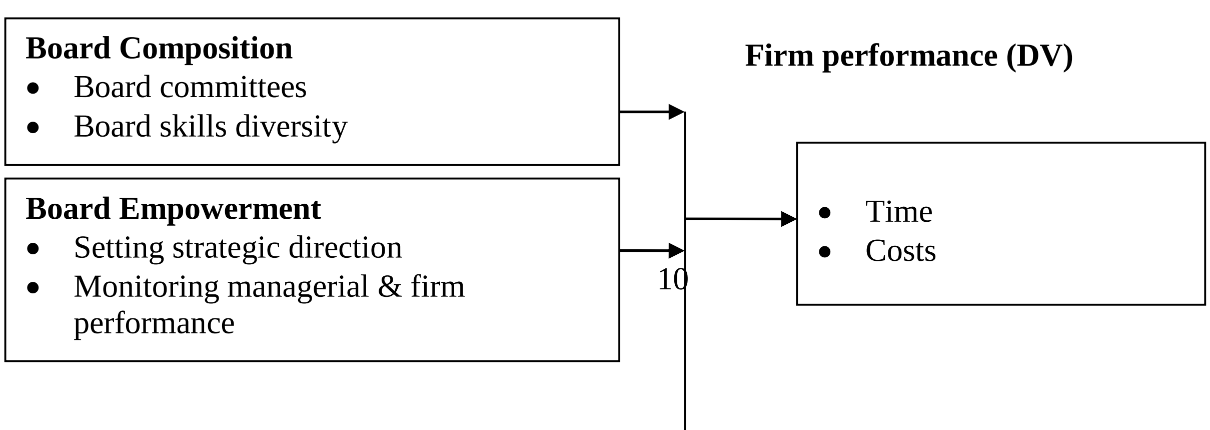
i. There is significant relationship between board composition and performance of public sector entities in Uganda.

ii. Board empowerment significantly influences the performance of public sector entities in Uganda.

iii. Corporate reporting significantly influences the performance of public sector entities in Uganda.

## 1.7 Conceptual Framework

**Corporate Governance Mechanisms (IV)**



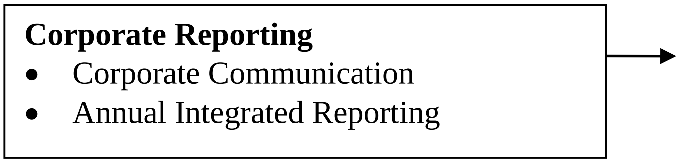



**Figure 1: Conceptual framework**

Source: Adopted with modifications from Cadbury (1992), studies of Dossani (2012), International Integrated Reporting Frame Work (2013), OECD (2001) Performance Indicators for the Road Sector, UNRA (2008) UNRA goals.

In this conceptual mapping, it is assumed that Corporate Governance dimensions of board composition, board empowerment, and corporate reporting cause vibrant monitoring and accountability that influence delivery of a road works on schedule and within the budget. Board composition includes two indicators of board committees, skills diversity among the board members. Board empowerment has two indicators of power to setting strategic direction and independently monitoring managerial and organizational performance. Corporate reporting includes two indicators of corporate communication and annual integrated reporting.

### 1.8 Significance of the Study

This study will strengthen governance mechanisms and policies in the management of public entities for enhanced service delivery, guide the board and management of UNRA in strengthening governance policies to improve its efficiency, transparency, and accountability in service delivery and cover literature gaps on the relationship between corporate governance of performance of public sector entities.

### 1.9. Justification of the Study

UNRA in the delivery of its mandate interfaces with many stakeholders like the government, donor, public, land owners and the environment. Therefore effective governance of UNRA as a result of the study recommendations on board composition, board empowerment and integrated corporate reporting may contribute to achievement of the different stakeholders' interests.

Secondly, there is a glaringly scarcity of Corporate Governance research coverage of the public sector entities and Okeahalam (2004) observes that Africa has had the lowest share of public sector Corporate Governance research among developing countries. This study therefore addresses this literature gap by creating knowledge on the relationship between Corporate Governance and performance of UNRA.

Thirdly and very importantly, government authorities as accounting entities are bound by national and international codes which act as checks and balances on the administrators' actions. Compliance to national and international codes of practices is therefore important for the public institution to receive legitimacy and can only be achieved through effective governance. However there is scanty research to guide management of these public institutions on how they can effectively govern public institutions to comply with the national and international best practices and overall performance expectations. This study therefore provides valuable recommendation to board and management of government entities in Uganda on good governance to receive legitimacy.

### 1.10 Scope of the Study

#### 1.10.1 Content scope

The study specifically focuses on Corporate Governance Mechanisms of board composition, board empowerment and corporate reporting. The study only considered time and cost as indicators of firm performance (see conceptual framework).

#### 1.10.2. Geographical scope

The study covered Uganda National Roads Authority (UNRA) and was conducted at UNRA headquarters plot 5, Lourdel road, Nakasero. The study was conducted at the headquarters because UNRA's top decision making organs, the top management: Executive Director, senior managers and the Board sit at the headquarters.

#### 1.10.3 Time scope

The study covered the period 2008-2013 the time UNRA was created and implemented its five year plan but experienced challenges of Corporate Governance that constrained the achievement of its mandate and performance expectations as a young public institution with a mandate to develop and maintain the national roads network in Uganda.

### 1.11. Operational Definition of Terms and Concepts

**Board composition** in this study refers to the use of board committees assigned with different roles and consideration of board skills and competencies.

**Board empowerment** in this study refers to the extent to which the board possesses powers to set strategic direction and independently monitoring managerial and organizational performance.

**Corporate Governance Mechanism** in this study is defined as a means by which organizations are directed and controlled. It specifically includes three dimensions of board composition, board empowerment and corporate reporting.

**Corporate reporting** in this study refers to the communication and integrated reporting practices in the entity.

**Firm performance** in this study refers to the accomplishment of road works in the specified time and budget (cost).

**Public Sector Entities** in this study means all those organizations established by Acts of Parliament and are budget funded with financial resources from taxpayers.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1. Introduction

This chapter presents a review of related literature on Corporate Governance and firm performance based on previous studies and other practioners opinions and viewpoints. It specifically presents the theoretical review and a review of related literature on board composition, board empowerment, corporate reporting and firm performance.

## 2.2. Theoretical Review

The study was underpinned by the Jensen and Meckling (1976) Principal-Agent Theory which is premised on the idea that in a modern corporation, there is separation of ownership (principal) and management (agent), and this leads to costs associated with resolving conflict between the owners and the agents. The fundamental premise of agency theory is that the managers who possess superior knowledge and expertise about the firm are in a position to pursue self-interests rather than shareholders (owners) interests (Fama & Jensen, 1983). Given the problems in mitigating agency problems through the use of contracts, scholars have suggested various governance mechanisms to address the agency problems. Agency theory thus provides a basis for firm governance through the use of internal and external mechanisms (Roberts et al., 2005). Davis et al., (1997) concludes by observing that the governance mechanisms are designed to protect shareholder interests, minimise agency costs and ensure agent-principal interest alignment.

However the down side of this theory is fronting the unfortunate outdated idea that man is self-interested and motivated by personal economic gains. This worked well during the industrial revolution but is inapplicable in today's globalised free environment (Freeman 2007). More than before stakeholders are aware of their rights and information flow is uncontrollable. Therefore business that ignores the interests of a community, its employees, customers and financiers cannot survive in current economic setup (Freeman 2007). The new thinking is that managers have lives and faces that make them inherently trustworthy and faithful stewards of the corporate resources entrusted to them (Donaldson &Preston 1995). Executives share in the successes and prosperity of the business they manage both socially and economically (Clarke, 2004).

The agency theory never the less guides this study as it suggests the need to constitute an effective governance mechanism consisting of the board which must be independent from management with delineated roles to monitor the behaviors of management (Agent) to guarantee achievement of the goal of government (Principal) in the development of road sector of Uganda. The agency theory equally suggests the concept of corporate reporting demanding communication and disclosure of firms' resources in its annual corporate reports.

The study was also guided by the resource based view of the firm (RBV) by Penrose (1959) and expounded by Wernerfelt, (1984) which states that firms with superior, rare and immitigable resources such as human, financial, equipment and material resources have a better competitive advantage and achieve superior performance than similar firms in the industry. Some Corporate Governance researchers argue that it is an error to over emphasize the monitoring role of boards, and that more emphasis should be paid to the skills and other knowledge resources those directors, and particularly non-executive director, can bring to the firm (Short, Keasey, Wright, and Hull, 1999). Firms are increasingly seeking to recruit non-executive directors who are be able to provide them with knowledge assets, often coming from outside the firm itself. The non-executive board members are also members of social networks, with access to critical knowledge, which can be put to the service of the firm (Huse, 1998). Closely related to this is the belief that the presence of non-executive board of directors facilitates the development of relationships within an organization, and that this in turn fosters improved communication and the development of knowledge (Lewicki & Bunker, 1996). The RBV of the firm therefore underpins this study as it suggests the concept of board composition based on recruitment of board members to the different committees based on the desirable competencies necessary to supervise management in performing the board's oversight roles.

The study was further supported by the Stakeholders Theory by Freeman (1984) which adopts a wider approach to the primary objectives of a corporation and contends that the corporate goal of a firm is to serve a broad range of stakeholders than just maximizing the wealth of shareholders. The Theory identifies stakeholders as groups or individuals that affect or are affected by the achievement of the firm's objectives (Freeman, 1984). The theory is premised on the concept of value creation for customers, suppliers, employees, community and financiers. Freeman, (2007) contends that the stakes of each of these groups cannot be looked at in isolation. He later concludes that the duty of a manager is to build relationships and communities where everyone works to create value for the business and shares in benefits that accrue. Good Corporate Governance should therefore ensure a win-win game between a firm and its stakeholders in the pursuit of business objectives. However commentators have argued that Stakeholder Theory could result in management failure to act due to conflicting interests of the stakeholders. Keay (2010) stresses that failure to define how directors should balance the interests of various stakeholders is likely to promoted stakeholder opportunism and decision making inertia. The Stakeholders' Theory never the less reinforced this study as it suggests the need for the board to ensure that the different stakeholders such as the public, government, donors, contractors, land owners and the environmental needs are considered in the development of the road sector in Uganda.

## 2.3. Board Composition and Organisational Performance

### 2.3.1. Board committees and performance

Board committees are set up to deal with a specific matter or general matters and to make recommendations to the full board there by allowing the board to spend more time on strategic discussions. The Basel Committee (2003) recommends establishment of four key committees which are the audit, compensation, and nominating and governance committee. The efficiency and effectiveness of these committees in influencing performance will depend on the extent of the members' independence and their commitment to the entity.

A survey by McKinsey & Company in 2002 reveals that investors view well governed companies better with the majority of institution investors willing to pay a premium for well governed enterprises with the implication that companies with functioning board committees are more likely to attract capital for more investment, expansion and growth. The UK Corporate Governance Code (2010) recommends that the remuneration committees should support the strategic aims of a business by setting adequate levels of remuneration to attract, retain and motivate directors of the quality required to run the company successfully and should be structured in a way that link rewards to corporate and individual performance. Core et al. (1999) in their study on CEO remuneration found out that companies with weaker governance structures have higher agency costs and pay their CEOs higher remuneration while Doucouliagos and Hoque (2005) found a positive association between CEO pay and performance in 764 Australian companies. Relatedly Clarkson, Nichols and Walker (2006) found a positive association between CEO remuneration and company performance in 336 Australian companies in the period 1998-2004. This literature suggests that the use of remuneration committee improves company performance by relating rewards to corporate and individual performance which motivates management to meet their targets.

From their study on audit committees, Abdurrouf et al. (2010) indicate that a good audit committee focuses on the protection of the rights of shareholders by ensuring availability of transparent financial information to reduce the information asymmetry and thereby improve the value of the firm in the eyes of investors (Bhagat, Jefferis 2002). Besides, an audit committee of an entity safeguards public interest through enhancement of the relevance and reliability of annual report there by improving the quality of information flow between investors and managers. In the studies conducted by Klein (1998) and Anderson et al. (2004) found a positive relationship between the audit committee and firm growth. It was therefore concluded that if the committees of the board are independent and effective, they will ultimately result in higher firm performance through effective oversight and management supervision. Whereas state incorporation statutes typically limit the powers of executive committees, reserving some decisions for the full board, Petra (2005) suggests that an executive committee, with a small number of board members, should be composed and be readily accessible and easily convened to decide on matters subject to board consideration but must be decided on expeditiously, such as a quarterly meeting, thereby making a board able to take key decisions timely and expeditiously thus facilitating organizational performance.

Although the literature suggests a multiplicity of board committees and their roles, there is no consensus on the contribution of such committees to firm performance in the public sector. This study strived to cover this literature gap by examining the efforts to use board committees charged with different roles in the public sector and its contribution to the performance of UNRA.

### 2.3.2. Board's Skills Diversity and Organisational Performance

The RBV of the firm, Penrose (1959) and (Wernerfelt, 1984) assert that firm performance depends on the existence of competitive human resources in the firm. This implies that competitive human resources need to be included on the board management. In complement of the above Gupta, Otley and Young (2008) emphasised the need to rely on previous performance and report that tests based on a sample of UK executive directors, who subsequently acquire at least one new outside board seat, show that the quality of newly acquired outside directorships is positively related to past and contemporaneous performance at the executive's own firm. Recent past performance appears to be a more important determinant of the quality of outside directorships than long-run performance reputations.

Experience in interpreting and auditing financial statements, experience accounting for estimates, accruals, and reserves; understanding of internal accounting controls; and understanding of the functions of an audit committee are equally spelt out in the SOX (2009) guidelines as necessary competencies to be possessed by the board of directors. In support, Petri and Soublin (2010) opine that apart from expertise in certain specialist technical areas, it is important to have broad capability in mainstream business and commercial areas such as strategy formulation and asset management. Sufficient directors should have enough depth of experience on each key business area to be able to drive effective debate in issues of critical importance to management.

On the relationship between board's skills diversity and firm performance, Ljungquist (2007) equally founds a positive relationship between competencies and firm performance. Board members with higher qualifications benefit the firms through a mix of competencies and capabilities which helps in creating diverse perspectives to decision making. Consequently, presence of more qualified members would extend knowledge base, stimulate board members to consider other alternatives and enhance a more thoughtful resolution of problems. Members with higher educational qualifications in general and research and analysis intensive qualification like PhDs in particular should provide a rich source of innovative ideas to develop policy initiatives with analytical depth and rigour that was provide for unique perspectives on strategic issues (ibid). Fernandes and Fich (2009) argue that financial expertise of banks' outside directors is positively related to the stock performance of financial institutions during crisis. Francis, Hasan and Wu, (2012) in their study found out that outside financial experts are important for firm performance, suggesting that financial experience of outside directors is important for board efficacy. Moreover Darmadi (2011) examines the role of education qualification and found that the educational qualifications of board members and CEO matter, to a particular extent, for either return on assets accounting-based performance or market-based performance. Shiah-Hou and Cheng (2012) equally noted that outside directors with expertise and experience in management or who possess industry expertise can help boards evaluate the accuracy of information provided by the CEO, resulting in improved monitoring and advising by the board.

The literature suggests an array of board skills mix needed for effective performance of their oversight roles but based on the private sector with no consideration of the public sector. This study therefore filled the literature void by providing empirical evidence on the board's skills mix, experiences and its contribution to performance of a public sector authority in Uganda

### 2.4. Board empowerment and Organizational Performance

#### 2.4.1. Board's strategic role and organizational performance

Boards ensure companies maintain focus and do not stray too far from the strategic framework in their oversight, confidence builder, and selection of directors and CEO roles. As overseers boards ensure that the concept of strategy outlined by the board is matched by strategic behaviour at operational levels. Evidence shows that scrutinizing strategic proposals, making judgments, and setting tolerant standards encourage confidence and innovation (Hendry and Kiel, 2004). Uhrig (2003) in his review of the corporate governance of statutory authorities and office holders in commonwealth of Australia, states that possession of full power to act is a distinctive feature of boards of public listed companies. For effective performance, he stated, the board should have power to approve strategy, approve important company policies, appoint and terminate the CEO and generally oversee performance of the entity. Beaver, Davies and Joyce (2007) observes that directors do not manage a company; they provide direction to those who do so. Their role is to articulate a vision, mission and strategic direction for the business that its shareholders and other stakeholders can share and support. The role of managers is to help to shape the strategies to deliver the vision over time and to ensure that they are fully implemented. Second, power should be shared to enable the process to work. Demb and Neubauer's (1994) as cited by Adams, Hermalin, and Weisbach (2010) note that directors serve as a source of advice and counsel, serve as some sort of discipline, and act in crisis situations if a change in CEO becomes necessary. A board serves largely as a sounding board for the CEO and top management, occasionally providing expertise when a firm faces an issue about which one or more board members are expert.

Yermack (1996) in his study of higher market valuation of companies with a small board of directors found out that clarity of roles between the board and management had a positive effect on market performance as measured by Tobin's Q value. Therefore a board which is well empowered to exercise its oversight functions is likely to result in increased performance as further confirmed by Sanda et al. (2003) in their working Paper of AERC on corporate governance mechanisms and firm financial performance in Nigeria, where they asserted that there is a positive relationship between firm performance and separation of the CEO and Chairman roles. Equally Lam and Lee (2008) found non-CEO duality is good for family controlled firms while Chahine and Tohme (2009) studying firms quoted on Middle East and North Africa Stock Exchanges found that duality is associated with under performance of firms.

Yet Demb and Neubauer's survey results as cited by Adams, Hermalin, and Weisbach (2010) found out that approximately two-thirds of directors agreed that setting the strategic direction of the company was a key role played by the company board while 80% of the directors also agreed that they were involved in setting strategy, corporate policies, overall direction, mission, vision.

The above findings indicate that the board that has full power and authority to execute their mandate is more likely to increase company performance by holding the CEO and management team accountable.

On the relationship between board independence and firm performance, Joshua (2007) found a significant and positive associations between capital structure and CEO duality among Ghanaian films while Tin Yan and Shu Kam (2008) found that the duality role is more effective, because one individual can exercise full control over the firm and the person can provide a centralised focus on achieving organisational goals. In the USA, Harjoto and Hoje (2008) found a positive relationship between CEO duality and firm values and performance. The above literature seems to suggest a direct and positive relationship between board roles and firm performance in the private sector only creating a literature gap that this study strived to cover by exploring the board empowerment practices in the public sector of Uganda and its contribution to performance.

**2.4.2. Board monitoring roles and organizational performance.**

Monitoring is a very crucial board role as boards of directors are ‘‘the apex of the internal control system’’ (Jensen, 1993). In its monitoring function, the board oversees management on behalf of the owners (Roberts et al., 2005), checks compliance with relevant legal and ethical standards. The separation of the roles of CEO from chairperson is a key monitoring mechanisms (Abidin et al., 2009). Studies conducted by Wan and Ong (2005) identified ten items to include; monitoring top management in decision-making; evaluate performance of top executives; has internal mechanism to evaluate performance yearly; member formally evaluated by others; analyze budget allocation versus performance; require information showing progress; review performance against strategic plan; review financial information for important issues/trends; engage in succession planning for CEO; and engage in succession planning for top managers besides CEO. Beiner, et al., (2005) from their study of 152 Swiss firms, find no evidence of a systematic and significant difference in firm value between firms with a combination or firms with a separation function of chairman/CEO.

Another study by Brennan (2006) summarized items to be considered as monitoring roles based on findings from previous studies. Among the items identified were setting the risk appetite of the organization, ensuring corporate survival, specifying lines of authority of the management and board, ensuring compliance with statutory and other regulations; reviewing social responsibilities; monitoring and evaluating management; and controlling operations. Brennan (2006) however argues that none of the items ensure a positive effect on firm performance because exercising tight control by the board may function as constraints on management and limit managers to pursue shareholder value. The control mechanisms imposed with the intention of reducing self-serving behaviour of managers might improve the accountability of the managers. However, at the same time the control mechanisms might reduce the efficiency of management.

The above literature seems to suggest no relationship between board monitoring of managerial performance and firm performance in the private sector with no evidence in the public sector. This study strived to cover this literature gap by examining if board monitoring of managerial roles had any significant relationship with performance of a public entity-UNRA.

## 2.5. Corporate Reporting and Organizational Performance

### 2.5.1. Corporate communication and organizational performance

Corporate communication according to Goodman (2006) is the term used to describe a variety of strategic management functions and includes among others public relations, crisis and emergency communication; corporate citizenship, reputation management, community relations; media relations, investor relations, employee relations, government relations, marketing communication, management communication, corporate branding and image building, advertising. Corporations use it to lead, motivate, persuade, and inform employees and the public as well.

O'Rourke (2006) reports that a number of important lessons in communication strategy have emerged from the experiences of managing corporate reputation from the market and defending the company against both litigation and continuing bad press. To achieve this, there is need for a crisis communication plan. This should be complemented with persistence and a long-term view of the sharing to bridge the gap between what the internal and external customers' needs to know about the organization. O'Rourke (2006) equally suggests the need to target responses to those publications, audiences, and issues that would most affect consumer perceptions of the company which perceptions in the long run ultimately influence stock price and improved sales.

Vaccaro and Echeverri (2010) suggest that raising awareness on environmental issue is a difficult task, which requires a medium-term to long-term investment, careful analysis of consumers' expected level of information and which should be supported by the national educational system through consumer awareness using print and visual media channels. On the other hand, greater informational transparency would improve favourable consumer behaviours as such transparency is considered a requirement for corporate social accountability which in turn leads to consumer trust (Reynolds and Yuthas, 2008). Aktar and Le Menestrel (2010) reports that companies could benefit by voluntarily disclosing negative information regarding specific CSR issues in terms of consumer purchase preferences in a comparative context in which consumer are given simultaneously more than one.

Ho and Taylor (2013) in their study of Malaysian listed firms, found out that the strength of a firm's corporate governance structure clearly influences the voluntary disclosure of information relating to corporate and strategic directions, directors and senior management, financial and capital markets and corporate social responsibility over time. Aktar (2013) study concludes by observing that disclosing negative information is even more beneficial than no disclosure and generates similar responses to including only positive elements in the firm's communication, provided that the firm commits to eliminate its unethical practices.

### 2.5.2. Integrated Corporate Reporting and Organizational Performance

At the core of the corporate reporting model is the financial reporting model, consisting of financial statements and accompanying notes that comply with generally accepted accounting principles. According to KPMG (2011) corporate reporting and disclosures provides a means through which entities tender accountability to its stakeholders. The annual report present a board's balanced and understandable assessment of the company's financial and operations performance. A study done by PWC (2010), provide evidence that periodic publication of financial statements increases a company’s credibility more especially when the report is accompanied by unqualified audit opinion.

Lamprinidi and Ringland (2008) undertook a “snapshot” of reporting in 16 global construction and real estate companies and observes that the practice of social reporting is not as well established in the construction sectors compared to other sectors, such as the financial services or the electric utilities sectors.

Organizations that ignore the interests of its stakeholder groups cannot survive in the long term (Freeman 2007) thus financial reports help executives to account for the utilization of the entity’s resources (IFAC 2011). Through financial reports stakeholders can make meaningful and informed decision to improve their welfare Attmore (2011). Therefore regular reporting and disclosures reduce information asymmetry on application and use of the entity’s resources.

While documenting the experiences in financial reporting, Sawani, Zain and Darus (2010) study notes that most of the information relating to sustainability disclosure reported is integrated in the annual report and with no assurance statement due to low level of awareness and the absence of legislative pressure to commission the practice. The study indicates that companies applied selective reporting on issues relating to monetary contribution predominantly due to minority shareholders’ insistence on better return for their investment.

Similarly, Dragomir (2010) report found a significant association between contemporaneous environmental performance and disclosure, in that bigger polluters tend to disclose more on their activities, but only to a moderate statistical effect. However, no association is found between environmental performance and financial performance, as well as between environmental disclosure and contemporaneous firm performance. Dragomir (2010) explains that the relationship between sustainability commitment and financial performance may be so weak that it is barely detectable; and second, that cross-sectional studies may fail in capturing a relationship that is normally shaped over longer periods of time.

Vurro and Francesco Perrini (2011) paper finds evidence that the level of disclosure does not improve firm ability to manage stakeholders. However, a finer-grained analysis of the structure of disclosure shows that better social performers are those who increased the breadth of their disclosure to stakeholders and uniformly distributed disclosure across stakeholders.

However, recent studies indicate that financial reporting has failed to achieve its primary function of providing accountability to the stakeholders and information asymmetry has remained a big problem. According to KPMG (2011) financial statements have also reportedly become more complex to the extent that even financial experts are failing to use them. Stake holders are demanding for reports that combine financial and non-financial information with a forward-looking perspective and designed to help readers understand all the components of business value and how they may be affected by future opportunities and exposures (Martin, 2013). It was in this study's best interest to examine the influence of integrated financial reporting mechanisms in a public sector authority of Uganda.

## 2.6. Summary of Literature Review

The literature was not conclusive on the extent to which board composition considerations of board committees and board skills diversity influences firm performance especially in the public sector. This study strived to cover this literature gap by building on existing knowledge on the relationship between board composition attributes of board committees and skills diversity and performance of a public entity. The literature recognizes board empowerment as key attribute on corporate leadership and how it influences firm performance. However, the literature was also based on experiences of the private sector organizations. This study strives to cover this literature gap by providing empirical evidence on the relationship between board empowerment and performance of a roads sector public entity. Lastly, the literature was scanty on the corporate reporting practices of communication and integrated financial reporting among public entities and its effect on performance of the public entity. This study therefore covered literature gap by providing empirical evidence on the relationship between corporate reporting attributes of communication and integrated financial reporting and performance of a public entity.

# CHAPTER THREE

# METHODOLOGY

## 3.1. Introduction

This chapter presents the research design, population of study, sample size and selection, data collection methods, data collection instruments, validity and reliability, data collection procedures, data analysis and measurement of variables.

## 3.2. Research Design

According to Amin (2005) a research design is a conceptual structure where research is conducted and it constitutes a blue print for collection, measurement and analysis of data. This study uses a cross-section design using both qualitative and quantitative approaches. The cross-section design was used since the phenomena of Corporate Governance Mechanisms and performance of public sector entities (UNRA) was studied at that point in time (Amin, 2005). The qualitative approach provides in-depth explanations to events while quantitative approach provides data needed to meet required objectives and to test the hypotheses (Mugenda & Mugenda, 1999).

## 3.3.Study Population

The study was carried out on a total population of 110 UNRA staff in the seven directorates of Finance and administration, Road works, Planning, Procurement, Internal Audit, Operations and office of the executive director. Out of the 1, 010 UNRA employees, only employees in Grades SG1- SG 4 were targeted because they have supervisory responsibilities and thus considered to have a fair understanding of issue at hand as advocated by Amin (2005).

## 3.4. Sample Size and Selection

According to (Sekeran, 2003) a sample is a subset of a population. It comprises some selected members who are referred to as elements. Sampling is the process of selecting a sufficient number of elements from the population so that a study of the sample and an understanding of its characteristics would make it possible to generalise such characteristics to the population elements. Sample size therefore is the total number of elements selected to represent the population of the study. The study selected up to 86 respondents based on Krejcie and Morgan Sampling Guidelines (see appendix III) as shown in table 1 below.

**Table 1: Population Category and Sample size of the respondents**

| **Directorate** | Population | Sample | Sampling technique |
|---|---|---|---|
| Executive Director | 04 | 3 | Purposive |
| Finance and administration | 20 | 16 | Simple random |
| Projects | 16 | 13 | Simple random |
| Operations | 40 | 31 | Simple random |
| Audit | 06 | 05 | Simple random |
| Planning | 17 | 13 | Simple random |
| Procurement and disposal | 07 | 05 | Simple random |
| Total | 110 | 86 | |

Source: UNRA HR Establishment 2014

As table 1 indicates, a sample of 86 was considered out of a population of 110, based on Krejcie and Morgan's (1970) sampling guidelines (see appendix III). To arrive at the sample size the study used proportionate sampling (86/110 * the No in the population category).

### 3.5. Sampling Techniques and Procedure

A sampling technique is the name or other identification of the specific process by which the entities of the sample were selected. There are broadly two sampling approaches thus probability and none probability sampling techniques. The probability sampling approach involves selecting a sample in such a way that all the elements in the population have equal chances of being selected (Amin, 2005). In the non-probability approach, the elements in the population do not have a well-defined chance of being selected (Amin, 2005). Simple random for the probability approach and purposive sampling for non-probability approach were used as detailed below.

### 3.5.1. Simple Random Sampling

The study used simple random sampling in which a sample is obtained from the populations in such a way that samples of the same size have equal chances of being selected (Amin, 2005). Simple random sampling was used for the Directors, Managers and Supervisors in each directorate other than the Executive Director's office. In using simple random sampling, the study used the lottery approach where names in each category were written on tag and one picked at a time until the required number is reached. Simple random was use on all the directors, managers, and supervisors/professional staff except for those in ED's office. The use of simple random sample was used because it avoids biased representation of a group (Amin, 2005) especially when the research wants a sample from a given category.

### 3.5.2. Purposive Sampling

As suggested by Amin (2005) that purposive sampling is suitable to select individuals within the sample who have specialized information or experiences about the study problem by virtue of the position they hold. This study used purposive sampling based on judgment on possession of specialized experiences and knowledge on corporate governance in UNRA. Purposive sampling was used for selecting the Executive Director, Legal Counsel, and Corporate Communications Manager who fall under the Executive Director's office.

## 3.6. Data Collection Methods

The study used a survey approach where both qualitative and quantitative data was collected. There are several survey approaches however for the purpose of this study, the questionnaire, interviewing and documentary review approaches were used. Each of these data collection methods are discussed below.

### 3.6.1. Questionnaire

A questionnaire is a carefully designed instrument for collecting data in accordance with the specifications of the research objectives. It consists of a set of questions in writing from which the respondents respond in writing (Amin, 2005). The questionnaire was used because it is less expensive for data collection (Amin, 2005). The questionnaire was used to collect primary data from the 83 respondents except those from the Executive Director's office that includes the executive director and legal team. The Questionnaire was personally delivered to the respondents. The respondents recorded their answers within closely defined alternatives.

### 3.6.2. Interview

Interviewing is a method of data collection where the researcher collects information from the targeted respondent through forms of face to face conversations and probing of the respondent's responses to gain detailed explanations to the study phenomenon (Amin, 2005). In this method, out of a target of three, the researcher interviewed two respondents (Executive Director and Legal Counsel) face to face to obtain in depth qualitative information on corporate governance and performance of UNRA.

### 3.6.3. Documentary review

Documentary review involved reviewing existing documents to obtain secondary data on the corporate governance mechanisms and performance of UNRA by carefully studying and analysing written documents at UNRA such as management reports, Audit Reports, Board minutes of meetings, policy documents, UNRA Act and any incidental relevant documents.

## 3.7. Data Collection Instruments

### 3.7.1. Questionnaire

The study used a close ended, self-questionnaire divided into sections of background information, board composition, board empowerment, corporate reporting and organizational performance. A standard Questionnaire on a five point Likert scale was used to get quantifiable primary data from individual respondents on a scale of 5- Strongly Agree, 4- Agree, 3- Not Sure, 2- Disagree, 1- Strongly Disagree.

### 3.7.2. Interview guide

Interview schedule was semi-structured and focused on areas of board composition, board empowerment, corporate reporting from which the study extracted qualitative data to explain the statuesque.

### 3.7.3. Documentary review checklist

The documentary review checklist covered key areas but not limited to Board member qualifications and trainings, appointment, inductions, committees, roles, working relationship, delegation of power to the board. It also included issues of corporate communication and evaluations of UNRA's financial reports.

## 3.8. Validity and Reliability

### 3.8.1. Validity

Validity denotes the relevance or truthfulness of the instrument in measuring what it is supposed to measure (Sekeran, 2003). The validity of the instrument was tested using the Content Validity Index. This involved judges scoring the relevance of the questions in the instruments in relation to the study variables and a consensus judgment given on each variable taking only variables scoring above 0.70. The Content Validity Index (CVI) was arrived at using the following formula.

$$CVI = \frac{\text{Total number of items declare valid}}{\text{Total number of items}}$$

**Table 2: Content Validity Results**

| Variable | Total No of items | Number of valid items | CVI |
|---|---|---|---|
| Board composition | 16 | 14 | 0.88 |

| | | | |
|---|---|---|---|
| Board empowerment | 13 | 11 | 0.84 |
| Corporate reporting | 11 | 9 | 0.82 |
| Performance | 06 | 5 | 0.83 |

Source: Expert Judgment

Table 2 shows that board composition yielded a CVI of 0.88, board empowerment yielded CVI of 0.84, corporate reporting yielded a CVI of 0.82, while performance of UNRA yielded a CVI of 0.83. Since all variables yielded a CVI above 0.70 accepted for social sciences, it was inferred that the instrument was relevant in measuring corporate governance and performance of UNRA and therefore declared valid.

### 3.8.2. Reliability

The study instrument was pretested for its reliability on a sample of 10 respondents to examine individual questions as well as the whole questionnaire very carefully (Amin, 2005). Reliability measures the consistence of the instrument in measuring what it is supposed to measure (Amin, 2005). Cronbach's alpha coefficient was computed to show how reliable the data is using SPSS) taking only variables scoring above 0.70 as suggested by Nunally (1978).

**Table 3: Reliability Results**

| **Variable** | **Total No of items** | **Cronbach's alpha** |
|---|---|---|
| Board composition | 16 | 0.86 |
| Board empowerment | 13 | 0.902 |
| Corporate reporting | 11 | 0.79 |
| Performance | 06 | 0.72 |

Source: Primary data

Table 3 above shows that board composition yielded alpha value of 0.86; board empowerment yielded Cronbach's alpha value of 0.902, corporate reporting yielded alpha value of 0.79 while performance of UNRA yielded alpha value of 0.72. Since all variables yielded an alpha value higher than 0.70 accepted for social sciences, it was concluded that the instrument was consistent in measuring corporate governance and organizational performance hence reliable.

### 3.9. Data Collection Procedure

After successful defence of the proposal, an introductory letter from Uganda Management Institute was used to seek permission to conduct the study from UNRA. Anonymity and confidentiality of the respondents was observed by not asking the respondents to put their names on the questionnaires. The questionnaires were distributed to UNRA employees who were asked to fill and return them at UNRA receptions at headquarters offices within two week. The questionnaires were then entered into SPSS in preparation for analysis. Interviewing was carried out after the questionnaire administration exercise.

### 3.10. Data Analysis

#### 3.10.1. Quantitative Analysis

Quantitative data was presented in form of descriptive statistics using mean and standard deviations for each of the variables used in the study. A mean result ranging from 1-1.49 was considered as strongly disagree, 1.50-2.49 was considered as disagree while a mean in the range of 2.5.-3.49 was considered as not sure. On the other hand a mean in the range of 3.5-4.49 was considered as agree while a mean in the range of 4.5-5 was considered as strongly agree.

Pearson's correlation statistics was used to test the relationships at 99 and 95 confidence limits. A positive correlation indicates a direct positive relationship between the variables whereas negative correlation indicates an inverse/ negative relationship between the two variables. A multiple regression analysis was conducted to establish the combined predictor effect of all variables on the performance of UNRA using the adjusted $R^2$ result. Standardized coefficient results of beta, t values and significance values were used to determine which one, among the study independent variables, was the most significant predictor of the variance in performance of UNRA (Amin, 2005) and also test the study hypotheses.

### 3.10.2. Qualitative Analysis

The useful qualitative information gained through the interviews and documentary review was arranged in major themes using a content analysis technique where implications, conclusions and inferences on the Corporate Governance and performance of UNRA were identified. Effort was also directed to cross-examine the qualitative data with the quantitative findings on their level of agreement.

## 3.11. Measurement of Variables

The questionnaires were designed to ask respondents about board composition based on Basel Committee (2003); Petra; (2005) and Petri and Soublin (2010) guidelines, Board empowerment based on Cadbury (1992) and Finegold and Lawlyer (1998) guidelines, corporate reporting based on IIRC (2013) guidelines and organisational performance based on OECD(2000) guideline and Kerzner (2009) guidelines. These were channelled into observable and measureable elements to enable the development of an index of the concept using a 5 point Likert scale of 5-Strongly agree, 4- Agree, 3- Not sure, 2- Disagree, 1- Strongly disagree were used to measure both the independent and dependent variables.

# CHAPTER FOUR

# PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

## 4.1. Introduction

This chapter presents analyses and interprets the study findings of corporate governance and performance of UNRA based on the information obtained from the study questionnaire, interviews and documentary review. It specifically presents the response rate, background information about the respondents and a presentation of the inferential findings in relation to board composition, board empowerment, corporate reporting and performance of UNRA.

## 4.2. Response Rate

A total of 83 questionnaires were distributed but 71 useable questionnaires were returned while three interviewees were targeted and two were successfully conducted as in the table 4 below.

**Table: 4 Response Rate**

| Population | Target | Actual | Response rate |
|---|---|---|---|
| Executive Director | 3 | 2 | 66.7% |
| Finance and Admin | 16 | 14 | 87.5% |
| Projects | 13 | 11 | 84.6% |
| Operations | 31 | 28 | 90.3% |
| Audit | 05 | 03 | 60% |
| Planning | 13 | 10 | 76.9% |
| Procurement | 05 | 3 | 60% |
| Total | 86 | 71 | |
| *Overall response rate* | | | *82.5%* |

Source: Primary data

Table 4 above shows an overall response rate of 82.5% which was high Amin (2005) and also suggesting good representational sample.

### 4.3. Background Information about the Respondents

This subsection presents the profile of the respondents in relation to the directorate, job title, level of education, and time worked with UNRA.

**Table 5: Directorate of the respondents**

| | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Finance &Administration | 14 | 19.7 | 19.7 |
| Road works | 11 | 15.5 | 35.2 |
| Planning | 10 | 14.1 | 49.3 |
| Procurement | 3 | 4.2 | 53.5 |
| Internal Audit | 3 | 4.2 | 57.7 |
| Operations | 28 | 39.4 | 97.1 |
| Executive Directors Office | 2 | 2.8 | 100. |
| Total | 71 | 100. | |

Source: Primary data

Table 5 above shows that majority of 28 (39.4%) of the respondents were from the operations directorate followed by 14(19.7%) who were from finance and administration directorate while the least number of respondents 2 (2.8%) were from the office of the executive director. These findings revealed that data was collected from virtually all directorates of UNRA and therefore representative of the experiences of corporate governance and performance of UNRA.

**Table 6: Job title of the respondents**

| | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Executive Director | 1 | 1.4 | 1.4 |
| Director | 4 | 5.6 | 7.0 |
| Manager | 12 | 16.9 | 23.9 |
| Supervisors/professional staff | 53 | 74.6 | 98.6 |
| Legal Counsel | 1 | 1.4 | 100. |
| Total | 71 | 100. | |

Table 6 above shows that majority of 53(74.6%) of the respondents were Supervisors/professional staff, 12(16.9%) were managers and 4(5.6%) were directors while 1 (1.4%) were Executive Director and Legal Counsel. This suggests that data was collected from officers who interact with the board either as Executive Director, directors, legal counsel, managers, or Supervisors/professional staff and therefore experiences in board operations and performance of UNRA.

**Table 7: The level of education of the respondent**

| | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Degree | 17 | 23.9 | 23.9 |
| Post graduate | 25 | 35.2 | 59.2 |
| Masters | 29 | 40.8 | 100.0 |
| Total | 71 | 100.0 | |

Source: Primary data

Table 7 above shows that majority of 29(40.8%) of the respondent had attained a master’s degree, 25(35.2%) had attained a post graduate degree and 17(23.9%) had attained university degree as their highest level of education. The study therefore inferred that the respondents had an adequate understanding of corporate governance issues and performance of UNRA by virtue of the high knowledge they possessed.

**Table 8: Time worked in UNRA**

| | Frequency | Per cent | Cumulative Per cent |
|---|---|---|---|
| Less than a year | 5 | 7.0 | 7.0 |
| 1-2 Year | 16 | 22.5 | 29.6 |
| 3-5 Years | 50 | 70.4 | 100.0 |
| Total | 71 | 100.0 | |

Source: Primary data

According to table 8 above, the majority 50 (70.4%) of the respondents had been with UNRA for 3-5 years while 16(22.5%) had been with the authority for 1-2 years and 5(7%) had worked for less than a year. The study findings suggest that 7 in every 10 respondents had been with UNRA for at least three years and had therefore gained reasonable experiences on corporate governance and performance of the entity. The views expressed are therefore based on actual experiences gained over the time they had worked with the entity.

**4.4. Board Composition and the Performance of UNRA.**

The first objective of the study was to establish the relationship between board composition and performance of UNRA. According to the conceptual framework, board composition had two indicators of board committees and skills diversity measured using 16 items scored on a five point Likert scale ranging from: 5= Strongly Agree, 4= Agree, 3= Not Sure, 2= Disagree, 1= Strongly Disagree and the findings are presented in Table below using descriptive statistics of mean and standard deviation (S.D).

**Table 9: Descriptive results for board composition**

| | SDA | DA | NS | A | SA | Mean | S.D |
|---|---|---|---|---|---|---|---|
| Board committees | | | | | | | |
| 1. There is a special executive committee to act on behalf of the UNRA's board at times when the full board cannot be convened | 4.2 | 5.6 | 4.2 | 54.9 | 31 | 4.03 | .985 |
| 2. Within UNRA's board, there is a committee to act on internal controls mechanisms in the authority | 8.5 | 9.9 | | 59.2 | 22.5 | 3.77 | 1.161 |
| 3. UNRA has a board committee to evaluate and recommend on the overall human resource management (appointment, compensation and pension, training, management development and exits) | 4.2 | 5.6 | 4.2 | 46.5 | 39.4 | 4.11 | 1.022 |
| 4. UNRA's board has a committee to nominate individuals to serve on the firm's board of directors | 32.4 | 45.1 | 8.5 | 11.3 | 2.8 | 2.07 | 1.060 |
| 5. UNRA has a board committee for succession planning in the authority | 18.3 | 46.5 | 9.9 | 21.1 | 4.2 | 2.46 | 1.144 |
| 6. UNRA has a board committee for evaluating the performance of the Executive Director. | 35.2 | 45.1 | 4.2 | 7 | 8.5 | 2.08 | 1.204 |
| 7. UNRA has a board committee for oversee compliance with the UNRA's statement of ethical business practices | 4.2 | 5.6 | 16.9 | 46.5 | 26.8 | 3.86 | 1.018 |
| 8. UNRA has a board committee to oversee finance or investment decisions and plans | 4.2 | 5.6 | 8.5 | 53.5 | 28.2 | 3.96 | .992 |
| 9. UNRA has a board committee to oversee strategic decisions affecting the UNRA's output | 4.2 | 5.6 | 4.2 | 49.3 | 36.6 | 4.08 | 1.011 |
| 10. UNRA has a board committee to oversee development of construction technology | 4.2 | 9.9 | 12.7 | 42.3 | 31 | 3.86 | 1.099 |
| 11. UNRA has a board committee to oversee environmental impact of the UNRA's activities | 26.8 | 50.7 | 4.2 | 18.3 | 0 | 2.14 | 1.018 |
| 12. UNRA has a board committee for Health and safety | 36.6 | 40.8 | 8.5 | 11.3 | 2.8 | 2.03 | 1.082 |
| *Skills diversity* | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 13. UNRA's board composition reflects an adequate range of talents in the construction sector. | 4.2 | 9.9 | 8.5 | 47.9 | 29.6 | 3.89 | 1.076 |
| 14. UNRA's board composition reflects an adequate range of experience and knowledge in the construction sector. | 4.2 | 4.2 | | 52.1 | 39.4 | 4.18 | .961 |
| 15. The board members are knowledgeable in generally accepted accounting principles | 35.2 | 33.8 | 12.7 | 18.3 | 0 | 2.14 | 1.099 |
| 16. The board members have an understanding of internal control systems | 31 | 42.3 | 12.7 | 14.1 | 0 | 2.10 | 1.002 |

Source: Primary data

Table 9 above shows that there existed an executive board committee (mean = 4.03), with other committees assigned roles related to internal controls (mean = 3.77), evaluating and recommending on the overall human resource management (mean = 4.11), ethics (mean = 3.86), finance and investment (mean = 3.96), strategic decision making (mean = 4.08) and construction technology (mean = 3.86). However, some critical board roles such as succession planning (mean = 2.46), ED evaluation (mean = 2.08), environmental impact (mean = 2.14), health safety (mean = 2.03) were not considered which constrains the board effectiveness in exercising its oversight roles on the above critical areas.

A documentary review of the UNRA Act 2006 Section 8 established the Board of Directors of the Authority and states that (1), the Authority shall have a Board of Directors, which shall be the governing body of the Authority (2) The Board of Directors shall consist of not less than five and not more than seven members appointed by the Minister with the approval of Cabinet (3) The members appointed under subsection (2) shall include (a) the Executive Director of the Authority, *ex officio;* (b) a representative of the Ministry responsible for roads, not below the rank of Commissioner, (c) a representative of the Ministry responsible for finance, not below the rank of Commissioner, (d) a representative of the National Planning Authority, (e) a representative of engineers nominated by a professional body of engineers and (f) two representatives from the private sector.

A documentary review, found that Section 16 of the UNRA Act 2006 establishes Committees of Board of which subsection (1) states that the Board may appoint committees of the Board: (a) to inquire into and advise the Board on any matter concerning the functions of the Authority as the Board may refer to the committee; (b) to exercise such powers or perform such functions of the Authority as the Board may delegate or refer to the committee under section 17 (3). The Board may require a committee appointed under this section to act jointly or in co-operation with any other committee. It is evident that the Act does not stipulate the different role expectations of the committees but only stops at mentioning their composition. The failure to stipulate the different committee roles in the UNRA statute leaves the board with no guidance on the committees' expectations and roles that they should performance to complement the executive committee of the board.

When asked to comment on the board committees in UNRA, one interviewee noted:

> The board has attempted to provide objective oversight on UNRA's accounting function by approving the accounting and financial reporting Manual but has not been effective in setting the "tone at the top" and the general control environment is not robust. The Audit committee has of late tried to assert its influence and have held a couple of meetings to review audit reports. However its effect is not yet felt among staff members. On Human resource, the board approved the human resources manual which sets outs the rules and procedures for appointment, promotion, termination, discipline, and terms and conditions of service of the staff of the Authority. All senior managers are appointed by the board with lower staff left for the ED to appoint. Currently the board has planned to restructure UNRA with the view of making more efficient.

Another interviewee also noted:

> Disappointingly there is no deliberate grooming in UNRA. All jobs that fall vacant are advertised. On few occasion we have had internal adverts and officers compete for them. At the top the ED can serve for a maximum of two, five year terms. There is no policy to deliberately position someone to understudy senior officers for the purpose of making them ready to take over in future.

On evaluating management performance, he further noted:

> Staff and management performance appraisal is done annually and forms a key tool in assessing if employment contracts should be renewed or terminated. Management submits the annual performance report to the administration committee of the board which in turn makes a recommendation on it to the full board. Therefore the use of the committees has helped the board in this respect.

Table 8 above shows that although the respondents agreed that UNRA's board composition reflected an adequate range of talents in the construction sector (mean = 3.89) and also agreed that board composition reflects an adequate range of experience and knowledge (mean=4.18), they disagreed that board members were knowledgeable in generally accepted accounting principles (mean = 2.14). The respondents also disagreed that the board members had an understanding of internal control systems (mean = 2.10). These findings revealed that board effectiveness would be constrained by lack of skills and understanding of accounting and internal controls systems among some board members. It was necessary that effort is directed to orientation of the board members in accounts and internal controls mechanism to enable them effectively perform their oversight roles.

In an interview on board skills diversity, one interviewee put it:

> UNRA board is fairly balanced in terms of skill and experience. The board has 3 engineers, one accountant, and one lawyer. Since UNRA is in the roads sub-sector, the skewing of membership towards the engineering profession is fairly understandable. However, where there is a knowledge gap, the different technical or professional staff within UNRA helps the board in understating the technical literature in different reports varying from legal, accounting to engineering. This has enabled the board to come up with relevant and well informed decisions.

Another interviewee noted:

> What could be lacking on the UNRA board is someone with good understanding of the social and environmental issues. The effects of the road construction on the environment and society are not handled as they ought to be. The UNRA board should include more people with business acumen and less of the civil servants. As it stands now the composition is dominated by government employees from sister agencies and ministries, who are appointed under representation arrangements.

A documentary review of the UNRA Act, 2006 section 9 stipulates the qualifications of members of Board and subsection (1) specifically states that the members of the Board shall be persons of high moral character and proven integrity who are qualified in, and have had experience and shown capacity in management, business administration, financial management and roads matters. Subsection (2) states that the Minister shall, in appointing the members of the Board, ensure that there is adequate representation of customer interests and a balance of skills, gender and experience among the members of the Board. It leaves to tell if the skills diversity on the board members composition was adequately considered in constituting UNRA's board.

### 4.4.1. Correlation analysis between board composition and performance of UNRA

To test if there was relationship between board composition and performance of UNRA a correlation analysis was conducted using Pearson's correlation coefficient and significance at the 99 and 95 confidence limits (two tailed level) and the findings are presented in the Table below.

**Table 10: Correlation Results between Board Composition and Performance of UNRA**

| | | Board Composition | Performance |
|---|---|---|---|
| Board Composition | Pearson Correlation | 1 | .575** |
| | Sig. (2-tailed) | | .000 |
| | N | 71 | 71 |
| Performance | Pearson Correlation | .575** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 71 | 71 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |

$p \leq 0.05$

Source: Primary data

Table 10 above shows the Pearson's correlation coefficient r = 0.575** between board composition and performance of UNRA suggesting that the two variables had a positive significant relationship. The r = 0.575** and significance p = 0.000 between board composition and performance of UNRA suggests that there was a high positive and significant relationship between board composition and performance of UNRA. The corporate governance implication was that the timely and cost effective development of the road sector in Uganda significantly depends on the efforts to provide for various board committees and skills diversity within the board. Inadequate board committees and skills diversity adversely affects the performance of the public entities by failing to execute key board oversight roles due to lack of key board committees and skills gap.

### 4.5. Board empowerment and the Performance of UNRA.

The second objective of the study was to establish the extent to which board empowerment influences the performance of UNRA. Board empowerment according to the conceptual framework had two indicators of Setting strategic direction and monitoring overall performance of the Authority measured using 13 items scored on a five point Likert scale ranging from 5= Strongly Agree, 4= Agree, 3= Not Sure, 2= Disagree, 1= Strongly Disagree and the findings are presented in Table 9 below using descriptive statistics of mean and standard deviation (S.D).

**Table 11: Descriptive Results for Board empowerment**

| | SDA | DA | NS | A | SA | Mean | S.D |
|---|---|---|---|---|---|---|---|
| *Setting strategic direction* | | | | | | | |
| 1. The UNRA board has adequate powers to influence the overall direction/ mission of UNRA. | 46.5 | 25.4 | 4.2 | 15.5 | 8.5 | 2.14 | 1.376 |
| 2. The UNRA board has adequate powers to influence the development of UNRA's business strategy. | 7 | 11.3 | 8.5 | 29.6 | 43.7 | 3.92 | 1.273 |
| 3. The UNRA board has adequate powers to influence the development of UNRA's strategic objectives. | 47.9 | 40.8 | 4.2 | 4.2 | 2.8 | 1.73 | .940 |
| *Monitoring Management and Organisational Performance* | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 4. The board has adequate powers to influence UNRA's non-financial resource allocations. | 11.3 | 7 | 4.2 | 25.4 | 52.1 | 4.00 | 1.373 |
| 5. The board has full powers to recruit UNRA's Executive Director | 8.5 | 31 | 39.4 | 12.7 | 8.5 | 2.82 | 1.046 |
| 6. The Board has ensured effective separation of board and management roles | 7 | 11.3 | 8.5 | 29.6 | 43.7 | 3.92 | 1.273 |
| 7. The board sets UNRAs risk appetite. | 0 | 15.5 | 8.5 | 36.6 | 39.4 | 4.00 | 1.056 |
| 8. The board sets performance targets for UNRA's top management. | 31 | 45.1 | 4.2 | 7 | 12.7 | 2.25 | 1.317 |
| 9. The board effectively reviews the performance of UNRA's top management. | 46.5 | 25.4 | 8.5 | 11.3 | 8.5 | 2.10 | 1.333 |
| 10. The board can effectively fire Executive Director | 52.1 | 28.2 | 4.2 | 7 | 8.5 | 1.92 | 1.273 |
| 11. The UNRA board has been effective in ensuring complies with legal and ethical standards. | 4.2 | 11.3 | 4.2 | 36.6 | 43.7 | 4.04 | 1.152 |
| 12. The board has been effective in ensuring attainment of value for money in UNRA | 33.8 | 45.1 | 4.2 | 12.7 | 4.2 | 2.08 | 1.131 |
| 13. The board takes action on audit reports. | 7 | 11.3 | 8.5 | 32.4 | 40.8 | 3.89 | 1.260 |

Table 11 above shows that whereas the respondents agreed that the board could influence the development of UNRA's business strategy (mean = 3.92), they disagreed that the board could influence the overall direction/ mission (mean = 2.14) while they also disagreed that the board was empowered to influence the strategic objectives (mean = 1.73). These findings reveal inadequate board empowerment to influence the overall direction of the entity they preside over. The lack of powers to decide on the overall direction means that the board cannot prevail over management in demanding for results as top management is more accountable to the Minister who decides on the strategic directions and objectives.

Indeed in an interview, one interviewee put it:

> Overall the Minister is more powerful when it comes to determining the overall strategic direction of the authority. The strategic direction is greatly influenced by the political agenda of the ruling party which is decided at the cabinet level and UNRA is an implementing vehicle. Because failure at UNRA would be considered failure of the

government as a whole, the UNRA Act made the Minister more powerful than the board. As a result the Executive Director interacts with the Minister more closely and regularly as compared to the Chairperson of the board. The UNRA board has limited powers to appoint or remove the Executive Director from office neither do they have any influence in appointment of the board Chairperson or recruitment of the new board members.

However, another interviewee notes:

The board has power and has exercised the power in approving the authority's annual operating plans such as the annual work plan and the procurement plan. This is their reserve and no other authority can do it. It is evident that the board has always been part of setting of UNRA business strategy.

These qualitative findings suggest that the legal statutes that establish public sector authorities give more powers to the political leaderships leaving boards to act as advisory bodies who cannot determine the strategic directions of the entity.

A review of the UNRA Act 2006 found that Section 14 spells the functions of Board as; (1) responsible for the general direction and supervision of the Authority. (2) the Board shall (a) oversee the operations of the Authority; (b) advise the Minister on road-related policy and strategic issues; (c) review and approve business and operating plans, budgets, reports and audited financial statements of the Authority; (d) determine the objectives and general performance of the Authority as set out in—

(i) the business plan of the Authority;
(ii) the strategic plan of the Authority;
(iii) the annual plan of the Authority; and
(iv) the performance agreement;

(e) establish and approve rules and procedures for appointment, promotion, termination, discipline, and terms and conditions of service of the staff of the Authority.

A documentary review of the board minutes found that the appointment letters of the board members as well as that of the ED were all signed by the Minister. Instructions written by the Minister to the Executive Director and vice versa copied to the board Chairperson revealed a direct working relationship between the Executive Director and the Minister. It also came out clearly that even though the board participates in the recruitment of the Executive Director (CEO) the power to appoint, reappoint or fire the Executive director rests with the Minister.

On monitoring of management and overall performance of UNRA, the respondents agreed that the board had adequate powers to influence UNRA's non-financial resources allocations (mean = 4.00) while they also agreed that the board is effective in ensuring compliance with legal and ethical standards (mean = 4.04). The respondents also agreed that the Board had ensured effective separation of board and management roles (mean = 3.92) while they also agreed that the board set a risk appetite (mean = 4.00) and that the board acted on board reports (mean = 3.89). These findings revealed effort by the board to monitor management and overall organisational performance of the public entity through influencing non-financial resource allocation, ensuring compliance with the law and ethical standards, clarity roles and acting most especially on audit reports. This ideally should contribute to enhanced organisational performance.

However, the respondents disagreed that the board;- set performance targets for UNRA's top management (mean = 2.25); effectively reviewed the performance of UNRA's top management (mean = 2.10); has full powers to recruit the Executive Director (mean=2.82),could effectively fire Executive Director (mean = 1.92); has been effective in ensuring attainment of value for money in UNRA (mean = 2.08). These finding revealed that board's oversight role was constrained by the failure to set performance targets for top management, failure to review management's performance and lack of full powers to hire and fire executive Director.

In an interview, one interviewee put it:

> Allocation of resources (financial and non-financial resources) is guided by a number of statutes such as the budget Act, the Public Finance and Accountability Act etc to which the UNRA board is subordinate. Yes, UNRA board generates proposals but cannot take a final decision on where the resources should be invested. There are a number of political

considerations that go beyond the mandate of the board. Sometimes road works are initiated purely for political reasons. These are usually handled by the minister in form of directives.

Asked to comment on the powers of the board to monitor managerial and overall performance of UNRA, one key informant detailed as indicated below:

a. Power to appoint Executive Director

   UNRA board plays a critical role in identifying a person suitable to be the Executive Director. The board advertises, conducts interview and then recommend the best candidate to the Minister for appointment. The power to appoint is vested in the minister on recommendation from the board of directors. However a minister can disagree with the board on a particular candidate. The UNRA Act made the minister more powerful than the board in this respect. He can sack the board for all sorts of reasons. This makes the board less powerful in all they do.

b. Power to set performance targets for top management

   Yes the UNRA board is mandated to enter into performance agreement with the ED who in turn enters into performance agreement with his senior officers. However this has not been in practice until last financial year. The current ED is aware of his performance targets which he agreed with the board.

c. Power to fire the Executive Director

   The board can recommend to the minister to remove the ED from office for reasons such as incompetence, misbehaviour or misconduct. The board has power to ask the ED to defend self on any issues that relate to his performance or conduct. However the direct and regular interaction between the minister and the ED can be exploited by the ED to avoid accountability.

d. Power to set UNRA's risk appetite and ethical standards

   The board is empowered to provide guidance to the Executive Director and staff of the Authority on management of UNRA. Through different committees, the board provides guidance on what is the acceptable behaviour and practices and what level of risk the authority can bear.

Another interviewee however notes:

> To be very effective the board should be empowered to appoint and disappoint the Executive Director without reference to the Minister. The relationship between the Executive Director, Board and Minister should be harmonized in such a way that it makes impossible for Executive Director to bypass the board. The current setup which allows the Executive Director to bypass the board leaves room for patronage which the sitting Executive Director can exploit to avert accountability pressure from the board. It is possible for the Executive Director to hide behind the board to act contrary to the

Minister‘s directives or hide behind the Minister for actions that were not authorized by the board depending on what suits Executive Director’s interests.

The implication of the interview themes was that the board seemed less empowered to monitor management and overall performance of the authority. Though it is actively involved in identification of the ED, set performance targets, set risk appetite and make recommendations for actions on management actions its decisions can be vetoed by the Minister.

### 4.5.1. Correlation analysis between board empowerment and performance of UNRA

To test if there was relationship between board empowerment and performance of UNRA a correlation analysis was conducted using Pearson’s correlation coefficient and significance at the 99 and 95 confidence limits (two tailed level) and the findings are presented in Table 11 below.

**Table 12: Correlation Results between Board empowerment and Performance of UNRA**

| | | Board empowerment | Performance |
|---|---|---|---|
| Board empowerment | Pearson Correlation | 1 | .329** |
| | Sig. (2-tailed) | | .005 |
| | N | 71 | 71 |
| Performance | Pearson Correlation | .329** | 1 |
| | Sig. (2-tailed) | .005 | |
| | N | 71 | 71 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |

$p \leq 0.05$

Source: Primary data

Table 12 above shows the Pearson’s correlation coefficient r = 0.329** between board empowerment and performance of UNRA suggesting that the two variables had a positive significant relationship. The r = 0.329** and significance p = 0.005 between board empowerment and performance of UNRA suggests that there was a moderate positive and significant relationship between board empowerment and performance of UNRA. The corporate governance implication was that the timely and cost effective development of the road sector in Uganda significantly depends on the efforts to empower the board to Setting strategic direction and monitoring overall performance of the authority. Inadequate board empowerment of public sector boards renders the boards incapable of influencing the development of a responsive strategic direction and monitoring of performance of the entity it is charged to oversee which adversely affects the performance of the public entities. Lack of full delegation makes the boards less effective that only serves to cloud accountability.

### 4.6. Corporate Reporting and the Performance of UNRA.

The third objective of the study was to establish the relationship between corporate reporting and performance of UNRA. corporate reporting according to the conceptual framework had two indicators of communication and annual integrated reporting measured using 11 items scored on a five point Likert scale ranging from 5= Strongly Agreed, 4= Agree, 3= Not Sure, 2= Disagree, 1= Strongly Disagree and the findings are presented in Table below using descriptive statistics of mean and standard deviation (S.D).

**Table 13: Descriptive Results for Corporate Reporting**

| | SDA | DA | NS | A | SA | Mean | S.D |
|---|---|---|---|---|---|---|---|
| *Communication* | | | | | | | |
| 1. Information from UNRA activities can be accessed by external customers in real time/Instantly | 42.3 | 33.8 | 4.2 | 12.7 | 7 | 2.08 | 1.273 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2. The communication mechanism in UNRA has been effective in promoting relationship with community stakeholders | 39.4 | 33.8 | 7 | 15.5 | 4.2 | 2.11 | 1.214 |
| 3. The communication mechanism in UNRA has been effective in improving its image. | 29.6 | 45.1 | 12.7 | 8.5 | 4.2 | 2.13 | 1.068 |
| *Annual integrated reporting* | | | | | | | |
| 4. UNRA annual reports adequately disclose governance considerations in the authority. | 39.4 | 29.6 | 7 | 15.5 | 8.5 | 2.24 | 1.347 |
| 5. UNRA annual reports adequately disclose the level of attainment of its performance expectations to the stakeholders. | 31 | 52.1 | 4.2 | 12.7 | 0 | 2.15 | 1.272 |
| 6. UNRA annual reports adequately explain the financial resources used in the authority. | 4.2 | 9.9 | 16.9 | 29.6 | 39.4 | 3.90 | 1.161 |
| 7. UNRA annual reports reflect a true picture of its human resources expenses in the authority. | 4.2 | 7 | 11.3 | 40.8 | 36.6 | 3.99 | 1.076 |
| 8. UNRA annual reports adequately disclose the social resources used in the authority. | 25.4 | 59.2 | 7 | 4.2 | 4.2 | 2.03 | .941 |
| 9. UNRA annual reports adequately disclose the natural resources used in the authority | 32.4 | 36.6 | 7 | 19.7 | 4.2 | 2.27 | 1.230 |
| 10. UNRA annual reports adequately disclose long term potential risks and opportunities of its operations. | 31 | 60.6 | 0 | 4.2 | 4.2 | 1.90 | .928 |
| 11. UNRA annual reports adequately disclose short term potential risks | 28.2 | 64.8 | 0 | 7 | 0 | 1.86 | .743 |

Source: Primary data

Table 13 above shows that the respondents disagreed that information on UNRA activities could be accessed by external customers in real time/instantly (mean = 2.08) while they also disagreed that the communication mechanism in UNRA has been effective in promoting relationship with community stakeholders (mean = 2.11) and improving UNRA's image (mean = 2.13). These findings revealed communication in the public entity had not been effective in attaining is desired outcome a factor which could be attributed to a poor communication mechanism.

The qualitative findings seem to disagree with the quantitative findings where one interview put it:

> UNRA has a good communication strategy that involves use of press conferences and releases, radio talk shows and social media to obtain feedback from the stakeholders and also provide clarifications. Internally communication is through an intra com using lotus notes where Management and staff share information.

Another interviewee put it:

> UNRA operates an open door policy and information is freely shared. All staff members are kept aware of new developments and there is a deliberate policy to keep our

stakeholders, such contractors, potential binders, the politicians, financiers are well informed about UNRA's activities. This has strengthened our relationship with our stakeholders and helped build UNRA brand.

There was disagreement on the quantitative and qualitative findings and this study observed that some communication interventions like press conferences could be conducted for crisis management but not as a routine way of sharing information with stakeholder. The ineffectiveness of the communication as expressed in the quantitative finding could be equally attributed to selective and discriminative communication mechanism which the management of UNRA needs to evaluate.

On integrated annual reporting, the respondents agreed that the annual report disclosed the financial resources (mean = 3.90) and human resources expenses (mean = 3.99) used in the authority. However the respondent disagreed that the annual reports adequately disclosed;- governance considerations(mean = 2.24), attainment of performance expectations (mean = 2.15), social resources (mean = 2.03), natural resources (mean = 2.27), long term risk (mean = 1.90) and short term risk (mean = 1.86). These findings revealed that the authority had not fully adopted integrated annual reporting. The haphazard corporate reporting without adequate consideration of an integrated report compromises the quality, validity and reliability of the authority's annual report and decision making or action points arising from the annual report.

A review of the UNRA Act section 34 which regulates reporting found the requirement that:

(1) The Board shall, not later than six months after the end of each financial year, make and submit to the Minister a report on the activities of the Authority during that financial year.
(2) The report referred to in subsection (1) shall include—
   a. particulars of activities, road works and programmes relating to—

I. advice or assistance rendered in terms of any agreement contemplated in section 6; and

II. the management of the national roads network;

b. the extent to which any direction given by the Minister during that financial year has been carried out; and

c. an assessment by the Authority of its achievements in relation to the performance agreement.

(3) The Authority shall submit to the Minister, together with the report referred to in subsection (1), the audited financial statements of the Authority, and the auditor's report on those statements.

(4) The Board shall also submit to the Minister, such other reports on its activities or on any other matter as the Minister may, from time to time, require.

(5) The Minister shall, not later than six months after receipt of the report submitted to him or her under subsection (1), table the report before Parliament.

The OAG (2009) found out that UNRA did not produce the above mentioned annual report as required by the UNRA Act and a review of UNRAs annual financial reports indeed confirmed that the report only reflects the financial figures. There was no information on performance, environment, governance or human resources. This confirmed that UNRAs financial reporting is not integrated.

Asked the extent of disclosure of governance matters in annual reports, one interviewee put it:

> UNRA strives to manage its affairs in a business-like and cost effective manner using modern management practices and techniques. However, UNRAs annual reports are not fully integrated and largely composed of the traditional financial aspects. UNRA has not started reporting on the environmental, social responsibility and general performance in a single annual report. Such reports exist but are still independent/ left out of annual financial reports. As a way forward a study is under way to amend UNRA financial reporting practices to provide for integration of all operations in a single annual report.

Another interviewee put it that to enhance corporate reporting in UNRA;

> More effort should be put in ensuring integration of annual corporate reports. The financial report should be made more user friendly and easy to understand with no financial training. Disclosures should be more deliberate to enable the stakeholders to understand the value of their investments that governments put in UNRA. UNRA's governance practices should also be disclosed and where the board or top management

has been changed, the reason and effect of such actions should also be formally disclosed in the annual report for all stakeholders.

### 4.6.1. Correlation analysis between Corporate Reporting and Performance of UNRA

To test if there was relationship between corporate reporting and performance of UNRA, a correlation analysis was conducted using Pearson's correlation coefficient and significance at the 99 and 95 confidence limits (two tailed level) and the findings are presented in Table below.

**Table 14: Correlation Results for Corporate Reporting and Performance of UNRA**

| | | Corporate Reporting | Performance |
|---|---|---|---|
| Corporate Reporting | Pearson Correlation | 1 | .365** |
| | Sig. (2-tailed) | | .002 |
| | N | 71 | 71 |
| Performance | Pearson Correlation | .365** | 1 |
| | Sig. (2-tailed) | .002 | |
| | N | 71 | 71 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |

$p \leq 0.05$

Source: Primary data

Table 14 above shows the Pearson's correlation coefficient r = 0.365** between corporate reporting and performance of UNRA suggesting that the two variables had a positive significant relationship. The r = 0.365** and significance p = 0.000 between corporate reporting and performance of UNRA suggests that there was a moderate positive and significant relationship between corporate reporting and performance of UNRA. The corporate governance implication was that the timely and cost effective development of the road sector in Uganda significantly depends on the efforts to adequately integrate internal and external communication while adopting annual integrated financial reporting requirements. Inadequate communication and lack of annual integrated reporting adversely affects the performance of the public entities due to failure to harness the opportunities corporate reporting offers to develop good relationships with the stakeholders and building of corporate reputation.

### 4.7. Hypotheses Testing

The study hypotheses were as follows:

i. There is significant relationship between board composition and performance of public sector entities in Uganda.
ii. Board empowerment significantly influences the performance of public sector entities in Uganda.
iii. Corporate reporting significantly influences the performance of public sector entities in Uganda.

Multiple regression analyses were carried out to obtain empirical statistics for determining the extent to which board empowerment, composition and corporate reporting influenced the performance of UNRA and which among the variables was a more significant predictor of the variance in the performance of UNRA. The results of the multiple regression are presented below.

**Table 15: Multiple regression results**

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .649[a] | .422 | .396 | .47803 |

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .159 | .375 | | .425 | .672 |
| | Board Composition | .490 | .099 | .484 | 4.973 | .000 |
| | Board Empowerment | .177 | .081 | .209 | 2.198 | .031 |
| | Corporate Reporting | .196 | .092 | .206 | 2.125 | .037 |

a. Dependent Variable: Performance of UNRA
b. Predictors: (constant) board composition board empowerment, and corporate reporting

$P \leq 0.05$

Source: Primary data

Table 15 above shows a coefficient of determination (R-square) of 0.422 at a significant level of 0.000 suggesting that the performance of UNRA was forty two point two (42.2%) at a standardized error of estimate of 0.47803. The correlation coefficient (R= 0.649 or 65%) indicated the strength of the association between board composition, board empowerment, corporate reporting and performance of UNRA taking into considerations all interactions among the study variables. The adjusted $R^2$ of 0.396 or approximately 40% was the variance in performance of UNRA explained by board composition, board empowerment and corporate reporting putting into consideration all the variables and the sample size of the study. The remaining variance of 60% is explained by other factors other than board composition, board empowerment and corporate reporting.

The first research hypothesis was that there is significant relationship between board composition and performance of public sector entities in Uganda. According to table 14 above, board composition yielded a standardized beta (β) value of 0.484 and t value of 4.973 with a significance of 0.000 suggesting that the board composition was a significant predictor of UNRA's performance. The hypothesis that there is a significant relationship between board composition and performance of public sector entities in Uganda was therefore substantiated.

The second research hypothesis was that board empowerment significantly influences the performance of public sector entities in Uganda. According to table 15 above, board empowerment yielded a standardized beta (β) value of 0.209 and t value of 2.198 with a significance of 0.031 suggesting the board empowerment was a significant predictor of UNRA's performance. The hypothesis that board empowerment significantly influences the performance of public sector entities in Uganda was therefore substantiated

The third research hypothesis was that corporate reporting significantly influences the performance of public sector entities in Uganda. According to table 14 above, corporate reporting yielded a standardized beta (β) value of 0.206 and t value of 2.125 with a significance of 0.037 suggesting the board corporate reporting was a significant predictor of UNRA's performance. The hypothesis that corporate reporting significantly influences the performance of public sector entities in Uganda was therefore substantiated.

The standardized coefficient statistics revealed that board composition was the strongest significant predictor of the variance in the performance of UNRA (β = 0.484, t = 4.973, sig = 0.000) followed by board empowerment (β = 0.209; t = 2.198; sig = 0.031). Corporate reporting was the least significant predictor of the variance in the performance of UNRA (β = 0.206, t = 2.125, sig = 0.037). The implication was that any efforts to strengthen corporate governance in UNRA and other related public sector entities needs to give priority to board composition through establishment of diverse committees to execute various roles while ensuring adequate skills diversity. Board empowerment and corporate reporting should equally be given priority.

# CHAPTER FIVE

# SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

## 5.1. Introduction

This chapter presents the summary, discussions, conclusions and recommendations of the study on corporate governance and performance of public sector entities. The first section is a summary of the study findings on corporate governance and performance of UNRA. This is followed with discussion of findings, conclusions, recommendations, limitations, contributions, and areas for further studies.

## 5.2 Summary of the Study Findings

### 5.2.1. Board composition and Performance of UNRA

The study found a high positive and significant relationship between board composition and performance of UNRA. Board composition was the single highest significant predictor of the variance in performance of UNRA ($r = 0.575^{**}$, $p = 0.000$). The hypothesis that there is a significant relationship between board composition and performance of public sector entities was substantiated.

### 5.2.1. Board empowerment and the Performance of UNRA.

The study found a moderate positive and significant relationship between board empowerment and performance of UNRA ($r = 0.329^{**}$, $p = 0.005$). The hypothesis that board empowerment significantly influences the performance of public sector entities was therefore substantiated.

### 5.2.3. Corporate Reporting and the Performance of UNRA.

The study found a moderate positive and significant relationship between corporate reporting and performance of UNRA ($r = 0.365^{**}$, $p = 0.000$). The hypothesis that corporate reporting significantly influences the performance of public sector entities was therefore substantiated.

## 5.3 Discussion of the Study Findings

### 5.3.1. Board Composition and Performance of Public Sector Entities in Uganda

There was a high positive and significant relationship between board composition and performance of UNRA implying that possession of different board committees with a good talent distribution is essential in attaining the desired organisational performance. This study finding on the relationship between board committees and board skills diversity and performance of the public entity echo the Penrose (1959) and Wernerfelt, (1984) RBV by which contends that possession of competitive resources (including human resources) yields a better competitive advantage leading to superior performance. There is no standard prescription on board composition that enhances organisation's performance and Cadbury (1992) guides that when constituting an entity's board and its committee consideration should be given to the size, complexity and risk of its operations and that boards that focus on strategic areas relating to audit, remuneration and nomination are effective boards. Some corporate governance studies had earlier recommended that more emphasis should be paid to the skills, experiences and other knowledge resources than monitoring roles of the board if firms have to achieve the desired performance (Short, Keasey, Wright, and Hull, 1999). Conyon and Peck (2008) equally observe that independent committees are associated with achieving a closer alignment of employee expectations and corporate performance. Furthermore, Gupta, et al (2008) noted that recent past performance should be a more important determinant of recruitment of board members as this guarantees attainment of the desired performance. Ljungquist (2007) equally found a positive relationship between board members competencies and firm performance. Francis, et al., (2012) in their study found out that outside financial experts are important for firm performance.

This study therefore observes that performance of public sector entities in Uganda would be enhanced with setting up of appropriate committees and ensuring skills diversity among board members. Board composition therefore acts as a resource in ensuring that the mandate of the entity is achieved.

### 5.3.2. Board empowerment and the Performance of Public Sector Entities in Uganda

The study found out a moderate positive and significant relationship between board empowerment and performance of UNRA implying that the timely and cost effective development of the road sector in Uganda significantly depends on the efforts to empower the board to Setting strategic direction and monitoring overall performance of the authority. The study findings support one of the assumptions of the principal-agent theory (Jensen and Meckling, 1976) which asserts that the managers (Agents) cannot be trusted and therefore should be strictly monitored by the board in order to protect shareholder's interest and achieve superior performance.

Furthermore, study finding and observation on the relationship between board empowerment and firm performance is supported by Hendry and Kiel (2004) who notes that scrutinizing strategic proposals, making judgments, and setting tolerant standards encourage confidence and innovation. Joshua (2007) equally found a significant and positive relationship between board composition and performance of SMEs in Ghana. Brennan (2006) explains that this is achieved through a board control mechanism which reduces self-serving behaviour of managers thereby fostering accountability. Boards that have power to hire and fire the CEO were found to be effective monitors of management performance and thus significantly influence the overall performance of the entity (Uhrig, 2003).

This study therefore affirms that board empowerment significantly influences the performance of public sector entities in Uganda and any efforts directed to empowering public sector entities boards would go a long way in ensuring effective service delivery by the public entities.

### 5.3.3. Corporate Reporting and the Performance of Public Sector Entities in Uganda

The study finds a moderate positive and significant relationship between corporate reporting and performance of UNRA implying that disclosure of resources used by the entity and its performance significantly contributes to performance of the public entity. This study's findings attest to the Freeman (1984) Stakeholders Theory which expresses the idea that business organizations are dependent upon stakeholders for success, and stakeholders have some stake in the organization. Managers have a moral obligation to consider and appropriately balance the interests of all stakeholders while the boards of directors are expected to take care of the interests of stakeholders' groups including interest groups linked to social, environmental and ethical considerations (Freeman et al., 2004).

Other studies like Aktar and Le Menestrel (2010) reports that companies could benefit by voluntarily disclosing negative information regarding specific CSR issues. KPMG (2011) equally notes that corporate reporting and disclosures provides a means through which entities tender accountability to its stakeholders and the annual report present a board's balanced and understandable assessment of the company's financial and operations performance. Further, PWC (2010) study noted that periodic publication of financial statements increases a company's credibility more especially when the report is accompanied by unqualified audit opinion. This study therefore inferred that performance of public entities significantly depends on the corporate reporting considerations of routine communication and annual integrated reporting.

## 5.4. Conclusions of the Study

### 5.4.1. Board Composition and Performance of Public Sector Entities in Uganda

The study concluded that inadequate public sector board composition adversely affects performance of the entity due to failure to consider critical board committees or roles which would have served to strengthen the board in executing its oversight roles. Inadequate board composition equally frustrates board effectiveness in performing its oversight roles to guarantee desired performance due to critical skills and knowledge gaps amongst board members.

### 5.4.2. Board empowerment and Performance of Public Sector Entities in Uganda

The study concluded that inadequate public sector board empowerment adversely influences performance of public entities due to lack of power and authority to decide on the strategic direction of the entities they preside over. Inadequate monitoring of management and overall organisational performance and limited powers to hire and fire the ED or to impose sanctions on management to ensure attainment of value for money equally constrains performance of public sector entities.

It is imperative that public sector boards are adequately empowered to set the strategic direction such that they can monitor managerial and overall performance of the entity effectively.

### 5.4.3. Corporate Reporting and the Performance of Public Sector Entities in Uganda

The study concluded that public sector entities corporate reporting mechanisms were still weak and constrained performance of the entities. The prevailing corporate reporting mechanisms adversely affect the performance of public entities due to a weak communication system which fails to improve relationships with stakeholders and failure to use integrated annual reporting which would have helped to disclose the level of attainment of performance expectations against resources used which sets ground for improvement. Enhanced performance of the public sector entities can be achieved if effort is directed to strengthening communication to improve the relationships with stakeholders coupled with adoption of integrated annual reporting.

### 5.5. Recommendations of the Study

#### 5.5.1. Board Composition and Performance of Public Sector Entities in Uganda

To enhance public sector performance through board effectiveness, the study recommends that the public sector entities' boards should:

1. Constitute committees depending on the size, complexity and risks of the entity's operations and at minimum each board should have a committee(s) to handle matters relating to audit, remuneration, and nominations.
2. Orientate or train board members to gain key board skills and knowledge especially in generally accepted accounting principles and internal control systems for effective execution of board oversight roles.

#### 5.5.2. Board empowerment and Performance of Public Sector Entities in Uganda

To enhance public sector performance, the study recommends that:

1. The statutes where public entities derive their mandate and powers should be revisited by the relevant organs of government to provide full delegation of powers in deciding the strategic direction and objective of the public sector entities.
2. The power to appoint, reappoint or terminate the Chief Executive Officer (ED) should be fully delegated to the boards to give them capacity to hold management to account.
3. The boards of public sector entities should always set performance expectations for management, conduct prompt management performance reviews and impose sanctions or rewards on management's performance.

### 5.5.3. Corporate Reporting and the Performance of Public Sector Entities in Uganda

To enhance public sector performance, the study recommends:

1. Those public sector entities adopt multi-media communication channels where they share information and receive feedback. The use of call centres, toll free hotlines, radio programs, social media and website at the national and regional level should be adopted to improve relations with stakeholders.
2. Adoption of integrated annual reporting by disclosing governance structure, attainment of performance expectations, social responsibility, sustainable construction, and organizational risk.

## 5.6. Limitations of the Study

During data collection there were Police and IGGs investigations relating to botched procurement which created a hostile environment for conducting interview and accessing confidential records such as board minutes and top management reports. Key informants were also not freely giving information due to the suspicious environment created by investigators. Similarly, the study relied on information from only one public entity without considerations of other public entities which should have given a more objective position on corporate governance and organizational performance in the public sector.

## 5.7. Contributions of the Study

The study has helped develop recommendations on public sector corporate governance requiring a paradigm shift in board composition, board empowerment and corporate reporting through adoption of the private sector corporate governance mechanisms. If recommendations of this study are adopted, they will enhance public sector boards' effectiveness thereby boosting service delivery. The study has also helped cover literature gaps on the extent to which board composition, board empowerment and corporate reporting influences performance of public entities in Uganda.

## 5.8 Areas for Further Research

The study found that board composition, board empowerment, and corporate reporting all combine predicted 40% of the variance in performance of UNRA while other variable predicted the remaining variance in performance of the entity. Research should be conducted to find out the extent to which outsourcing has influenced the performance of UNRA or other government entities since service delivery in most public entities is being outsourced to contractors.

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**Appendix 1: Study Questionnaire for UNRA Staff**

Dear respondent,

I am a Masters student in management studies Management at Uganda Management Institute. I am interested in establishing the relationship between corporate governance practices and the performance of public sector organisations in Uganda. You have been selected as a respondent to provide your views on this study. Your views will be kept and treated confidentially in line with the study and at no moment will they be used against you but for the purpose of achieving the objective of this study.

**SECTION 1: Background information**

1. Your directorate: Finance and administration [ ] Road works [ ] Planning [ ] Procurement [ ] Internal Audit [ ] Operations [ ] Office of the Executive Director [ ] .
2. Your Job Title: Director [ ] Manager [ ] Supervisor [ ] Legal Counsel [ ] Internal Auditor [ ]
3. Level of Education: Degree[ ] Post graduate [ ] Masters [ ] PhD [ ]
4. How long have you worked in UNRA: Less than a year [ ] 1-2 Year [ ] 3-5 Years [ ]

**SECTION II: CORPORATE GOVERNANCE MECHANISM**

Instructions

Indicate the extent to which you agree with the following experiences in corporate governance mechanism in UNRA. Please use the key below to answer the following questions by indicating: (5) for strongly agree, (4) for agree, (3) for not sure, (2) for disagree, (1) for strongly disagree

| **Scale** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|
| | | | | | |
| A.BOARD COMPOSITION | | | | | |
| *Board committees* | | | | | |
| 1. There is a special executive committee to act on behalf of the UNRA's board at times when the full board cannot be convened | 5 | 4 | 3 | 2 | 1 |
| 2. Within UNRA's board, there is a committee to act on internal controls mechanisms in the authority | 5 | 4 | 3 | 2 | 1 |
| 3. UNRA has a board committee to evaluate and recommend on the overall human resource management (appointment, compensation and pension, training, management development and exits) | 5 | 4 | 3 | 2 | 1 |
| 4. UNRA's board has a committee to nominate individuals to serve on the firm's board of directors | 5 | 4 | 3 | 2 | 1 |
| 5. UNRA has a board committee for succession planning in the authority | 5 | 4 | 3 | 2 | 1 |
| 6. UNRA has a board committee for evaluating the performance of the Executive Director. | 5 | 4 | 3 | 2 | 1 |
| 7. UNRA has a board committee for oversee compliance with the UNRA's statement of ethical business practices | 5 | 4 | 3 | 2 | 1 |

| | | | | | |
|---|---|---|---|---|---|
| 8. UNRA has a board committee to oversee finance or investment decisions and plans | 5 | 4 | 3 | 2 | 1 |
| 9. UNRA has a board committee to oversee strategic decisions affecting the UNRA's output | 5 | 4 | 3 | 2 | 1 |
| 10. UNRA has a board committee to oversee development of construction technology | 5 | 4 | 3 | 2 | 1 |
| 11. UNRA has a board committee to oversee environmental impact of the UNRA's activities | 5 | 4 | 3 | 2 | 1 |
| 12. UNRA has a board committee for Health and safety | 5 | 4 | 3 | 2 | 1 |
| *Skills diversity* | | | | | |
| 13. UNRA's board composition reflects an adequate range of talents in the construction sector. | 5 | 4 | 3 | 2 | 1 |
| 14. UNRA's board composition reflects an adequate range of experience and knowledge in the construction sector. | 5 | 4 | 3 | 2 | 1 |
| 15. The board members are knowledgeable in generally accepted accounting principles | 5 | 4 | 3 | 2 | 1 |
| 16. The board members have an understanding of internal control systems | 5 | 4 | 3 | 2 | 1 |
| | | | | | |
| | | | | | |
| B. Board Empowerment | | | | | |
| *Setting strategic direction* | | | | | |
| 1. The UNRA board has adequate powers to influence the overall direction/ mission of UNRA. | 5 | 4 | 3 | 2 | 1 |
| 2. The UNRA board has adequate powers to influence the development of UNRA's business strategy. | 5 | 4 | 3 | 2 | 1 |
| 3. The UNRA board has adequate powers to influence the development of UNRA's strategic objectives. | 5 | 4 | 3 | 2 | 1 |
| 4. The board has adequate powers to influence UNRA's non-financial resources allocations. | 5 | 4 | 3 | 2 | 1 |
| *Monitoring Management and Organisational Performance* | | | | | |
| | | | | | |
| 5. The board has full powers to recruit UNRA's Executive Director | 5 | 4 | 3 | 2 | 1 |
| 6. The Board has ensured effective separation of board and management roles | 5 | 4 | 3 | 2 | 1 |
| 7. The board sets UNRAs risk appetite. | 5 | 4 | 3 | 2 | 1 |
| 8. The board sets performance targets for UNRA's top management. | 5 | 4 | 3 | 2 | 1 |
| 9. The board effectively reviews the performance of UNRA's top management. | 5 | 4 | 3 | 2 | 1 |
| 10. The board can effectively fire Executive Director. | 5 | 4 | 3 | 2 | 1 |
| 11. The UNRA board has been effective in ensuring complies with legal and ethical standards. | 5 | 4 | 3 | 2 | 1 |
| 12. The board has been effective in ensuring attainment of value for money in UNRA | 5 | 4 | 3 | 2 | 1 |
| 13. The board takes action on audit reports. | 5 | 4 | 3 | 2 | 1 |

| **C.CORPORATE REPORTING** | | | | | |
|---|---|---|---|---|---|
| *Communication* | | | | | |
| 1. Information from UNRA activities can be accesses by external customers in real time/Instantly | 5 | 4 | 3 | 2 | 1 |
| 2. The communication mechanism in UNRA have been effective in promoting relationship with community stakeholders | 5 | 4 | 3 | 2 | 1 |
| 3. The communication mechanism in UNRA has been effective in improving its image. | 5 | 4 | 3 | 2 | 1 |
| *Annual Integrated reporting* | | | | | |
| 4. UNRA annual reports adequately disclose governance considerations in the authority. | 5 | 4 | 3 | 2 | 1 |
| 5. UNRA annual reports adequately disclose the level of attainment of its performance expectations to the stakeholders. | 5 | 4 | 3 | 2 | 1 |
| 6. UNRA annual reports adequately explain the financial resources used in the authority. | 5 | 4 | 3 | 2 | 1 |
| 7. UNRA annual reports reflect a true picture of its human resources expenses in the authority. | 5 | 4 | 3 | 2 | 1 |
| 8. UNRA annual reports adequately disclose the social resources used in the authority. | 5 | 4 | 3 | 2 | 1 |
| 9. UNRA annual reports adequately disclose the natural resources used in the authority | 5 | 4 | 3 | 2 | 1 |
| 10. UNRA annual reports adequately disclose long term potential risks and opportunities of its operations. | 5 | 4 | 3 | 2 | 1 |
| 11. UNRA annual reports adequately disclose short term potential risks | 5 | 4 | 3 | 2 | 1 |

## SECTION III: PERFORMANCE OF UNRA

Indicate the extent to which you agree with the following on the performance of UNRA road works. Please use the key below to answer the following questions by indicating: (1) for strongly agree, (2) for agree, (3) for not sure, (4) for disagree, (5) for strongly disagree

| **Scale** | | | | | |
|---|---|---|---|---|---|
| *Time* | | | | | |
| 1. All construction road works contractors are always solicited in time | 5 | 4 | 3 | 2 | 1 |
| 2. Road works in UNRA are always initiated in the specified time. | 5 | 4 | 3 | 2 | 1 |
| 3. Road works in UNRA are always completed in the initially specified time schedule. | 5 | 4 | 3 | 2 | 1 |
| *Cost* | | | | | |
| 4. Construction road works in UNRA experience minimal unit cost variations. | 5 | 4 | 3 | 2 | 1 |
| *5. Construction road works in UNRA experience minimal cost* overrun. | 5 | 4 | 3 | 2 | 1 |
| 6. Construction road works in UNRA are always completion within the estimated road works budget. | 5 | 4 | 3 | 2 | 1 |

**Appendix II: Interview guide for staff in ED's office**

Introduction: Self introduction

1. To what extent is UNRAs board empowered to influence the strategic direction of the authority?
2. Comment on the powers of the board to monitor managerial and overall performance of UNRA
3. In which areas does the board of UNRA need to be empowered?
4. How has the use (non-use) of appropriate committees influenced the performance of UNRA's board?
5. Comment on the skills diversity of the board and how it has influenced the effectiveness of the board.
6. How UNRA's board composition (committees and skills diversity) be enhanced
7. Comment on the routine internal and external communication mechanisms in UNRA
8. What are the efforts to make UNRA's annual report to be fully integrated according to expected integrated financial reporting standards
9. How can corporate reporting be enhanced in UNRA

## Appendix III: Table for determining sample size from a given population

| N | S | N | S | N | S | N | S | N | S |
|---|---|---|---|---|---|---|---|---|---|
| 10 | 10 | 100 | 80 | 280 | 162 | 800 | 260 | 2800 | 338 |
| 15 | 14 | 110 | 86 | 290 | 165 | 850 | 265 | 3000 | 341 |
| 20 | 19 | 120 | 92 | 300 | 169 | 900 | 269 | 3500 | 246 |
| 25 | 24 | 130 | 97 | 320 | 175 | 950 | 274 | 4000 | 351 |
| 30 | 28 | 140 | 103 | 340 | 181 | 1000 | 278 | 4500 | 351 |
| 35 | 32 | 150 | 108 | 360 | 186 | 1100 | 285 | 5000 | 357 |
| 40 | 36 | 160 | 113 | 380 | 181 | 1200 | 291 | 6000 | 361 |
| 45 | 40 | 180 | 118 | 400 | 196 | 1300 | 297 | 7000 | 364 |
| 50 | 44 | 190 | 123 | 420 | 201 | 1400 | 302 | 8000 | 367 |
| 55 | 48 | 200 | 127 | 440 | 205 | 1500 | 306 | 9000 | 368 |
| 60 | 52 | 210 | 132 | 460 | 210 | 1600 | 310 | 10000 | 373 |
| 65 | 56 | 220 | 136 | 480 | 214 | 1700 | 313 | 15000 | 375 |
| 70 | 59 | 230 | 140 | 500 | 217 | 1800 | 317 | 20000 | 377 |
| 75 | 63 | 240 | 144 | 550 | 225 | 1900 | 320 | 30000 | 379 |
| 80 | 66 | 250 | 148 | 600 | 234 | 2000 | 322 | 40000 | 380 |
| 85 | 70 | 260 | 152 | 650 | 242 | 2200 | 327 | 50000 | 381 |
| 90 | 73 | 270 | 155 | 700 | 248 | 2400 | 331 | 75000 | 382 |
| 95 | 76 | 270 | 159 | 750 | 256 | 2600 | 335 | 100000 | 384 |

Note: "N" is population size
"S" is sample size.

Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.

## Appendix IV: Documentary Review Checklist

- Board composition
- Board committees
- Powers of the board
- Qualifications of board members
- Emphasis in the annual report
- Internal and external communication mechanism

**Appendix V: Uganda Management Permission to Conduct the Study**


UGANDA MANAGEMENT INSTITUTE

Telephones: 256-41-4259722 /4223748 /4346620
256-31-2265138 /39 /40
256-75-2259722
Telefax: 256-41-4259581 /314
E-mail: admin@umi.ac.ug

Plot 44-52, Jinja Road
P.O. Box 20131
Kampala, Uganda
Website: http://www.umi.ac.ug


Your Ref:

Our Ref: G/35

27 October 2014

**Mr. Brazza Kwesiga**
**12/MMSFM/27/039**

Dear Mr. Kwesiga,

**FIELD RESEARCH**

Following a successful defense of your proposal before a panel of Masters Defense Committee and the inclusion of suggested comments, I wish to recommend you to proceed for fieldwork.

Please note that the previous chapters 1, 2 and 3 will need to be continuously improved and updated as you progress in your research work.

Wishing you the best in the field.

Yours sincerely,

Stella Kyohairwe (PhD)
**Ag. Head, Dept. of Political and Administrative Science**

## Appendix VI: Authorization to Conduct Research from UNRA

Uganda National Roads Authority

# Memo

**To:** Mr. Kwesiga Brazza

**From:** Manager Finance

**Date:** 28 October, 2014.

**RE: PERMISSION TO CONDUCT RESEARCH AT UNRA HEADQURTERS**

Reference is made to letter from Uganda Management Institute requesting that you be allowed to conduct your research from Uganda National Roads Authority.

Permission is hereby granted to access information you deem relevant for your study. However I would like to draw your attention to the need to conduct yourself in professional manner and to use all the information you will obtain for only academic purposes.

Finally UNRA Management and staff will be grateful to receive a copy of your research findings at the end of your study.

I wish you success in your study.

John Mpanga

Uganda National Roads Authority

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Finally UNRA Management and staff will be grateful to receive a copy of your research findings at the end of your study.

I wish you success in your study.

John Mpanga

# Appendix VII: Google Map of UNRA where the study was carried out