CORPORATE GOVERNANCE, MANAGEMENT COMPETENCE AND FINANCIAL PERFORMANCE OF SELECTED MONEY TRANSFER COMPANIES IN UGANDA

BY

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Approval

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<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
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<td>ADB</td>
<td>Africa Development Bank</td>
</tr>
<tr>
<td>C.V.I</td>
<td>Content Validity Index</td>
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<td>CEO</td>
<td>Chief Executive Director</td>
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<td>CGAP</td>
<td>Consultative Group to Assist the Poor</td>
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<td>HRD</td>
<td>Human Resource Development</td>
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<td>HRM</td>
<td>Human Resource Manual</td>
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<td>MTN</td>
<td>Mobile Telecommunications Network</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Scientists</td>
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<tr>
<td>WOCCU</td>
<td>World Council of Credit Unions</td>
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CHAPTER ONE
INTRODUCTION

1.1 Introduction

This study intends to examine the relationship between corporate governance, management competence and financial performance of selected money transfer companies in Uganda. The motivation for this study is because of the poor performance of money transfer companies in Uganda despite the number of interventions put in place. In Africa various studies have been undertaken as regards to corporate governance and firm performance, for example, studies by Sanda et al. (2005), Kyereboah-Coleman & Biekpe (2006), none of the studies specifically addresses the impact of corporate governance, managerial competences on financial performance of money transfer companies in Uganda. In this regard, corporate governance and management competence will be treated as the independent variables, whilst financial performance will be treated as the dependent variable. Each of these variables is further conceptualized as indicated in the conceptual framework (Figure 1.1). In this introductory chapter, the background to the study, statement of the problem, purpose of the study, objectives, research questions, hypotheses, conceptual framework, significance, justification, scope of the study, and operational definitions of terms are specifically addressed.

1.2 Background of the Study

1.2.1 Historical Background

Firms with better systems of management continue to attain organizational objectives and goals than those that do not have (OECD, 2004; Nkundabanyanga et al., 2014). Bradley (2004);
Adams and Mehran (2003), argue that organizations with better systems and procedures are important for firms’ performance. Better policies and procedures have been recognized as a significant factor in improving financial performance of organizations (Nkundabanyanga et al, 2014). More so, Gompers et al. (2003) argues that if an organization pays attention in having and following systems, then it will be in position to generate better returns to its shareholders. Experiential studies from elsewhere support this view that improved organizational governance result into better organizational performance (MacAvoy & Millstein, 2003). Dittmar & Mahrte-Smith (2007) also noted that better managed firms generate almost double returns than poorly managed ones. According to Jensen (1986); La Porta et al. (2002), shareholders noted that with improved corporate governance, organizations resources will be put to good use instead of being misappropriated by the managers of the firm. Furthermore, Kyereboah-Coleman & Biekpe (2006) observed also that poorly governed firms have more sustainability issues than better managed ones.

As a result, the issue of corporate governance has always become obverse and a centre of agenda for both business leaders and regulators all over the world (Blackburn, 1994). This was after the financial crisis the financial crisis of 2007–2008, which was also known as the Global Financial Crisis. This crisis is considered by many economists to have been the worst financial crisis since the Great Depression of the 1930s (Williams & Carol, 2012). It threatened the collapse of large financial institutions, which was prevented by the bailout of banks by national governments. Therefore, the role of effective corporate governance is of massive importance for the society as whole. First, it encourages the efficient use of scarce resources within the organization and the economy. Second, it makes the resources flow
to the most efficient sectors or entities. Third, it helps the managers to remain focused on improving performance (Brogi, 2008). Fourth, it provides a tool of choosing the best executive to control the scarce resources. Finally, it forces the organization to comply with the rules, regulations and prospects of society (Bowen & William, 2008).

Corporate governance issues related to money transfer companies have been ignored by prior research (Brogi, 2008). Moreover, the financial institution’s corporate governance process is a complex framework encompassing a bank’s stockholders, its managers and other employees, and the board of directors (CGAP, 2005). Financial institutions further operate under a unique system of public oversight in the form of bank supervisors and a comprehensive body of banking laws and regulations (Agyris, 2003). The interaction between all these elements determines how well the performance of a bank will satisfy the desires of its stockholders, while also complying with public objectives. For investors and regulators, this corporate governance framework is thus of crucial importance in business’s success and its daily operations (Coleman, 2007).

Understanding the corporate governance of money transfer companies is especially important because of the systematic risk that activity poses for the economy at large as evidenced by the U.S. savings and loan crisis in the 1980’s, the Asian financial crisis in the 1990’s and the more recent supreme mortgage crisis (Alexander, 2006). Other reasons for this interest are financial institutions deregulation and a rising role for market discipline and governance; substantial financial institution consolidation and resulting changes in the management, board, and ownership structure of many money transfer organizations.
Most corporations emphasize competence of managers who are well equipped with the skills, the knowledge and behavior required to perform the job so as their financial performance can be realized (Labie et al, 2009). Managerial competencies at work are traced to have started during and after World War II. After, we saw the emergence of the rapid contemporary advance of technological change in successful economies such as Japan, German, and Sweden which was heavily influenced by global competition (Coleman, 2007). At the operating level in industry and in public utilities, new techniques, new methods, new tools, new synthetics, new sources of power, and increased uses of automation brought extensive changes in the past decades, and the rate of change tends to increase as time goes on.

In Africa, companies have been in existence for a number of years yet the exodus of competence about their managers reflects an administrative phenomenon where the contingency of leadership, style, situation and performance criteria have been left to suffocate on their own (ADB, 2005). Management competencies in Uganda on the other hand, was seriously doubted as it is indicated that most of the managers that pass out and those in service are still incompetent and a fact that is explained by the performance of their organization (Cuevas & Fischer, 2006). Despite the fact the money transfer companies in Uganda have had efforts to implement the best practices, they are constrained by the financial resources at their disposal and addressing better human resources management in the private sector still desires a lot in providing better service delivery (Byamugisha, 2004).

Nationally, many Ugandans, since the 1960s migrated to various neighboring countries, Europe, America, and Asia, therefore, prompting them to seek for efficient channels of remitting their earnings to their families back home (Kato, 2010). A number of remittance companies have
emerged as a result of the need for financial services in the under-banked/un-banked areas of Uganda (Kiwalabye, 2008). Some of these companies are now extending financial services which were conventionally offered by banks to facilitate investments among the business communities (Dittmar & Mahrt-Smith, 2007). Most of these companies are owned and operated by shareholders with management which is highly decentralized with modified form of franchising. However, the current performance of such companies is on the decline due to poor corporate governance such as ineffective boards who rarely undertake meetings, lack of shareholder activitism, poor on time disclosures, lack of accountability and poor decision making processes leading to a decline in the annual financial performance (Uganda Money Transfer Association Report, 2008).

1.2.2 Theoretical Background

The study will be guided by stewardship theory of Davis et al., 1997). This theory assumes that managers are stewards of an organization who must work towards protecting and maximizing shareholders wealth through firm performance, because by so doing, the steward’s utility functions are maximized. In this perspective, stewards are company executives and managers working for the shareholders, and make profits for the shareholders. Stewardship theory stresses not only the perspective of individualism (Donaldson & Davis, 1991), but rather on the role of top management being as stewards, integrating their goals as part of the organization. The stewardship perspective suggests that are satisfied and motivated when organization success is attained.
The theory stresses the position of executives to act more autonomously so that the shareholders’ returns are maximized, indeed, this can minimize the costs aimed at monitoring and controlling behaviors (Davis et al., 1997). On the other end, Daly et al. (2003) argued that in order to protect their reputations as decision makers in organizations, executives and directors are inclined to operate the firm to maximize financial performance as well as well as shareholders’ profits. In this sense, it is believed that the firm’s performance can directly impact perceptions of their individual performance. Indeed, Fama (1980) contend that executives and directors are also managing their careers in order to be seen as effective stewards of their organization. Stewardship model can have linking or resemblance in countries like Japan, where the Japanese worker assumes the role of stewards and takes ownership of their jobs and work at them diligently.

Moreover, stewardship theory suggests unifying the role of the CEO and the chairman so as to reduce agency costs and to have greater role as stewards in the organization. It was evident that there would be better safeguarding of the interest of the shareholders. It was empirically found that the returns have improved by having both these theories combined rather than separated (Donaldson & Davis, 1991). Therefore, this theory acclimatizes very well with the study variables of corporate governance and management competency as they form a basis of financial management if they are fronted by money transfer companies.

1.3.3 Conceptual Background

This study will be guided by the three concepts that is corporate governance, management competency and financial performance. In the first place, Corporate Governance refers to corporate decision making and control, particularly the structure of the board and its
working procedures (Amos, 2003). Hermes, (2004) & Jenifer, (2000) on the other hand defines corporate governance as a set of interlocking rules by which corporations, shareholders and management govern their behavior. In each country, this a combination of a legal system that sets some common standards of governance and systems of behavior determined by firm themselves. OECD (1999) provides a more encompassing definition of corporate governance. It defines corporate governance as the system by which business corporations are directed and controlled. De Nicolo & Loukoianova (2007) defined corporate governance as consisting of board ownership, board composition, board size and board effectiveness. However, all the above authors have not looked at corporate government in terms of risk management and resource utilization. CIPS (2007) defines corporate governance also known as enterprise governance, as a set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the enterprise’s resources are used responsibly. In this study, corporate governance therefore will mean board members, executive management, strategic management, risk management and utilization of resources.

According to Stott & Walker (2005) and Bourne & Franco-Santos (2010), management competence can be measured in terms of skills, knowledge and behavior. Therefore, in this study, managerial competency will be conceptualized as managerial technical skills, managerial technical knowledge and managerial behavior. Management competency in this study, has been conceptualized as a planned and systematic effort to modify or develop knowledge, skills or
attitude through a learning experience to achieve effective performance in an activity or range of activities (Cole *et al.*, 2009).

Financial performance will be considered in terms of measures like profitability (using absolute and relative measures), liquidity (using liquidity ratios like current ratio, acid test ratios, the ease with which the entity settles its financial obligations) and Accountability (in terms of financial accountability) *(ACCA- Managerial Finance Paper 8, 1998; and Panday, 1996)*. According to Dixon *et al.* (1990), appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. On the other hand Stoner (2003) refers to performance as the ability to operate efficiently, profitability, survive, grow and react to the environmental opportunities and threats. For purposes of this study, financial performance will be measured using liquidity, profitability, capital adequacy, asset quality and management soundness.

### 1.2.4 Contextual Background

Sending money abroad can cause a lot of issues because with some service providers, they do not take into account the amount one is sending, and therefore one can easily get stuck with a transfer fee which could even cost more than the amount he wanted to transfer in the first place. There are a number of money transfer options which provide an excellent service when sending small amounts of money abroad. According to Mintt & Rodney (2011), these include Xendpay, RationalFX, Paypal, Western Union, Moneygram, Currencies Direct, World First, Xoom, Moneybookers, World Remit. However, of recent Airtel money and Mobile Money have dominated the market of money transfer companies in Uganda.
MoneyGram International Inc. is a money transfer company based in the United States with headquarters in Dallas, Texas (Steve, 2010). It has an operation center in St. Louis Park, Minnesota and regional and local offices around the world. MoneyGram is a public company and listed under the ticker symbol MGI. MoneyGram businesses are divided into two categories: Global Funds Transfers and Financial Paper Products (Tara et al., 2013). The company works with individuals and businesses through a network of agents and financial institution customers. MoneyGram is the second largest provider of money transfers in the world (Dash & Eric, 2006). The company operates in more than 200 countries (including Uganda) with a global network of about 347,000 agent offices.

MoneyGram International was a result of two businesses merging, Minneapolis-based Travelers Express and Denver-based Integrated Payment Systems Inc. MoneyGram was initially established as a subsidiary of Integrated Payment Systems and then became independent company before it was acquired by Travelers in 1998 (Dash & Eric, 2006). In 2004, Travelers Express became what is known today as MoneyGram International.

On the other hand, Western Union is yet another common money transfer in Uganda and has been operating for over 150 years. Today with over 486,000 Agent locations worldwide in over 200 countries and territories, millions of people trust Western Unition to send and receive money worldwide. Locations for Western Union include Ecobank Entebbe, Equity Bank (U) Ltd, Centenary Bank, Finca, Diamond Trust Bank, Jetset Forex Bureau, Finance Trust (U) Ltd and many others.
Corporate governance and management competency for a number of years has been recognized as important credentials for improvement in financial performance of an organization (Mutesasira, 1999). For instance, money transfer companies in Uganda for example, Western Union and MoneyGram have endeavored to see that they put in place corporate structures and governance which have competence members on board, have enough people on board size and ensure that they are effective (Western Union, HRM manual, 2009). However, despite efforts done, it appears that the financial performance of money transfer companies in Uganda has not been convincing. According to Western Union Annual Report and financial statements (2009-2013), it is indicated that the company profits have continually been scaling down, lack enough capital to operate, and their system operations are consistently reported low. On the other hand, MoneyGram, another money transfer company in Uganda has been reported to have incurred a lot of losses in the financial year 2010-2011. The company has to cut off over 23 employees to revamp its financial position in the market (MoneyGram Annual Report, 2012).

1.3 Statement of the Problem

In an effort to improve financial performance, money transfer companies’ particularly Western Union and MoneyGram put in place corporate governance structures and ensure that they are competent enough so that their financial performance can be realized (Kakuru, 2010; Mohd, 2008 and Oketch, 2010). There has been in place company regulation encompassing legislative framework and guidelines which govern corporate activities (Kikonyogo, 2000). Many firms have adopted the OECD Principles of Corporate Governance in order to improve performance (Fich & Shivdasani, 2006).
Despite the adoption of the aforementioned techniques, the financial performance has remained a major constraint affecting the success and survival of money transfer companies in Uganda. For instance, the invention of reliable mobile money transfer telecom companies like MTN mobile money and Airtel money has made it difficult for money transfer companies to still earn as it was before (Tara et al., 2013). According to Western Union Annual Report and financial statements (2009-2013), it is indicated that the company profits had continually been scaling down, with attendant effects of lack enough capital to operate, and their system operations were consistently reported low. On the other hand, Money Gram, another money transfer company in Uganda has been reported with a lot of losses in the financial year 2010-2011. The company has to cut off over 23 employees to revamp its financial position in the market (Money Gram Annual Report, 2012). If this is not checked, it would result in depletion of the capital base which may lead to its collapse.

Therefore, it is from this background that the researcher picked interest to investigate whether corporate governance and management competence has an effect on financial performance of selected money transfer companies in Uganda.

1.4 Purpose of the Study

The purpose of this study will be to examine the relationship between corporate governance, managerial competency and financial performance of selected money transfer companies in Uganda.

1.5 Objectives of the Study

The objectives of this study are:
i. To examine the relationship between corporate governance and financial performance of selected money transfer companies in Uganda

ii. To examine the relationship between management competence and financial performance of selected money transfer companies in Uganda

iii. To examine the combined relationship between corporate governance, management competence and financial performance of selected money transfer companies in Uganda

1.6 Research Questions

This study will seek to answer the following questions:

i. What is the relationship between corporate governance and financial performance of selected money transfer companies in Uganda?

ii. What is the relationship between management competence and financial performance of selected money transfer companies in Uganda?

iii. What is the combined effect of corporate governance, and management competence on financial performance of selected money transfer companies in Uganda?

1.7 Hypotheses

This study will test the hypotheses that:

i) There is a significant relationship between corporate governance and financial performance of selected money transfer companies in Uganda

ii) There is a significant relationship between management competence and financial performance of selected money transfer companies in Uganda

iii) There is a significant relationship between combined corporate governance, management competence and financial performance of selected money transfer companies in Uganda
1.8 Conceptual Framework

Figure 1.1: A Conceptual Framework

Source: adopted and modified from Davis et al., (1997)

From the above conceptual framework, it can be argued that the two independent variables (corporate governance and management competency) have got a correlation with financial performance of an organization. It is therefore hypothesized that if the two are in existence, they are likely to cause financial performance of money transfers. This is so because corporate governance (Board members, Executive management, Strategic management, Risk management and utilization of resources) and management competencies like managerial skills, managerial technical knowledge and Managerial behaviors to achieve financial performance. This is congruent with Chihmao’s (2005) acknowledgement that corporate governance and managerial competences are crucial in business success. As evidenced by Munene (2009), corporate
governance and competence enable bridging activities that motivate individual actors to find ways to surmount problems and to take action that will enable greater control over the environment which makes growth and performance easier. It can therefore be concluded that, other factors notwithstanding, the performance of money transfer companies is dependent on corporate governance and management competency.

1.9 Significance of the Study

It is hoped that the study will be useful to selected money transfer companies because these are private organizations that work tirelessly to see that their performance improves and by establishing the relevance of corporate governance and management competency, it will be a significant cornerstone in helping them indentifying loopholes among its management positions for improved financial performance. The findings of the study will help selected money transfer companies’ top management to determine whether foreign ownership, board size, composition, and board effectiveness affect their performance. The study will also help the stakeholders understand the impact of corporate governance on the day to day performance of the institution. Additionally, given the fact that this study is being built on finding out the skills, knowledge and behaviors of managers, it is therefore, important that this will act as a way of measuring whether managers in selected money transfer companies’ have the required skills, knowledge and behaviors to meet the goals of the company.

1.10 Justification of the Study

For a number of years, prior studies (Smith, Langfield-Smith, , 2004; Pagach, & Warr, 2008) have been done on the impact of corporate governance and management competence on
performance around the world, Africa and in Uganda. However, there has been no study done on the corporate governance along with management competence and their relationship with financial performance using a case study of selected money transfer companies in Uganda. Additionally, the existing studies done in this area consistently considered other dimensions of corporate governance and management competence other than foreign ownership, board size, composition, and board effectiveness, managerial skills, managerial knowledge and managerial behaviors. Thus, the rationale behind the choice of this study is to empirically establish the impact of corporate governance and managerial skills and financial performance in selected money transfer companies in Uganda. The researcher, therefore, felt the need to carry out this research in order to understand the linkage between the aforementioned dimensions of corporate governance and management competency and financial performance. The result of this study is hoped to contribute positively to the field of Management and administration in the selected money transfer companies and other organizations that will have access to read this Thesis.

1.1 Scope of the Study

1.1.1 Content Scope

This study will delimit itself to examining the relationship between corporate governance, management and financial performance. Corporate governance will be limited to ownership, board size, composition, and board effectiveness. Management competency in this study will have the dimensions of managerial skills, knowledge and behaviors, whilst, financial
performance will be measured by liquidity, profitability, capital adequacy, asset quality and management soundness

1.11.2 Geographical Scope

The study will be conducted in Western Union and MoneyGram as selected money transfer companies in this study. The study will be conducted specifically in main branches of Western Union and MoneyGram located in Kampala Uganda. These companies were chosen because they are accessible to the researcher and ties in very well with the operationalisation of the research problem under study.

1.11.3 Time Scope

The study will focus on the time framed 2008-2013 because this is the period when the financial performance of selected money transfer companies has been characterized by losses, competition, and loss of market share (Kalanzi, 2013).

1.12 Operational Definitions of Terms

Asset Quality: this will refer to a review or evaluation assessing the credit risk associated with a particular asset

Board Size: this will mean the total number of directors on a board

Board Composition: this will refer to issues related to board independence (including independence of board committees), diversity (firm and industry, functional background set) of board members and CEO duality
**Board Effectiveness:** this will refer to a function of overall contribution of the board to the organization performance, standard of support provided by the organization, individual contribution of directors to organization performance, board dynamics, board performance, evaluation and review.

**Board Ownership:** this will refer to the complete or majority ownership/control of a business or resource in a country by individuals who are not citizens of that country, or by companies whose headquarters are not in that country.

**Liquidity:** This will mean the availability of liquid assets to a market or company. It also refers to how quickly and cheaply an asset can be converted into cash. It also means how much money there is to spend and invest.

**Management Earning:** This will refer to manipulation of a company’s financial earnings either directly or through indirect accounting methods.

**Managerial Skills:** In this study, this will refer to the possession of the required skills for managerial position to do the job in EABL.

**Managerial Knowledge:** this will refer to the possession of the required knowledge to undertake the job of manager in EABL.

**Managerial Behavior:** This will refer to the ownership of required professional conducts and characters to undertake the managerial work in EABL.

**Profitability:** this will refer to the rate at which the organization is making profits compared to capital employed.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This forms the second part of the proposal. Here, the study variables have been reviewed from different sources including journals, textbooks’, manuscripts, theses, and other reports of the kind. The section consists of the theoretical framework, managerial technical knowledge, managerial technical skills, managerial behavior and organizational performance.

2.2 Theoretical Framework

The theoretical framework that will underpin the study was Davis et al. (1997) stewardship theory. They defined the steward theory “a steward as protecting and maximizing shareholders wealth through firm performance, because by so doing, the stewards utility functions are maximized.” In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the share holders. Unlike agency theory, stewardship theory stresses not on the perspective of individualism (Donaldson & Davis, 1991), but rather on the role of top management being as stewards, integrating their goals as part of the organization. The stewardship perspective suggests that are satisfied and motivated when organization success is attained.

Agyris (1973) further argues theory looks at an employee or people as an economic being, which suppresses an individual’s own aspirations. However, stewardship theory recognizes the importance of structures that empower the steward and offers maximum autonomy built on trust as adapted by Donaldson & Davis, (1991). It stresses on the position of employees or executives
to act more autonomously so that the shareholders’ returns are maximized, indeed, this can
minimize the costs aimed at monitoring and controlling behaviors (Davis et al., 1997).

On the other end, Daly et al. (2003) argued that in order to protect their reputations as decision
makers in organizations, executives and directors are inclined to operate the firm to maximize
financial performance as well as shareholders’ profits. In this sense, it is believed that the
firm’s performance can directly impact perceptions of their individual performance. Indeed,
Fama (1980) contend that executives and directors are also managing their careers in order to be
seen as effective stewards of their organization. Stewardship model can have linking or
resemblance in countries like Japan, where the Japanese worker assumes the role of stewards and
takes ownership of their jobs and work at them diligently.

Moreover, stewardship theory suggests unifying the role of the CEO and the chairman so as to
reduce agency costs and to have greater role as stewards in the organization. It was evident that
there would be better safeguarding of the interest of the shareholders. It was empirically found
that the returns have improved by having both these theories combined rather than separated
(Donaldson & Davis, 1991). On the other hand, stakeholders’ theory was embedded in the
management discipline in 1970 and gradually developed by Freeman (1984) incorporating
corporate accountability to a broad range of stakeholders. Stakeholders’ theorists suggest that
managers in organizations have a network of relationships to serve this include the suppliers,
employees and business partners.

Sundaram & Inkpen (2004) contend that stakeholders’ theory attempts to address the group of
stakeholders deserving and requiring management’s attention. Whilst, Donaldson & Preston
(1995) claimed that all groups participate in a business to obtain benefits. Nevertheless, Clarkson (1995) suggested that the firm is a system, where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders. Donaldson & Preston (1995) argued that this theory focuses on managerial decision making and interests of all stakeholders have intrinsic value, and no sets of interests in assumed to dominate the others.

2.3 The Concepts of Corporate Governance, Management Competency and Financial Performance

2.3.1 Corporate Governance

Corporate governance is measured in terms of board composition which means the level of qualification and competence among the board directors. According Branch & Baker (1998) it is important that Board members be qualified as unqualified board members may be unable to make proper decisions. Bald (2007) agrees with Branch & Baker (1998) and suggest that elected officers should have financial and technical skills roughly on par with management so that they can engage management in a meaningful debate and at times challenge the interpretation of certain results. Mugabi (2009) concurs with Branch & Baker (1998), Bald (2007) stating that lack of skills among the board members to run a financial organization was one of the challenges of governance setting back newly created financial institutions in Uganda. DFCU bank in 2000 when it was just been established in Uganda lacked enough qualified board directors and it is so much quoted as one of causes for underperformance. In the bank’s constitution, it is acknowledged that all board members must have a qualification of at least a first degree. In this
study thus, the researcher will try to find whether the board of directors in selected money
transfer companies are qualified to professionalism recommended.

Branch & Evans (1999) observed that boards dominated by volunteer non-professionals could be
very responsive to local community social issues but fail to have the financial and business
expertise required for a financial institution. On paper, it is ascertained that mobile money
transfer is managed by professionals with no volunteers. Therefore, the point of concern is
whether the board composition in selected mobile money transfer companies influences their
performance.

The member-control is challenged when faced with lack of know how within the committee
members leading to weak policies and weak supervision of management. Many commercial
banks in Uganda do not know their rights and have no adequate financial literacy (Kyazze,
2010). This explains why the WOCCU report (2005) recommended that all board members
should have basic financial literacy, or commit to acquiring these skills through education or
training. Shaw (2006) concurs with the WOCCU report (2005) adding that the emergence of a
better educated membership in financial institutions has resulted in the election of directors with
higher levels of literacy and related skills. As a result, the overall quality of banks’ boards had
improved (Kato, 2008). Therefore, it should be maintained that the board director is the primary
internal governance mechanism charged with overseeing executive decisions, the weak the board
director competence the poor in performance of the institution (Young, 2003).

According to Triscott (2004) effectiveness is about doing the right things to achieve the results.
Board directors’ effectiveness will be judged on the level of honesty, transparence, benevolence,
reliability, competence, and openness. According to Wayne & Megan (2002) Board effectiveness must have at least five facets of board effectiveness. Benevolence perhaps the most common facet of effectiveness and trust in an organization, the confidence that one’s well being or something one cares about will be protected and not harmed by the trusted party (Stimpson & Maughan, 1978; Ganbeta, 1988; Hosner, 1995; Hoy & Kupersmith 1985; Mishra 1996).

Reliability at its most basic level trust has to do with predictability that is, consistency of behavior and knowing what to expect from others (Butter & Cantrell, 1984; Hosner, 2005). In and of itself, however, predictability is insufficient for trust. We can expect a person to be invariably late, consistently malicious, inauthentic, or dishonest when our well-being is diminished or damaged in a predictable way, expectations may be met, but the sense in which we trust the other person or group is weak.

For Competence, good intentions are not always enough when a person is dependent on another but some level of skill is involved in fulfilling an expectation an individual who means well may nonetheless not be trusted (Baier, 1986; Butter & Cantrell, 1984; Mishra, 1996). Competence is the ability to perform as expected and according to standards appropriate to task at hand, many organizational tasks rely on competence.

Honesty is the person’s character, integrity and authenticity Rotter (1967) defined trust as “the expectancy that the word, promise, verbal or written statement of another individual or group can be relied upon”. Statements are truthful when they confirm to “what really happened “from that perspective and when commitments made about future actions are kept. A correspondence between a person’s statements and deeds demonstrates integrity.
Openness: Openness is the extent to which relevant information is shared; it is process by which individuals make themselves vulnerable to others. The information shared may be strictly about organizational matters or it may be personal information, but it is a giving of oneself (Butter & Cantrell, 1984, Mishra, 1996) such openness signals reciprocal trust a confidence that neither the information nor the individual will be exploited and recipients can feel the same confidence in return. Individuals who are unwilling to extend trust through openness end up isolated (Kramer et al, 1996). Huat & David (2001) has argued that board effectiveness can be measured along the dimension of the board’s ability to perform its functions. In selected money transfer companies in Uganda, there is a rooted distrust among the board members over the employees.

2.3.2 Managerial Competency

Managerial competencies according to Armstrong (2006) are knowledge, skills and behaviors that make a manager or leader in an organization unique and do the job effectively. It is the intellectual capital that integrates the two basic human resources knowledge and brawn. The human resource is a key ingredient for managing internal environment of an organization and as well determines the performance direction of managerial efforts. Organizations operate under the circumstances created by the emergence of three processes with global spread; the economic globalization, the managerial revolution and the knowledge-based society (Herciu & Ogrean, 2006). Using the performance-based theory of managerial competence, competence can be seen as the underlying characteristics of a person that lead to or cause superior or effective job performance (Boyatzis, 1993). Performance-based approach, according to Cheng et al (2005) encompasses three related approaches; job-focused approach, person-focused approach, role-focused approach and hybrid approach.
These approaches provide the opportunity of finding out which components of managerial competence – acquired (knowledge and skills) or in born (personal characteristics) are more important. According to Katz (1974), a competent manager is expected to possess the following characteristics; (i) Context specific knowledge and skills (ii) Inquisitiveness (iii) Personal character (connection and integrity) (iv) Duality (the capacity for managing uncertainty and the ability to balance tension) and (v) Savvy (business savvy and organizational savvy)

Search lights on competence and behavior of managers ordinarily should be more intense because of current economic realities of globalization, shift in management revolution and organizational failures. Company failures are due to poor management resulting from lack of corporate and managerial competence (Collis, 1998; & Smith, 1992). In the banking industry, it has long been found that managerial effectiveness has significant role to play in bank performance, in addition to other factors like capital adequacy, asset quality, earnings power and liquidity (Adekanye, 1992). Yukl (2002) says it is possible to become a good manager only where there is constant learning and consistent acquisition of experience to improve competence. Managerial behaviours/performances directly influence actions of subordinates in the work environment (Drucker, 1999; Howkins, 2001).

Leadership is ability to influence others by persuasion, example, and tapping inner moral values (Keeja, 1998). Managers’ skills can be seen in terms of technical, human and conceptual perspectives (Katz, 1974). This position has further been expanded by Dorgan and Dowdy (2004) to include; i. Technical skills which ensure job accomplishment; ii Interpersonal skills ensure communication ability with other people; iii. Conceptual skills which is ability to see the overall picture and goals of the organization; iv. Diagnostic skills or ability to assess and react to
individual situations; v. Communication skills which relate closely to interpersonal skills and allow you to both relay and receive thoughts and ideas; vi. Decision-making skills to allow for ability to recognize problems and effectively identify and decide on a plan of action and vii. Time management skills to allow for recognition, prioritization and delegation of work in the most effective manner possible. It is, therefore, the combination of managerial skills (technical, human and conceptual skills) and conversion of these skills into performance to bring about organizational performance.

2.3.3 Financial Performance

Financial Performance can be considered as the degree of accomplishment of the objectives and goals which an organization’s resources have been provided (Dittenhoffer, 2001). Performance measurement is an aspect of management control which indicates the extent to which corporate strategies and objectives may have been met (Nyabirambi, 2004). Performance is normally measured to check whether there is need to reinforce action or to diverse alternative course of action. Traditionally financial performance has been based on the income statement and balance sheet.

Pattern & Rosengard (1991) identified six determinants to evaluate the performance of any financial institution. These include; efficiency, effectiveness, adaptability, personnel, autonomy and accountability. Boray & Sierra (1998) were of the view that the key performance indicators of banks include capital adequacy, credit quality, nominal and real return and profitability, efficiency and spreads and operating margins and net operating income. Financial analysts view institutional strength in terms of level of capitalization, quality of assets, earnings capability as
well as ability to meet short term liabilities with minimal constraints or liquidity. In addition to these quantitative indicators are the equally important qualitative measures in form of management and internal control practices. Bar & Siens (1993) use the CAMEL model to measure bank performance. CAMEL measures performance in regard to capital adequacy, asset quality, management quality, earnings and liquidity. It should be appreciated that when using the CAMEL model to assess bank’s performance the examiners can find ample information from the balance sheet and financial statement to assess capital adequacy, asset quality, earnings and liquidity. It is however difficult to determine management quality since no clear-cut measures of management quality emerge from the financial statement. The Basle Committee on Banking Supervision of the Bank of International Settlements (BIS) has recommended using capital adequacy, assets quality, management quality, Earnings and liquidity (CAMEL) as criteria for assessing a Financial Institution in 1988 (ADB, 2002). The sixth component, market risk (S) was added to CAMEL in 1997 (Gilbert et al., 2000). However, most of the developing countries are using CAMEL instead of CAMELS in the performance evaluation of the FIs. CAMELS’ framework system looks at six major aspects of an FI: capital adequacy, asset quality, management soundness, earnings, liquidity, and sensitivity to market risk. In this study, the researcher will measure the performance of money transfer companies basing on profitability and also using the CAMEL model.

2.4 Corporate Governance and Financial Performance

Corporate governance, in the finance literature, is often described as the set of rules, structures and procedures by which investors assure themselves of getting a return on their investment and ensure that managers do not misuse the investor’s funds (Shleifer & Vishny, 2007). Corporate
governance is also concerned with how to ensure that managers create value for the owners of the corporation—the shareholders (Kaen, 2003). Ball (2004) asserts that sound corporate governance is, of course, critical to development in emerging economies and around the globe. Effective corporate governance can create safeguards against corruption and mismanagement and promote transparency, and therefore efficiency, in economic affairs. It is at the heart of building confidence in financial systems and that is at the heart of sustainable economic growth.

Corporate governance is about actions and behaviors that need to be taken by private and public enterprises that need to be reinforced by governments and that must be supported by professional accountants and all those involved in the development and disclosure of financial information. Good corporate governance hinges on a number of elements such as principles, values, laws, rules, regulations, and institutions. Damodaran (2007) states that as usually formulated, financial agency theory continues to assert, as did early financial theory, that the objective of management should be to maximize the value of the firm for the fully diversified investor. Now, however, certain actions needed to be taken to control managerial self-interest because managers will behave opportunistically in a world of informational asymmetries and seek advantages at the expense of public shareholders. Basically, ways needed to be found that would discourage managers of firms facing limited investment opportunities to grow the firm at the expense of the shareholders by making negative net present value investments rather than returning cash to the shareholders.

There are essentially four types of corporate ownership which consist of foreign-owned, joint venture owned, private domestic-owned, and state-owned. Most money transfer institutions in Uganda are foreign owned. According to Tang et al. (2000) the structural and organizational
differences between foreign and domestic money transfer companies may have implications for differences in cost structures and scale and scope economies. These differences result from different management strategies, differences in markets they serve, knowledge of the local markets, international synergies, and regulation.

Foreign ownership may have an impact on bank profitability due to a number of reasons: First, the capital brought in foreign investors decrease fiscal costs of the banks’ restructuring (Tang et al., 2000). Second, foreign banks may bring expertise in risk management and a better culture of corporate governance, rendering banks more efficient (Bonin et al., 2005) Third, foreign bank presence increases competition, driving domestic banks to cut costs and improve efficiency (Claessens et al., 2001).

De Young Nolle et al. (2000) says that domestic owned firms have benefited from technological spillover brought about by foreign competitors. For these reasons, an examination of the impact of foreign ownership on financial performance is very important. Most of the efficiency studies of foreign-owned firms in developed countries find that the disadvantages outweigh the advantages. Foreign-owned firms are found to be less efficient than domestically-owned institutions with the possible exception of U.S. banks operating abroad. However, like any other financial institution, DFCU bank also experiences the problem of nonperforming loans. In the financial year ended 31st December, 2006 DFCU bank registered a high amount of non-performing loans which amounted to Ugshs 4,248,857,000 (DFCU annual report 2006). Non-performing loans reduces the liquidity of banks, credit expansion, it slows down the growth of the real sector with direct consequences on the performance of banks, the firm which is in default.
In contrast, some researchers continue suggesting some advantages of foreign ownership as outweighing the disadvantages in developing nations (examples include Classens et al., 2001, Bonin et al, 2004). Other research on the impact of foreign ownership on banks’ performance in developing nations finds that foreign ownership and entry and fewer restrictions on these banks are associated with more competitive national banking systems (Claessens & Laeven, 2004, Martinez et al, 2004). Some also find positive effects of foreign ownership on business credit availability (Klapper, 2004). This implies that there is a need to discover whether foreign ownership of money transfer companies in Uganda has positively affected their performance and credit availability.

Board size is defined as the total number of directors on a board. The board size of DFCU bank in Uganda consists of 13 directors on the board. According to Yermack (1996), John & Senbet (1998) large boardrooms tend to be slow in making decisions, and hence can be an obstacle to change as opposed to small board size. The WOCCU report (2005) agrees with the conclusions of Yermack (1996), John & Senbet (1998) observing that a board constituted by fewer than five members, may find it difficult to adequately represent its diverse member body, just as a board constituted by more than nine members may make consensus achieving difficult and may increase logistical problems. It maintains that the board may be composed of an odd number of 18 members, no less than five and no greater than nine. The purpose of this structure is to prevent tied votes.

Panasian et al., (2004) on contrary, adds that the larger the board of directors the more beneficial and increased collection of expertise and resources accessible to a firm, but however this has several problems (Dalton et al., 1999). Boards with too many members lead to problems of
coordination, control and flexibility in decision making. Large boards also give excessive control to the Chief Executive Officers (CEOs) and harming efficiency (Eisenberg et al., 1998). All these affect financial performance. This is what this study will endeavor establish as far as money transfer companies are concerned in Uganda.

According to Jassen (2003) the performance of financial institutions has been reflected in its board size. The financial institutions have not registered so many conflicts in decision making, coordination and delays. The board size increases boards’ ability to monitor management decreases due to a greater ability to avoid an increase in decision making time. Similarly, Hermalin & Weisbach (2003) argue that the consensus among the economic literature is that a larger board will weaken firm performance and profitability.

All in all, the findings are consistent with the notion that a large board size is more reminiscent with weak corporate governance and limiting board size to a particular level is believed to improve the performance of a bank as the benefits by larger boards of increases monitoring are outweighed by the poorer communication and decision making of larger groups. Therefore, this study will be conducted to find out whether the board size leads to improved financial performance of money transfer companies.

2.5 Managerial Competency and Financial Performance

Several scholars have explored the concept of managerial competency and its role in financial performance. House et al. (1995) that knowledge acclimatizes with vision and a manager who is visionary is knowledgeable that he can easily use his knowledge and vision to influence followers. Schein (1992) views managerial competence as having the ability to step outside the
culture and start revolutionary change processes that are more adaptive. Therefore, managers with technical knowledge have “the art of mobilizing others to want to struggle for shared aspirations” (Kouzes & Posner, 1995). Hence being visionary is being transformational (Conger & Kanungo, 1998) and having a vibrant image in the mind of a manager that describes a future state desirable enough to energize followers and to provide direction to the influence process (Valenzuela, 2007). The strategic aspect central to management is being visionary. Visionary in a sense that, ‘tasks’ and ‘people’ are just subordinates to it (Cotter, 1999). The visionary theory of leadership is seen to be particularly exploring aspects influencing subordinates because of its ability to specifically go beyond the traditional tasks and people dimensions to feelings and emotions that energize a set of individuals to become confident, open, clear and grow into a need to succeed in goal attainment.

Visionary managers induce others to use emotions and sacrifice their lives for the sake of achieving. The subordinates who are influenced by such leaders are normally enthusiastic to celebrate any achievement (Kevin, 2005) and relate more comfortably with their leader in such situations of success because it is an implication of goal attainment that may reflect vision attainment. However, not all managers who adopt viable visions can easily influence subordinates. It takes the competence in the manager to communicate by articulating a futuristic state. Such managers clearly indicate the benefit of their futuristic ideas to both the people and organization. Evidence reveals that visionary managers bear in themselves several components of behavioral aspects that make them extra ordinary, such as empathy, trust, honesty and integrity (Valenzuela, 2007) which makes them be viewed with a lot of respect and trusted in whatever they suggest. Visionary leadership makes sense of what people are doing together so
that they will understand and be committed (Shamir et al, 1993) through articulating a compelling vision for followers, behaving in self sacrifice, intellectually stimulating followers and providing them with individualized consideration and communicate a vision to a group of people that will make that vision true (Valenzuela, 2007) and by producing a wide range of positive outcomes including Organizational performance through changing the followers’ attitudes to generate performance (Dumdum, 2002), creating top management team cohesion (Agli & Snnenfield, 1994) and Organizational citizen behavior (Podsakoff, 1996).

Individual followers look at the manager as a savior and a driver towards a right direction (Goleman 2000). Jui & Colin (2004) have termed these leaders as people who think out of the box and suggest feasible future success in addition to empowering subordinates to articulate the future. If Jui & Colin (2004) argument is correct, then these are transformational leaders who Conger (1999) has admitted that they influence using an attractive future, sense of purpose, combined with a good belief in their ability to achieve their purpose .However looking at the visionary models of leadership which looks beyond the leaders’ role in communicating a vision and opening up a wider source of such a vision, one would realize that the vision itself need not to actually come from the leader alone although he or she is likely to play a crucial part in formulating and communicating the vision (Kevin, 2005). Indeed, the actual source of the vision is what Kanter (2000) has called “Keleidoscope thinking” (drawing together fragments of ideas from a range of sources) based on the leader’s profound understanding of the relationship between the organization and the environment as well as his or her receptivity to ideas of all interested parties (Silverthorne, 2001).
Therefore, visionary leadership does not only look at the vision and articulation but draws concerns on environmental sensitivity, and great care to member needs capable of inspiring to increase job output for organizational change, and highlighting issues at the macro including developing a net work or a critical mass of support at all levels (Tony & Bob, 2002). Like hope and expectations increase desire, visions promote teamwork and a culture of excellence. Hence visionary managers with personal traits like empathy, risk taking, confidence, inquisitiveness being aware of weaknesses and strength and taking account of them, learning from failures, persistence, perseverance and consistency are highly influential to the extent that their personal behavior engage a two way communication, people orientation, a participative style and high visibility. All these managerial components are so scarce in many individuals and attract followers’ emotions because they are seen as unique (Kanter, 2000). Indeed the manager employs all these aspects to move people emotions towards adherence, stimulations, motivation and commitment, acceptability and ownership of the outcome and vision which they all struggle their efforts to achieve and realize organizational effectiveness.

It is however unclear whether every influenced follower can increase performance to achieve goals. Followers can agitate with a good will for the vision but may not have what it takes to implement and achieve the vision. And others are not motivated with work based on their job designs (Dewey, 2000) even if they have interest in achieving the goals. Such situations compel visionary managers to understand the ability and weaknesses of subordinates, attitudes, behaviors and devise different motivational and influence tactics to each individual at rightful situations including mentoring.
But House (1999) has argued that the influence of any manager originates from the amount of trust and confidence subordinates have in that manager before going to the aspect the leader wants to sell to followers. Believing and following any manager whose integrity, honesty, dignity and trust is doubted, becomes difficult even when he may be seen generating very good and developmental futuristic ideas. The trust that he can ably achieve what he envisages is vital. Such aspects therefore emerge as great visionary components in addition to articulation of a vision in attracting people emotions to follow irrespective of the nature of ideas being sold.

Since managers with integrity, empathy, honest and trust attract certain following, it is highly believed by Awamleh & Gardener (1999) and Den Hartog & Verburg (1997) that effective leaders are those who in addition to the above components, are able to have a strong vision delivery style characterized by non verbal, emotional communication skills as a key determinant of perceived charisma and leadership effectiveness. A combination of leadership skills intertwined with sensitivity to member needs and the environment, allowing expression of personal concerns, listening to people complaints and identifying threats, opportunities and constraints will always keep followers rest their confidence in such a leader.

Vision and Articulation; A vision is an imaginary image, a vibrant and compelling idea in the leader or his followers which describes the futuristic state of an organization or people and draws positive perceptions (Conger & Kanungo, 1998). Charismatic behaviors of leaders display high ability to formulate and articulate an inspiring futuristic idea whose meaning foster an impression that they and their mission are extra ordinary (Conger & Kanungo, 1992), attracting follower’s emotions and emotional regulations, in addition to the ability to express emotional messages. As such, individuals choose to follow such leaders in management settings not only
because of formal authority but out of perceptions of extra ordinariness (Shamir et al 1993). Subordinates’ feelings are attracted to perform highly through teamwork and achieve organizational effectiveness (Pounder, 1999).

Sensitivity to employee’s needs; visionary leaders are sensitive to member output which is a result of motivation. Motivation results from satisfying member needs and it is as a measure of the extent of a leader’s influence. These outcomes are strongly associated with the follower job satisfaction and perception of the leadership effectiveness (Dumdum et al., 2002) which creates satisfaction that rallies followers’ commitment and support for the needed organizational changes (Conger & Kanungo, 1998; Bass 2002 and Sashkin, 1998) including high job output and organizational performance (Dumdum, 2002). Sensitivity to member needs take a range of aspects inhibited by a leaders including being open and receptive to complaints and new ideas, sensitivity to personal issues including bailing out others from situations of crisis and taking an extra mile in trying to develop people personality and their welfare. Dumdum & Avolio (2002) supported this argument saying that such leaders grow empathetic and spend much of their time including wealth focusing on member needs. Effective leaders draw their imaginations on how others feel and generate sympathetic feelings on how to comfort and make those in poor state feel happy (Conger & Kanungo, 1989). Those actions help a leader be viewed as a savior and not an exploiter of people’s energy, there by engaging others in the process of owning and implementing the vision.

Flexibility to change; since the world is changing so fast (Conner, 1992), prompting organizations to also change their method of work, there is need for leaders to change the way organizations are managed. Conner (1992) has further argued that change is inevitable because it
is influenced by both internal and external forces and it is at times abrupt. This calls for flexibility of organizational leaders in management practices in order to cope with the ever increasing changes and remain relevant to society (Boyett & Boyett, 2001). When a leader is flexible to changes with ability to orchestrate change, then such a leader is capable of transforming an organization’s status from one stage to another. Change is re-inventing and creating a new system and institutionalizing the new approaches (Kotter, 1995) that create more effectiveness and competitiveness. Recent theoretical research has attempted to integrate change as a contextual variable influencing transformational leadership and renewing organizations for high performance (Pawar & Eastman, 1997). Hence change is a key factor in organizational development to match the organization’s pacing to the rate of change in its particular environment (Staw, 1981) and organizational transformation (Ferlie et al., 1996).

Since public institutions find it difficult to initiate bigger changes (Jorgensen, 1992), due to political interferences, government bureaucracy, and a highly centralized structure in the higher institutions of learning which favor authoritarian styles of leadership, laying emphasis on formalities, failure of managers to adapt to the environment can easily make them blunder, collapse or left out of the competitive markets or become irrelevant to society. Thus, Fruin (2000) advises organizational managers to recognize the need for change and adapt to changes some of which are so abrupt (Paula, 1999), and implement them for competitiveness and survival (Boyett & Boyett, 2001).

Sensitivity to the Environment; visionary leaders set their visions after a careful analysis of their environment. This sensitivity to both social economic, cultural and political environment enables them to quickly identify and recognize the barriers, hindrances, and opportunities that affect the
organization or people (Conger & Kanungo, 1992) Environmental limitations, barriers and constraints, hinder vision articulation which in effect produce negative outcomes including collapse of the organization (Avolio, 2002). Managers that are highly sensitive to the environment is quite entrepreneurial because it readily recognizes and exploits new opportunities in the environment such as social and physical conditions that may facilitate the achievement of organizational objectives (Conger & Kanungo, 1992).

Visionary managers articulate a compelling vision (Conger & Kanungo, 1992), inducing subordinates to own the vision and play a greater role beyond expectation by changing their attitudes and performance (Dumdum, 2002), creating top management team cohesion (Agle & Snennenfield, 1994) and Organizational citizen behavior (Podsakoff, 1996). This is an effective collegial system inspires, cohesion, teamwork (Kotter, 1990), productivity (Pounder, 1999) and information management communication. Yukl (2002) discovered that visionary leadership make followers get committed and even own the vision which they are empowered to articulate and achieve organizational effectiveness (Bartram & Casmir, 2007). Bartram further observes that such subordinates are highly motivated to work efficiently in teams, destroying rigidities that exist in collegial settings for higher productivity in which their futuristic hopes rest. Such subordinates are energized to express emotional intelligence and generate enthusiasm, confidence and trust (Bass, 2002), sacrificing themselves for the sake of the organizations success in terms of job output, efficiency and productivity (Drath & Palus, 1994).

Leadership capable of creating change in an organization is visionary and transformational. The centre stages of its players rotate around a vibrant image describing the future which is sold perfectly to followers so that they may follow (Kevin, 2006). Visionary leaders inhibit
charismatic elements of behavior (Conger & Kanungo, 1989) and are smart in demonstrating each of their traits at the rightful moment (Strange & Mumford, 2002). Leaders who are visionary are emotionally stable in handling challenging issues since their intension is to create success and not to be seen by others as important (Thompson & Harison, 2000). The display of different charismatic elements including vision and articulation, taking risks, being sensitive to both member needs and environmental sensitivity are all aimed at creating meaningful change (Conger, 1999). Similarly, subordinates normally take such leaders as honest, ethical, and trustworthy with high integrity and respect some of which components greatly impact on the followers behaviors (Kevin, 2006). Waldman et al. (2001), have ably discussed the concept of visionary leadership indicating that it positively affect net profit margins, stock value (Agle, 1993) and followers perception of leadership effectiveness (Dumdum et al., 2002). This suggests that visionary leaders create a big impact on attitude and perceptions of followers to behave the tune of the leader and add value to the organization (Waldman et al., 2001).

Kevin (2006) further brings out convincing empirical support for the impact of visionary leadership on positive organizational out comes in which many scholars have attempted, arguing that such scholars simply called it interpersonal skills and competencies forgetting that such are the real and necessary components for demonstrating visionary leadership behaviors. Since the late 1980’s leadership scholars have demonstrated that emotional communication skills is a key predictor of visionary leadership for example studies by Howell & Frost (1989), Holladays & Coombs (1994) Awamleh & Gardner (1999) and Den Hartog & Verburg (1997) confirms this argument. Indeed such an agreement relates obviously that visionary leaders inspire confidence, admiration, trust, commitment and adherence towards achieving organizational goals and lifting
their emotional feelings to persuade and determine actions of followers (House, 1995). If House’s argument is correct, then subordinates are left with no choice but to devise means and extremely think to create ideas and selflessly work towards achieving the organization’s vision.

It is thus realized that managerial technical knowledge has a relationship and an influence on performance basing on literature reviewed on this section, however, the underlying gap is that there is no study that has been done in selected money transfer companies in Uganda and this calls for a study like this to verify what is exactly happening in such companies has far managerial skills, knowledge, behaviors and financial performance is concerned.

2.6 Corporate Governance, Management Competency and Financial Performance

It is the intellectual capital that integrates the two basic human resources–knowledge and brawn. The human resource is a key ingredient for managing internal environment of an organization and as well determines the performance direction of managerial efforts. Organizations operate under the circumstances created by the emergence of three processes with global spread; the economic globalization, the managerial revolution and the knowledge-based society (Herciu & Ogrean, 2006). Using the performance-based theory of managerial competence, competence can be seen as the underlying characteristics of a person that lead to or cause superior or effective job performance (Boyatzis, 2003). Performance-based approach, according to Cheng et al (2005) encompasses four related approaches; job-focused approach, person-focused approach, role-focused approach and hybrid approach.

These approaches provide the opportunity of finding out which components of managerial competence–acquired (knowledge and skills) or in born (personal characteristics) are more
important. According to Katz (2004), a competent manager is expected to possess the following characteristics; Context specific knowledge and skills, Inquisitiveness, Personal character (connection and integrity), Duality (the capacity for managing uncertainty and the ability to balance tension).

Search lights on competence and behavior of managers ordinarily should be more intense because of current economic realities of globalization, shift in management revolution and organizational failures. Company failures are due to poor management resulting from lack of corporate and managerial competence (Collis, 2008; & Smith, 2002). In the breweries industry, it has long been found that managerial effectiveness has significant role to play in company performance, in addition to other factors like capital adequacy, asset quality, earnings power and liquidity (Adekanye, 2002).

Yukl (2002) says it is possible to become a good manager only where there is constant learning and consistent acquisition of experience to improve competence. Managerial behaviors/performance directly influences actions of subordinates in the work environment (Drucker, 1999; Howkins, 2001). Leadership is ability to influence others by persuasion, example, and tapping inner moral values (Keeja, 1998). Managers’ skills can be seen in terms of technical, human and conceptual perspectives.

This position has further been expanded by Dorgan & Dowdy (2004) to include; technical skills which ensures job accomplishment interpersonal skills ensure communication ability with other people, conceptual skills which is ability to see the overall picture and goals of the organization, diagnostic skills or ability to assess and react to individual situations, communication skills
which relate closely to interpersonal skills and allow you to both relay and receive thoughts and ideas.

Decision-making skills to allow for ability to recognize problems and effectively identify and decide on a plan of action, time management skills to allow for recognition, prioritization and delegation of work in the most effective manner possible. It is, therefore, the combination of managerial skills (technical, human and conceptual skills) and conversion of these skills into performance to bring about organizational performance.

In the attempt to study how activities and capabilities of managers affect the performance of organization, Gilley & Boughton (2006) identified six symptoms called “managerial malpractice” in organizations. These are selection of new managers from among the best performers regardless of presence or lack of interpersonal skills, promoting employees that lack supervisory or management talent, and retaining managers who are ineffective in securing results through others (Hemsley, 2001). Corporate governance and management competence in an organization thus should be linked to the financial performance (Peter, 2002).

2.8 Syntheses and Gap Analysis

It can be realized from the above literature reviewed that a lot has been covered and a variety of scholars have indicated that corporate governance and management competence have a relationship with financial performance of a financial institution. For instance Kasekende & Atingi-Ego (2003) indicates that organizations that are managed by foreigners tend to have enough credit and competent staff members or board members who can do the job with much efficiency. Generally, the literature reviewed clearly indicates that there are a number of studies
in place that have viably established the impact of corporate governance, management competence on financial performance world over and in Uganda. However, despite their earlier findings, the literature reviewed is reportedly done in previous years of 2013 and below. Currently, we are in 2014 and new developments have come up. Most if not all the literature is outside the scope of the study and lacks the empirical truth. Thus, this call for a study like this, to try to empirically test the literature reviewed and weighs the progress of the existing dimensions of managerial competency in place. This will reveal new works in place especially on the relationship between corporate governance and financial performance.
CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter will indicate how data for the study will be collected, analyzed and interpreted in order to answer the research questions or test the research hypotheses, thereby meeting the purpose of this study. This chapter will therefore comprise research design, study population, determination of sample size, sampling techniques, data collection methods, data collection instruments, quality control, data collection procedures, data analysis, measurement of variables, and ethical considerations.

3.2 Research Design

A research design is the overall blueprint or strategy for the research (Amin, 2005). This study will use a cross sectional research design. This design will be chosen because it is important for the researcher to find out the opinion of a cross section of the population about a subject under investigation in a particular period of time using a particular part of organisation (Sekaran, 2003). In this study, numerical figures and descriptive information will be obtained, giving it both a quantitative and qualitative research dimension. The study will then use both qualitative and quantitative approaches during sampling, data collection, quality control, and analysis. At data collection stage, qualitative design will involve administering open ended interview and questionnaire questions to the respondents, whilst the quantitative design will involve administering closed ended interview and questionnaire questions to respondents in selected money transfer companies.
3.3 Study Population

This study will be conducted among managers and junior staff members in money transfer companies, telecom companies and the Bank of Uganda as a regulator of these money transfer companies. The study population is 1250 respondents (Western Union & Money Gram Human Resource Manual, 2014). These consist of 20 executives, 60 senior managers and 1170 junior staffs in selected money transfer companies and the Bank of Uganda. The executive members are chosen because they have the responsibility of recruiting competent managers in the organization. The senior management staff is chosen in this study because the researcher is interested in knowing their competence levels. The junior staff members are chosen because they have so much to tell the researcher as per the competence of their managers.

3.4 Determination of the Sample Size

The researcher will work with a sample of the population that will be selected to be representative of the population. Sekaran (2003) observes that collecting data from the entire population would be practically impossible and it would be very difficult to examine every element in the population. In addition it would be prohibitive in terms of time, cost, and other resource inputs. Study of a sample is therefore likely to produce more reliable and quick results because fewer errors will result during the data collection exercise. The sample size will be determined using the table in Appendix C from a study by Morgan & Krejcie (1970, as cited in Amin, 2005). This therefore means that the sample will include 285 junior staffs. The sample sizes are depicted in Table 3.1.
Table 3: Sample Size of Respondents and Sampling Technique

<table>
<thead>
<tr>
<th>Category of Population</th>
<th>Population Size</th>
<th>Sample Size</th>
<th>Sampling Technique</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>20</td>
<td>19</td>
<td>Purposive sampling</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>60</td>
<td>52</td>
<td>Purposive sampling</td>
</tr>
<tr>
<td>Junior staffs</td>
<td>1170</td>
<td>285</td>
<td>Simple Random sampling</td>
</tr>
<tr>
<td>Total</td>
<td>1250</td>
<td>356</td>
<td></td>
</tr>
</tbody>
</table>


From Table 3.1, it can be observed that the researcher will work with a sample size of 356 respondents using a blend of purposive and simple random sampling techniques.

3.5 Sampling Techniques

The study will use both probabilistic and non-probabilistic sampling techniques.

3.5.1 Probabilistic Sampling Techniques

From the existing probabilistic sampling techniques, the study will use simple random sampling technique. Simple random sampling will be used to select junior staff members in selected money transfer companies. This technique is chosen because the category of junior staff has a large population size and will as such warrant simple random sampling to minimize sampling bias (Mugenda & Mugenda, 2003).
3.5.2 Non-probabilistic Sampling Techniques

From the existing non-probabilistic sampling techniques, purposive sampling will be employed to select executives and senior management staffs who will be targeted due to their perceived knowledge arising out of known experience that they have. This technique will be employed following the postulate that if sampling has to be done from smaller groups of key informants, there is need to collect very informative data, and thus the researcher needs to select the sample purposively at one’s own discretion (Sekaran, 2003).

3.6 Data Collection Methods

3.6.1 Survey

This will be used to collect primary data from junior staff, and, it will involve use a semi-structured questionnaire depicted in Appendix A. The method of survey using a semi-structured questionnaire is deemed appropriate since part of the questionnaire offers the junior staff a choice of picking their answers from a given set of alternatives while the other part of the questionnaire allows them to qualify their responses (Amin, 2005).

3.6.2 Interview

This will be used to collect primary data from senior management and executives. It will involve use of a semi-structured interview guide depicted in Appendix B. The method of interview using a semi-structured interview guide is deemed appropriate since the senior management and executives have vital information yet no time to fill in questionnaires (Sekaran, 2003).
3.6.3 Documentary Review

This will be used to collect secondary data and will be guided by a documentary review checklist. Documents from selected money transfer companies; public and private libraries with literature relevant to the research topic will be analyzed as secondary sources of data to supplement primary data from survey and interviews (Amin, 2005).

3.7 Data Collection Instruments

3.7.1 Questionnaire

Questionnaires will be used to collect data from the junior staff in selected money transfer companies. 169 questionnaires will be randomly distributed to 169 junior staff members. The questionnaire (Appendix I) will be used in this case because it has proved to be an invaluable method of collecting a wide range of information from a large number of individuals especially when it comes to people like the junior staff at (Sekaran, 2003). The questionnaires are popular because the respondents will fill them in at their own convenience and are appropriate for large samples. The questionnaire will be designed with both open and closed ended questions (Amin, 2005).

3.7.2 Interview Guide

The researcher will prepare and use a semi-structured interview guide to conduct interviews with senior management and executive at selected money transfer companies. Interviews are chosen because they are thought to provide in-depth information about a particular research issue or question. Still, interviews are chosen because they make it is easy to fully understand someone's
impressions or experiences, or learn more about their answers as compared to questionnaires. According to Mugenda and Mugenda (2003), interviews are advantageous in that they provide in-depth data which is not possible to get using questionnaires.

3.7.3 Documentary Review Checklist

This will consist of a list of documents (Sekaran, 2003) particularly concerning management competence and organizational performance which are directly relevant. Most of these documents will be obtained from public libraries and EABL. In this case; textbooks, journals, magazines, theses, conference papers, newspaper articles, government reports, internet, and dissertations related to the topic under investigation as recommended by Amin (2005) will be reviewed.

3.8 Quality Control

Controlling quality entails ensuring acceptable levels of validity and reliability of instruments. The instruments will be piloted amongst select judges who are seasoned researchers and experts in the field of Human Resource Development (HRD), after which they will be modified to improve their validity and reliability coefficients to at least 0.70. Items with validity and reliability coefficients of at least 0.70 are accepted as valid and reliable in research (Kathuri & Pals, 1993).

3.8.1 Validity

Validity is the extent to which research instruments measure what they are intended to measure (Oso & Onen, 2008). The researcher will use the expert judgment of her supervisors to verify the
validity of the instruments. To assess this, the two supervisors will be contacted to evaluate the relevance of each item in the instruments to the objectives. The experts will rate each item as either relevant or not relevant. Validity will be determined using Content Validity Index (C.V.I). C.V.I=Items rated relevant by both judges divided by the total number of items in the questionnaire as shown hereinafter.

\[
CVI = \frac{\text{No. of items rated relevant}}{\text{Total no. of items}}
\]

As recommended by Amin (2005), for the instrument to be valid, the C.V.I should be at least 0.7

3.8.2 Reliability

Reliability is the extent to which a research instrument yields consistent results across the various items when it is administered again at a different point in time (Sekaran, 2003). To establish reliability, the instruments will be pilot-tested twice on the same subjects at a time interval of four weeks. According to Amin (2005), test-retest reliability can be used to measure the extent to which the instrument can produce consistent scores when the same group of individuals is repeatedly measured under same conditions. The results from the pretest will be used to modify the items in the instruments.

To ensure reliability of quantitative data, the Cronbach’s Alpha Reliability Coefficient for Likert-Type Scales test will be performed. In statistics, Cronbach’s alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. According to Sekaran (2003) some
professionals as a rule of thumb, require a reliability of 0.70 or higher (obtained on a substantial sample) before they use an instrument. Upon performing the test, the results that will be 0.7 and above will be considered reliable. The results of the Cronbach’s test will be provided in the appendix of the final report.

3.9 Data Analysis

Data will be analyzed both quantitatively and qualitatively.

3.9.1 Quantitative Data Analysis

Quantitative data analysis will involve use of both descriptive and inferential statistics in the Statistical Package for Social Scientists (SPSS). Descriptive statistics will entail determination of measures of central tendency such as mean, mode, median; measures of dispersion such as range, variance, standard deviation; frequency distributions; and percentages. Data will be processed by editing, coding, entering, and then presented in comprehensive tables showing the responses of each category of variables. Inferential statistics will include correlation analysis using a correlation coefficient and regression analysis using a regression coefficient in order to answer the research questions. According to Sekaran (2003), a correlation study is most appropriate to conduct the study in the natural environment of an organization with minimum interference by the researcher and no manipulation. A correlation coefficient will be computed because the study will entail determining correlations or describing the association between two variables (Oso & Onen, 2008). At bivariate level, management competence as an independent variable will be correlated with organizational performance as the dependent variable using Pearson’s Correlation Coefficient.
3.9.2 Qualitative Data Analysis

Qualitative data analysis will involve both thematic and content analysis, and, will be based on how the findings will relate to the research questions. Content analysis will be used to edit qualitative data and reorganize it into meaningful shorter sentences. Thematic analysis will be used to organize data into themes and codes will be identified (Sekaran, 2003). After data collection, information of same category will be assembled together and their similarity with the quantitative data created, after which a report will be written. Qualitative data will be interpreted by composing explanations or descriptions from the information. The qualitative data will be illustrated and substantiated by quotation or descriptions.

3.10 Measurement of Variables

Mugenda & Mugenda (2003) support the use of nominal, ordinal, and Likert type rating scales during questionnaire design and measurement of variables. The nominal scale will be used to measure such variables as gender, marital status, terms of employment, among others. The ordinal scale will be employed to measure such variables as age, level of education, years of experience, among others. The five point Likert type scale (1- strongly disagree, 2-disagree, 3-not sure, 4-agree and 5-Strongly agree) will be used to measure the independent variable (management competence) and the dependent variable (organizational performance). The choice of this scale of measurement is that each point on the scale carries a numerical score which is used to measure the respondent’s attitude and it is the most frequently used summated scale in the study of social attitude. According to Mugenda (2003) and Amin (2005), the Likert scale is
able to measure perceptions, attitudes, values and behaviors of individuals towards a given phenomenon.

3.11 Ethical Considerations

The major ethical problem anticipated in this study is the privacy of the subjects and confidentiality of their information. To ensure privacy, the subjects will be informed upfront that indeed their names will not be required (Mugenda & Mugenda, 2003). To ensure confidentiality, the subjects will be informed upfront that the information they give will be solely used for academic purposes and data obtained on private matters will be treated in confidence (Amin, 2005).
REFERENCES


Chartered Institute of Procurement and Supplies (2007)


Internal auditing effectiveness; an expansion of present methods. *Managerial Auditing Journal*, 16 (67), 211-216.


*Psychology, 75*: 51-59.


Valenzuela, T., Vandenberghe. C., Bentien, K., Michon, R. Chebat, J., Trembley, M., and Fils J. F., (2007); An examination of the role of perceived support and employee commitment.


Western Union, HRM manual, 2009


Young, L. E., (2008). The Association between Organizational Culture and Leadership Behavior and Organizational Commitment, Job satisfaction and Employee Performance: A
Malaysian Perspective. *Unpublished dissertation submitted* to University of Malaya Graduate School of Business.

# APPENDICIES

## APPENDIX 1: WORK PLANS/TIME FRAMES

### Nov 2013 – Nov 2014

<table>
<thead>
<tr>
<th>Activities/months</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
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<tr>
<td>Conceptual Phase</td>
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<td>Proposal writing and defense</td>
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### Nov 2014 – Nov 2015

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<th>Mar</th>
<th>Apr</th>
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### Nov 2015 – Nov 2016

<table>
<thead>
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<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data interpretation and discussion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td></td>
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<tr>
<td>Thesis writing</td>
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<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
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</tbody>
</table>

1. **Nov 2015**: Data interpretation and discussion

2. **Dec 2015**: Data interpretation and discussion

3. **Jan 2016**: Data interpretation and discussion

4. **Feb 2016**: Data interpretation and discussion

5. **Mar 2016**: Thesis writing

6. **Apr 2016**: Thesis writing

7. **May 2016**: Thesis defense

8. **Jun 2016**: Thesis defense

9. **Jul 2016**: Thesis defense

10. **Aug 2016**: Thesis defense

11. **Sep 2016**: Thesis defense

12. **Oct 2016**: Thesis defense
### APPENDIX II: BUDGET ESTIMATES

<table>
<thead>
<tr>
<th>Particular</th>
<th>USD. Unit Cost</th>
<th>Total cost USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proposal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) 3 Copies of report proposal, typing and photocopying</td>
<td>USD 15 typing</td>
<td>45</td>
</tr>
<tr>
<td>b) Binding copies</td>
<td>USD 20 per copy</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>USD 30 per copy</td>
<td>90</td>
</tr>
<tr>
<td><strong>Data collection</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Travelling expense</td>
<td>USD 20 per day</td>
<td>60</td>
</tr>
<tr>
<td>b) Subsistence</td>
<td>USD 20 per day</td>
<td>150</td>
</tr>
<tr>
<td>c) Questionnaire, interview schedules</td>
<td>USD 100</td>
<td>300</td>
</tr>
<tr>
<td>d) Data collection</td>
<td>USD 100</td>
<td>300</td>
</tr>
<tr>
<td><strong>Data analysis and new computer charges</strong></td>
<td>USD 500</td>
<td>500</td>
</tr>
<tr>
<td><strong>Publications (3No)</strong></td>
<td>USD 100</td>
<td>300</td>
</tr>
<tr>
<td><strong>Report writing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) 5 copies of report writing</td>
<td>USD 100</td>
<td>100</td>
</tr>
<tr>
<td>b) 5 copies of report writing</td>
<td>USD 100</td>
<td>100</td>
</tr>
<tr>
<td>c) Binding (10 copies)</td>
<td>USD 30</td>
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<tr>
<td><strong>Tuition</strong></td>
<td>USD 1300</td>
<td>8,000</td>
</tr>
<tr>
<td>Contingencies 10% of the total cost of the research project</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>USD 10,185</strong></td>
</tr>
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</table>


APPENDIX III: QUESTIONNAIRE

INTRODUCTION

Dear Respondent,

The researcher is a student of PHD in Business Administration UTAMU, Kampala, Uganda. He is undertaking a research to generate data and information on “Corporate governance, management Competency and financial performance of selected money transfer companies ”. You have been selected to participate in this study because the contribution you make is central to the kind of information required. The information you provide is solely for academic purposes and will be treated with utmost confidentiality. Kindly spare some of your valuable time to answer these questions by giving your views where necessary or ticking one of the alternatives given. Indeed your name may not be required. Thank you for your time and cooperation.

SECTION A: BACKGROUND DATA

Please circle the numbers representing the most appropriate responses for you in respect of the following items:

1. Your gender  
   a) Male  
   b) Female

2. What is your age group?
   a) 20-29,  
   b) 30-39,  
   c) 40-49,  
   d) 50 and above

3. What is your highest level of education?
   a) Post Grad Diploma,  
   b) Bachelor’s degree,  
   c) Masters’ degree  
   d) Doctorate
4. What is your marital status?

a) Single  b) Married  c) divorced  d) Separated  e) Widowed

5. For how many years have you worked with the company?

a) Less than one year  b) 1-5 years  c) 6-10 years  d) Over 10 years

SECTION B: INDEPENDENT VARIABLE

I) CORPORATE GOVERNANCE

In this section please tick in the box that corresponds to your opinion/view according to a scale of 1 = strongly Disagree, 2 = disagree, 3 = Not Sure, 4 = Agree, 5 = strongly Agree

<table>
<thead>
<tr>
<th>No</th>
<th>STATEMENT</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Board members</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td>Our company is owned by foreigners</td>
<td></td>
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</tr>
<tr>
<td>3</td>
<td>The cost structures are determined by the owners</td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>There are any potential conflicts of interest between the company and the member of its BoC and BoD.</td>
<td></td>
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<tr>
<td>5</td>
<td>The company has an unequivocal list of the share owned by the members of the BoD and BoC</td>
<td></td>
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<tr>
<td>6</td>
<td>The company has an unequivocal list of the share owned by the families of the members of the BoD and BoC</td>
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<tr>
<td>7</td>
<td>The company has an internal written policy regarding BoD members having concurrent positions as directors in the other companies</td>
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<td>No</td>
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<tr>
<td>7</td>
<td>The company has an internal written policy regarding BoC members having concurrent positions as directors in the other companies</td>
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<tr>
<td>8</td>
<td>All committees are actively functioning in the company</td>
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<tr>
<td></td>
<td><strong>Executive Management</strong></td>
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<tr>
<td>1</td>
<td>Our company is managed by foreigners</td>
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<td>2</td>
<td>The management meets monthly</td>
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<tr>
<td>3</td>
<td>The top management makes the decisions</td>
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<tr>
<td>4</td>
<td>The planning is all participative</td>
<td></td>
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<tr>
<td>5</td>
<td>The planning is bottom up</td>
<td></td>
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<tr>
<td>6</td>
<td>The executive positions are all filled</td>
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<tr>
<td>7</td>
<td>The management reports to the BoD</td>
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<tr>
<td></td>
<td><strong>Strategic Management</strong></td>
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</tr>
<tr>
<td>1</td>
<td>The company has a vision</td>
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<td>2</td>
<td>The company has a mission</td>
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<tr>
<td>3</td>
<td>The Company has objectives and targets</td>
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<tr>
<td>4</td>
<td>The company carries out performance appraisals</td>
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<tr>
<td>5</td>
<td>Management carries out evaluation and monitoring</td>
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<tr>
<td>6</td>
<td>Management has a feedback mechanism</td>
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<td>which covers the specification of: a. the rights of shareholders b. duties of the Boards and c. the rules of disclosure</td>
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<td><strong>Risk Management</strong></td>
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<td>The company has a risk management policy</td>
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<td>2</td>
<td>The company assesses the risks that are likely to be met</td>
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<td>The company has records of the risks ever met</td>
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<td>The company avoids the risks</td>
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<td>5</td>
<td>The Company accepts the risks as they are</td>
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<td>6</td>
<td>The company transfers the risks</td>
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<td>7</td>
<td>The company mitigates the risk</td>
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<td><strong>Utilization of resources</strong></td>
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<tr>
<td>1</td>
<td>The company has enough resources</td>
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<td>2</td>
<td>The company plans for the resources</td>
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<td>3</td>
<td>The company recycles the resources that are recyclable</td>
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<td>4</td>
<td>The company uses cost centres in allocation of resources</td>
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<td>5</td>
<td>The management monitors the use of resources</td>
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<td>6</td>
<td>The company has a procurement plan for the resources</td>
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<td>The company has the recruitment policy</td>
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## II) MANAGEMENT COMPETENCY

In this section please tick in the box that corresponds to your opinion/view according to a scale of 1 = strongly Disagree, 2 = disagree, 3 = Not Sure, 4 = Agree, 5 = strongly Agree

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<td>Our managers often states where he/she wants us to go</td>
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<td>Our managers share new ideas about the company’s future</td>
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<td>I certainly know what we want to achieve in future as a bank</td>
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<td>Our managers have showed the ability to recognize abilities and skills of employees</td>
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<td>6</td>
<td>Our managers have the ability to recognizes the limitations of the employees in the company</td>
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<td>Our managers take time to listen to employee concerns and complaints</td>
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<td>9</td>
<td>Our managers are concerned and willing to tap and develop talents</td>
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<td>10</td>
<td>I am satisfied with the amount of information I receive from my supervisor(s)</td>
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<td>There is time management among the managers on due</td>
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<td>I am aware of what this company wants to reach at in the next five years</td>
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<td>Our managers do not stop at envisioning the future but they</td>
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<td>have proved that they can even do it practically</td>
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<td>Our managers share new ideas about the company’s future</td>
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<td>4</td>
<td>Our leaders have showed the ability to recognize abilities and skills of employees</td>
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<td>5</td>
<td>Managers in our company have the ability to recognizes the limitations of the employees in the company</td>
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<td>6</td>
<td>Our managers have been able to walk the talk</td>
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<td>7</td>
<td>In many instances, when a problem arises our managers have been able to under it with care</td>
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<td>8</td>
<td>Readily recognize socio-political constraints in the environment that may stand in the way of achieving organizational goals</td>
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<td>9</td>
<td>Readily recognizes barriers / forces within the organization that may block or hinder his or her goals.</td>
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<td>10</td>
<td>Open up by listening to people concerns and complaints</td>
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<tr>
<td>11</td>
<td>Our leaders sit with employees and listen to individual problems</td>
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</tbody>
</table>

**Managerial Behavior**

<p>|    | Our leaders support us in situations of crisis |   |   |   |   |   |
| 2  | I am very much inspired by what our leaders do |   |   |   |   |   |
| 3  | Our leaders go beyond self-interest for the good of the company |   |   |   |   |   |
| 4  | Our leaders keep on building mutual liking and respect among ourselves |   |   |   |   |   |</p>
<table>
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<td>5</td>
<td>Our leaders have helped us in improving our career especially when it comes to getting additional education</td>
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<td>Our leaders are too careful when an employee gets an individual problem</td>
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<td>Our demands and decisions are often supported by the administrators at work</td>
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<td>8</td>
<td>The company pays some of my bills in advance when I have an individual problem</td>
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<tr>
<td>9</td>
<td>Our leaders are approachable in case when you have a problem</td>
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<td>10</td>
<td>Our bosses often states where they wants us to go</td>
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<tr>
<td>11</td>
<td>Our managers have helped me to develop my strengths</td>
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<td></td>
<td><strong>Competition Management</strong></td>
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<tr>
<td>1</td>
<td>In the market, there are other money transfer companies</td>
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<td>2</td>
<td>The companies offers services to the customers same as yours</td>
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<td>3</td>
<td>The other companies have many branches than us</td>
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<td>Since coming of other companies, the customers have reduced</td>
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<td>5</td>
<td>Advertising or marketing is done to attract more customers</td>
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<td>6</td>
<td>From the feedback the customers are satisfied with the services</td>
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**DEPENDENT VARIABLE: FINANCIAL PERFORMANCE**

In this section please tick in the box that corresponds to your opinion/view according to a scale of 1 = Strongly Disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree, 5 = Strongly Agree

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<td>1</td>
<td>Our company has enough cash to meet its obligations effectively (as and when they fall due)</td>
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<td>2</td>
<td>All our deficits are cleared in time</td>
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<td>3</td>
<td>The company’s Return on Equity has increased for the past three years</td>
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<td>4</td>
<td>The company’s asset base has greatly increased over time</td>
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<td>5</td>
<td>The company’s income increases every year</td>
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<td>Our net income supersedes our operating costs for the last 3 years</td>
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<td>Every year our company increases shareholder’s equity</td>
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<td>8</td>
<td>Our company annually pays dividends to shareholders</td>
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<td>Our company's capital level is sufficient in relation to the company's risk profile</td>
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<td>Our company’s high market power has contributed to increased returns.</td>
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<td>Adequate level of capital has ensured the company's</td>
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<td>12</td>
<td>Our company has been in a position to keep its credit risk in check</td>
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<td>13</td>
<td>Earning capacity is a performance measure used by the company to define its financial health</td>
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<td>Our company’s reported earnings reflect the company's true earnings</td>
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<td>The liquidity level of our company is good enough to enable the bank to pay its short term obligations as they fall due.</td>
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<td>16</td>
<td>Our company has good internal cash controls and accounting processes</td>
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<td>Our company always transfers part of the net profits to reserves</td>
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<td>18</td>
<td>Our company’s level of profitability has been increasing</td>
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THANK YOU FOR YOUR PARTICIPATION!
APPENDIX IV: INTERVIEW GUIDE

1. Position in the EABL ........................................................................................................

2. Department .....................................................................................................................

1. What are some of the most important skills a leader must possess in EABL? (Probe for management, communication and interpersonal skills)
   b) In what ways, are such skills led to EABL performance?

2. Are managers have the required managerial technical skills to do the job in EABL? (Probe for leadership skills, communication skills, interpersonal skills, Time management and Duality)
   b) If yes, how do you think managerial technical skills possessed by EABL managers have improved on the performance of EABL?

3. Are managers have the required managerial technical knowledge to do the job in EABL? (Probe for visionary, decision making and strategic planning and management)
   b) If yes, how do you think managerial technical knowledge possessed by EABL managers have improved on the performance of EABL?

2. Are managers have the required managerial behaviors to do the job in EABL? (Probe for participative, supportive and directive behaviors)
   b) If yes, how do you think managerial behaviors possessed by EABL managers have improved on the performance of EABL?

3. How would you describe the general performance of EABL?

THANK YOU SO MUCH
## APPENDIX V: TABLE FOR DETERMINING SAMPLE SIZE

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Source: Krejcie and Morgan (1970, as cited by Amin, 2005)

Note.—N is population size.

S is sample size.