

CORPORATE GOVERNANCE PRACTICES OF SELECTED FAITH BASED
ORGANISATIONS IN UGANDA

By

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TABLE OF CONTENTS

LIST OF TABLES	iv
LIST OF FIGURES	v
ABBREVIATIONS AND ACRONYMS	vi
CHAPTER ONE:	1
INTRODUCTION	1
1.1 Introduction	1
1.2 Background to the Study	2
1.3 Statement of the Problem	12
1.4 Purpose of the Study	14
1.5 Objectives of the study	14
1.6 Research Questions	14
1.7 Conceptual Framework	15
1.8 Significance of the Study	18
1.9 Justification of the Study	19
1.10 Scope of the Study	20
1.10.1 Geographical Scope of the Study	20
1.10.2 Time Scope of the Study	20
1.10.3 Content Scope of the Study	20
1.11 Operational definitions	21
2.1 Introduction	22
2.2 Theoretical Review	22
2.2.1 Agency theory	23
2.2.2 Stewardship theory	24
2.2.3 Stakeholder theory	25
2.2.4 Enlightened Stakeholder/Shareholder theory	26
2.2.5 Managerial hegemony theory	27
2.2.6 Resource dependency theory	27
2.2.7 Theories underpinning this study	28
2.3 International approaches to Corporate Governance	29
2.4 Corporate Governance in Africa	33

2.4.1	African Peer Review Mechanism	33
2.4.2	South Africa	34
2.5	Corporate Governance in Uganda	35
2.6	Faith Based Organisations	37
2.6.2	Models of Governance of FBOs	40
2.6.3	Principles of corporate governance in FBOs	43
2.7	Review of Related Studies	45
2.8	Conclusion	56
CHAPTER THREE:		58
METHODOLOGY		58
3.1.	Introduction	58
3.2.	Research design	59
3.3.	Study population	65
3.4.	Sample Size	67
3.5.	Sampling technique and procedures	69
3.6.	Data Collection Methods	71
3.7.	Data collection Instruments	73
3.8.	Pre-testing, Validity, and Reliability	74
3.8.1	Construct Validity	75
3.8.2	Internal Validity	75
3.8.3	External Validity	75
3.8.4	Reliability	76
3.8.5	Pilot/pre – testing	77
3.9.	Data analysis	77
3.10.	Ethical considerations	79
3.11.	Limitations of the Study	81
REFERENCES		82
ANNEX 1: INTERVIEW GUIDE FOR BOARD CHAIR.....		91
ANNEX 2: INTERVIEW GUIDE FOR CEO		106
ANNEX 3: INTERVIEW GUIDE FOR OTHER PERSONS INVOLVED IN GOVERNANCE/ CRITICAL STAKEHOLDER GROUP REPRESENTATIVE e.g. REPRESENTATIVE OF FUNDERS/RELIGIOUS LEADER/ PATRON, etc		125

ANNEX 4: CHECKLIST FOR APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES IN SELECTED FBOs.....	134
ANNEX 5: INTERVIEW GUIDE FOR EXPERT INTERVIEWS.....	139
ANNEX 6: FOCUS GROUP DISCUSSION GUIDE FOR BENEFICIARIES	146
ANNEX 7: PROPOSED SCHEDULE/PLAN.....	149

LIST OF TABLES

Table 1: Corporate Governance Models for Faith Based Organisations.....	43
Table 2: Summary of Related Literature	45
Table 3: Selected Case Organisations' details.....	64
Table 4: Study Population	65
Table 5: Sample Size	69
Table 6: Quality tests for the Case Studies	74

LIST OF FIGURES

Figure 1: Conceptual Framework	16
Figure 2: Selected Case Organisations	64

ABBREVIATIONS AND ACRONYMS

APRM	African Peer Review Mechanism
FBO	Faith Based Organisations
ICGU	Institute of Corporate Governance of Uganda
ICSA	Institute of Chartered Secretaries and Administrators
NGO	Nongovernmental Organisation
NPO	Nonprofit Organisation
UK	United Kingdom
US	United States

CHAPTER ONE:

INTRODUCTION

1.1 Introduction

This study is an exploratory study, analyzing Corporate Governance practices in selected Faith Based Organisations (FBOs) in Uganda. FBOs are very important to developing countries like Uganda as they are a major player in the development of the country (Barr, Fafchamps, & Owens, 2003). It is therefore important that they function effectively. Good corporate governance is key in ensuring that corporate goals are met (Austen, 2007). This is because Corporate Governance is about ensuring that a Corporation is run in such a manner as to achieve its objectives (Coyle, 2006). The study shall, using a case study approach, examine the nature of corporate governance in FBOs in Uganda and the governance practices of eight selected FBOs in Uganda. It will then analyse them against corporate governance principles and best practice as deduced from major corporate governance codes and guidelines in order to establish whether they are adequate or they have inadequacies, and from this develop a framework for corporate governance best practice for FBOs in Uganda. This will help to improve the governance of FBOs in Uganda in order to enable them achieve their objectives even more easily (Austen, 2007).

In addition to the introduction, this chapter will also deal with the background to the study, the statement of the problem, the purpose, the objectives, the research questions, the scope of the study, conceptual framework, significance, justification and operational definition of terms and concepts.

1.2 Background to the Study

Although there has been a lot of interest in corporate governance in the twentieth century (Melyoki, 2005), the concept of corporate governance dates back to the 18th Century when Smith (1776) in *The Wealth of Nations*, raised the issue of lack of incentives on the part of directors to look after other people's money with as much care as the owners themselves would (Tricker, 2000; in Melyoki, 2005).

The famous UK case of SALMON VS. SALMON (1897) was to be decisive in the development of the firm, when the English House of Lords ruled that a Company once incorporated, is a Legal entity with distinct legal personality separate from that of the shareholders or directors. Thus, the shareholders could not in their own right control the company. Similarly, the actions of directors in running the company were not in their own right, but on behalf of the company. As such, the decisions of the directors could not be impeached merely because the shareholders did not like them, or they were not in their interest.

The Privy Council of the House of Lords further decided that directors are the controlling minds of the company (LENNARD'S CARRYING CO LTD VS. ASIATIC PETROLEUM CO. LTD, 1915). While expounding on the concept of the company viz a viz its director, Lord Viscount Haldane (*ibid*) stated, "... a corporation is an abstraction. It has no mind of its own any more than it has a body of its own; its active and directing will must consequently be sought in the person of somebody who for some purposes may be called an agent, but who is really the directing mind and will of the corporation, the very ego and centre of the personality of the corporation ...". The directors therefore, and not the shareholders are responsible for directing the company.

This issue of separation of ownership and control was to generate great debate after Berle and Means (1932) argued in their article, *The Modern Corporation and Private Property*, that the creation of the firm as an entity led to the separation of ownership and control, and yet managers were no longer accountable to either their owners or society (Scott, 1997, Mizruchi, 2004, Melyoki, 2005). This led to the need to protect the investment of the owners from exposure beyond what they were willing to invest (Berle and Means, 1932). It was expected that since directors are appointed by the shareholders, the shareholders had indirect control over the affairs of the company. Shareholders therefore have no say on how the directors run the companies until the next Annual General Meeting (AGM) (Coyle 2006).

Under the Common Law legal system, which is applicable in Uganda, directors have fiduciary duties to the company. They have a duty to act bona fide and in the interest of the company, and not to act in a manner that is detrimental to the company (RE SMITH & FAWCETT LTD., 1942)). In the case of the Privy Council of the House of Lords further held that a director must avoid situations which give rise to conflict of interest in contracts with the company (COOK VS. DEEKS, 1916). The fiduciary duties under the Common Law legal system are therefore to the company, and not its owners. Moreover, their actions were protected by the legal 'corporate veil,' where a director cannot be held liable for actions done on behalf of the company on grounds that the company is a separate legal entity as emphasized in the case of SALMON VS. SALMON (House of Lords, 1897)

Mechanisms therefore had to be put in place to ensure that controllers (Directors) run the corporation in a manner consistent with the interests of the owners (shareholders) and society's general good, which led to the development of corporate governance.

It should be noted that 'corporate governance' as a term has only been in since the 1980s (Parker, 1996). According to Melyoki (2005), the concept of corporate governance gained prominence in the 1980s because of the several stock market crashes in different parts of the world and the collapse of a number of prominent corporations that were thought to be performing well, largely as a result of poor governance. There was also increased acknowledgement of the role of improved Corporate Governance practices in the development of the economy of a country (Claessens, 2006; Clark, 2004).

Different countries have had various approaches to corporate governance, based on their unique experience and legal regime (Jones, 2005). Internationally, the US and UK have taken the lead in the development of corporate governance (Tumuheki, 2007). In the UK, a number of companies collapsed unexpectedly in the 1980s and 1990s, including Polly Peck International, the Bank of Credit and Commerce International, and the Mirror Group News International (Marc, 2012). In each case, there seemed to be serious accounting or financial reporting irregularities and inadequate internal controls and risk management (Coyle, 2006). This led to increased interest in the way that corporations are governed. As a result, a number of Codes and Reports on Corporate Governance were developed such as the Cadbury Report on the financial aspects of corporate governance(1992), the Mynres Report (1995), Greenbury Report on Directors' remuneration (1995), Combined Code (1999), with several revisions, culminating into the UK Corporate Governance Code (2014), Turnbull Report (1999), Higgs Report on the role and effectiveness of non-executive directors (2003), and Smith Report on Audit committees(2003).The UK Corporate Governance Code (2014)applies to all companies with a Premium listing of equity shares regardless of whether they are incorporated in the UK or elsewhere, with effect from accounting periods beginning on or after 1st October 2014. The

Code provides that “Boards of directors are responsible for the governance of their companies. The shareholders’ role in governance is to appoint the directors and auditors and to satisfy themselves that an appropriate governance structure is in place. The board’s actions are subject to laws, regulations, and shareholders in general meeting.” The listing Rules in the UK provide for an obligation to disclose the extent of listed companies’ compliance with the Corporate Governance Code, and to explain the rationale for any non-compliance in their annual report and accounts.

The US on the other hand took a legislative approach with the enacting of the Sarbanes – Oxley Act in 2002, largely as a reaction to large corporation failures such as Enron and bank collapses (Coyle 2006). All companies must comply with the Sarbanes – Oxley Act, that introduces practices aimed at improving corporate governance, and accurate financial reporting. Other countries like Japan, China, and Germany have also followed suit in the development of corporate governance, with the adoption of unique models such as the Japanese Family enterprise model and the two-tier board of continental Europe (Vires, 2000).

In Africa, South Africa led the way in terms of development of corporate governance with the publication of the King Report on Corporate Governance for South Africa (King I) in 1992 (Tumuheki, 2007). This was followed by the King II (2002), and King III (2009) Reports, produced by the Institute of Directors, South Africa (Institute of Directors, South Africa, n.d). The Organisation for Economic Cooperation and Development (OECD) has also produced principles aimed at assisting developing economies in the area of corporate governance. The Commonwealth Association for Corporate Governance (CACG) also developed guidelines for members. Other African countries have also issued various Codes, and incorporated Corporate Governance into their laws, although the King Reports, Commonwealth Guidelines and the

OECD model have still been the major source for corporate governance principles and best practice in Africa (Tumuheki, 2007).

Uganda on the other hand has had a mixed approach to corporate governance (*ibid*). Awakened by the collapse of several banks during the period of 1998 – 2000, such as Greenland Bank and Cooperative Bank due to poor governance practices, the Government enacted the Financial Institutions Act 2004, whose Part VII deals with corporate governance. The Capital Markets Authority Act (Cap 165) and Capital Markets (Corporate Governance) Guidelines, 2003 were also enacted to provide a framework for corporate governance in capital markets, overseen by the Capital Markets Authority and Uganda Securities Exchange. The Nongovernmental Organisations Registration Act Cap 113, enacted in 1989 to govern NGOs was amended in 2006 to give NGOs corporate status (NGO Registration (Amendment) Act, 2006). The NGO Registration (Amendment) Act (2006) also establishes in Section 4 and 7 the NGO Board to incorporate and regulate operation of NGO, and to enact guidelines for registration and operation of Community Development Organisations (CBOs). The NGO Registration Regulations, 2009 have been enacted under the Act. The Act and Regulations however do not deal with corporate governance in adequate detail (NGO Registration Regulations, 2009). Recently, the Companies' Act Cap 110 was overhauled in 2012, to provide for corporate governance in more detail among others (Atim, 2014). The new Companies Act (2012) includes a Code Corporate Governance as Table F, which Public Companies must comply with or explain non compliance, and Private Companies may voluntarily adopt it in its Articles of Association, in which case it would be compulsory for them to apply it. Other than these endeavors, corporations in Uganda have been left to adopt corporate governance principles as they see fit.

The Institute of Corporate Governance of Uganda (ICGU) was incorporated as a company limited by guarantee in 1998 and launched in 2000 to promote corporate governance (ICGU, n.d.). The Institute of Chartered Secretaries and Administrators, Uganda Chapter (ICSA – Uganda) has also been rejuvenated recently to among others promote corporate governance (ICSA, n.d.). These have been the major strides which Uganda has taken to develop corporate governance, although they have mainly focused on Public Institutions and Financial Institutions leaving out Nonprofit Organisations including Faith Based Organisations.

The development of corporate governance internationally has been underpinned by various theories and models. Countries that follow the Common Law legal system such as the UK and US have tended to adopt the ‘shareholder model’ to governance, also known as the “Outsider model (Tumuheki, 2007). Here, the firm is run primarily for the purpose of maximizing shareholder value. However, civil law countries like France and Germany tended to follow the “stakeholder approach” also referred to as the “Insider Model.” Here, the corporation is run in the interests of all the stakeholders. The former have tended to adopt the one – tier Board, whereas the latter have adopted the two – tier board, with a Governing Board and a Management Board (Taylor, 2010). However, the UK, with the Companies Act of 2006, moved towards adopting the “Enlightened shareholder approach” (*ibid*). S172(1) of the Act places an obligation on directors to ‘have regard to’ a range of other stakeholder interests in pursuit of their general duty to promote the success of the company, and S417 sets out specific qualitative information which directors must include in their report to shareholders. As such, they are answerable to the shareholders and their primary interest is in promoting the success of the company, although they must take into consideration other stakeholders in doing this. Africa has tended to have a mixed approach. The legal provisions for corporate governance in Uganda, although not fully

developed have had due regard to shareholders, investors, and government interests, especially with respect to financial institutions and public companies.

Conceptually, Corporate Governance has been defined variously. Generally, it refers to the way in which corporations are governed, and to what purpose (Coyle, 2006). It can also be said to be about seeing that a corporation is run properly (Tricker, 1984). At its most elementary, corporate governance is simply about the interaction and relationship among the various participants, or stakeholders, in determining both the performance and the direction of companies (Keong, 2005). It is about how the powers of the different stakeholders are exercised, and how such power – holders are held accountable for the exercise of those powers (*Ibid*).

The Institute of Corporate Governance of Uganda (ICGU) defines Corporate Governance as the system by which companies and corporations are directed and controlled (ICGU, n.d), a definition that is supported by the UK Corporate Governance Code (2014) and the OECD Model of Corporate Governance. It is concerned with practices and procedures for trying to ensure that a corporation is run in such a way that it achieves its objectives. This is because every Corporation is entrusted with resources and power. This power allows for the achieving of outcomes beyond the reach of the individual (Scott, 2003). As a result of the importance of ensuring that corporations are directed effectively, especially in the light of several corporate failures in the near past, a number of principles, largely enshrined in Codes of Best Practice have come to be developed and universally acknowledged (Tumuheki, 2007). Internationally, the most significant are the UK Code of Corporate Governance (formerly Combined Code) and the Sabanes – Oxley Act of US. The OECD model also provides best practice targeted at developing countries. In Africa, the most influential ones are the Kings’ Codes of South Africa. In Uganda,

the ICGU has developed the Corporate Governance Manual, which spells out principles and best practice for Ugandan corporations (ICGU, n.d.).

A number of studies have indicated that there is a significant relationship between corporate governance and performance (John & Senbet, 1998; Jones, 2005; Sanda et al, 2011; Waduge, 2011, Claessens and Yurtoglu, 2012). They argue that improved corporate governance leads to improved performance of firms. In view of this, they came up with suggestions on how corporate governance can be improved. However, these studies were focused on corporate governance in public corporations. This study on the contrary will focus on faith based organizations in Uganda.

Coyle (2006) emphasizes that corporate governance is not only important to public Corporations, but also to private businesses, and Nonprofit organizations and charities. Nonprofit Organisations have been referred to as the ‘Third Sector,’ with Government being the First Sector and Private Businesses the Second Sector (Jones, 2005; Rehli, 2011). Rehli (2011, p11) describes the third sector as “a sector distinct from government and for-profit businesses and is sometimes referred to as the not-for-profit or nonprofit sector.” Jones (2005) observes that the third sector plays a major role in the development of the community. It is growing all over the world and gaining impact (Salamon et al, 1999; Anheier, 2005; Rehli, 2011). In fact, it has been one of the most striking features of the last century.

Coward (2010) acknowledges that corporate governance plays a major role in the management of all types of organisations both in developed and developing countries. Although lots of studies have been conducted into large Business Corporations, not much research has been conducted into Nonprofit organizations (NPOs) (Carver and Carver, 2001). This has largely been because the business corporation was largely considered to be the primary corporation as it

deals directly with the factors of production, which has left other types of corporations such as NPOs out. This is undesirable considering that capital markets are still largely underdeveloped in Africa, and private companies and NPOs play a major role in society (Change, 2012). Rehli (2011) observes that the governance of NPOs is very different from the governance of private businesses because they do not have one formal owner, such as shareholders of for-profit enterprises, but rather multiple owners including members, donors, volunteers, and the beneficiaries (Anheier, 2005). This has led to the development of a number of models for nonprofit governance, such as Carver's Policy Governance Model (1997) and Houle (1997)'s traditional model of governance (Rehli 2011). Although FBOs form a major part of NPOs (Collen, 2011; Mcloughlin, 2011; Jones, 2005), much of the research into the third sector has been general to Nonprofit Organisations (Jones, 2005). Very little is known about how they operate (Kaseman a& Austin, 2005). Lately, Faith Based Organisations too have come under greater scrutiny (Hall, 2002). This has been as a result of greater funding by governments and international agencies, coupled with a number of scandals in FBOs such as cases of abuse among Tele-evangelists and allegations of abuse in the Roman Catholic Church (*ibid*). This leads to the need to study the governance of FBOs distinctly in order to devise means of ensuring their objectives are met more effectively in order to enhance performance.

Although a number of models have been developed for governance of NPOs in developed countries, these 'best practices' are not directly applicable in developing economies because of political, economic, technological, and cultural differences (Olarinmoyo, 2012). There is therefore a need to develop other models that consider the peculiar situation of each country in Africa (Mulili, 2011). As Mulili (2011) notes, limited research has been done in the area of corporate governance in developing economies, especially those in Africa. Most of the

studies that have been done have concentrated on public corporations and financial institutions (Mulili, & Wong, 2011). There is therefore a need to study FBOs' governance in developing countries, in order to enhance their efficiency, given the major role they play in development

Uganda has generally followed the trend of developing countries in its corporate governance development.. Much of its endeavours have been geared to promoting corporate governance in Public Corporations and Financial Institutions (Tumuheki, 2007; Musaali, 2010). This has been through enactment of laws such as the Financial Institutions Act, 2004; the Capital Markets Authority Act, Cap 84, and the Capital Markets Authority (Amendment) Act, 2011 among others. It has also enacted the Companies Act, 2012 with an optional Table F that deals with Corporate Governance. The Institute of Corporate Governance of Uganda (ICGU), a not-for-profit membership organisation, was incorporated by Guarantee to promote corporate governance in 1998 (ICGU, n.d). It published the Corporate Governance Manual in 2001, whose aim is to provide a basic framework for the establishment and development of Corporate Governance in Uganda. It however is geared more towards for-profit companies (ICGU, 2001).

ICGU has mainly focused on for-profit companies, both public and private in its activities and publications (ICGU, n.d). It also produces a regular Magazine, 'Sustainable Wealth,' which largely focuses on Corporate Governance in the business sector. The Capital Markets Authority (Uganda), (CMA(U)) publishes a regular industry journal, the 'Capital Markets Journal,' although this focuses on Capital Markets (Capital Markets Authority (Uganda) (CMA(U), n.d).Barr et al (2003) established that Nongovernmental Organisations (NGOs) play a major role in developing Uganda. They further note that because they access funding largely from donors, there is need for proper governance. Of the NGOs verified as existing in Uganda, FBOs formed 30%, which is a sizeable proportion, and yet no specific study has been carried out on the

governance of Faith Based Organisations, hence the need for this study. This need is accentuated by allegations of corporate governance scandals in FBOs, both internationally and in Uganda. Internationally, televangelists have been battling with allegations of financial mismanagement (Wikipedia, n.d.) They have been accused of running organisations meant to enrich themselves instead of preach the true gospel (MacArthur, 2009). The catholic church has been battling allegations of mismanagement and stifling of whistleblowers (Aravosis, 2013). In Uganda, a number of scandals involving FBOs have occurred. These include among others, allegations of financial impropriety and failure to put to intended use donor resources by a number of FBOs, leading to withdrawal of funding, mismanagement, and failure to adhere with the law and policies leading to the closing of a number of FBOs (Kiraga, 2014). There is therefore need to study corporate governance in FBOs, with the aim of developing a framework for corporate governance best practice in FBOs in Uganda. This will go a long way in improving corporate governance, and hence performance of FBOs in Uganda.

1.3 Statement of the Problem

FBOs play a major role in development, especially in developing countries as they provide services to the people that would not have otherwise accessed them due to their large partnership networks, ability to penetrate the grassroots and to engage local communities (Salamon et al, 1999; Anheier, 2005; Jones, 2005; Collen, 2011; Mcloughlin, 2011). A number of researchers have found that there is a relationship between adhering to corporate governance principles and best practice and performance (John & Senbet, 1998; Jones, 2005; Mulili, 2011; Sanda et al, 2011; Waduge, 2011, and Claessens and Yurtoglu, 2012). It is therefore important that FBOs are governed well (Lipman & Lipman, 2006).

FBOs have multiple stakeholders and a religious leaning operate through partnerships between funders, the religious body, the organizational structure, and the hosting community which often leads to a disconnect in rhythm, purpose, and values, and they are besieged with weak governance systems (Balds, 2004; Collen, 2011).

However, most governance studies have focused on the Public Sector and businesses, especially public companies (Jones, 2005; Tumuheki 2007); and the setting has mainly been in developed countries (Shleifer & Vishny, 1997; Mulili, 2011). These studies are not directly applicable in developing economies like Uganda because of political, economic, technological, and cultural differences (Mensah 2002). Corporate governance itself as a discipline is generally still very young in Uganda (Tumuheki, 2007; APRM, 2009; Musaali, 2010) and has focused on the general corporate governance framework, public institutions, and financial institutions (Wanyama, 2006; Tumuheki, 2007; Walabyeki, 2008, Matama, 2008; Akodo & Moya, 2008; Musaali, 2010; Katwesigye, 2012; Tusubira & Nkote, 2013). Therefore, corporate governance in FBOs in Uganda has not been explored.

Meanwhile, corporate governance challenges and questions continue to be raised in the context of FBOs in Uganda. These include issues of accountability and misappropriation of funds leading to severing of financing by major funders, conflicts and differences between funders and the FBOs, disconnect between FBOs and their members, and governance lapses (Ebb, 2008; Niringiye, 2013, Kiragga; 2014).

There is therefore need to study the corporate governance practices of selected FBOs in Uganda and to contrast them against the corporate governance principles in order to determine their applicability and subsequently to develop a framework for corporate governance best practice of FBOs in Uganda.

1.4 Purpose of the Study

The purpose of the Study is to analyse the corporate governance practices of selected Faith Based Organisations in Uganda in order to develop a framework for corporate governance best practice in Faith Based Organisations in Uganda .

1.5 Objectives of the study

The study shall be based on the following objectives:

1. To investigate the nature of corporate governance of Faith Based Organisations in Uganda
2. To explore the governance practices of selected Faith Based Organisations in Uganda
3. To analyse the application of corporate governance principles in the governance of selected Faith Based Organisations in Uganda
4. To develop a framework for corporate governance best practice in Faith Based Organisations in Uganda.

1.6 Research Questions

The study shall be guided by the following Research Questions:

1. What is the nature of corporate governance of Faith Based Organisations in Uganda?
2. What are the governance practices of the selected Faith Based Organisations in Uganda?
3. How are corporate governance principles applied to the governance of selected Faith Based Organisations in Uganda?
4. How can a framework for corporate governance best practice be developed for Faith Based Organisations in Uganda in the context of this study?

1.7 Conceptual Framework

A conceptual framework may be defined as “a visual presentation that explains either graphically or in narration form, the main things to be studied – the key factors, concepts, or variables, and the presumed relationship among them” (Miles and Huberman, 1994, p18). According to Vaughan (2008), it provides the structure/content for the whole study based on literature and personal experience. He further argues that Conceptual framework is important, even in qualitative studies, as it helps to give an idea/direction to a study. In view of this, the Conceptual framework to this study has therefore been developed as a guide to this study.

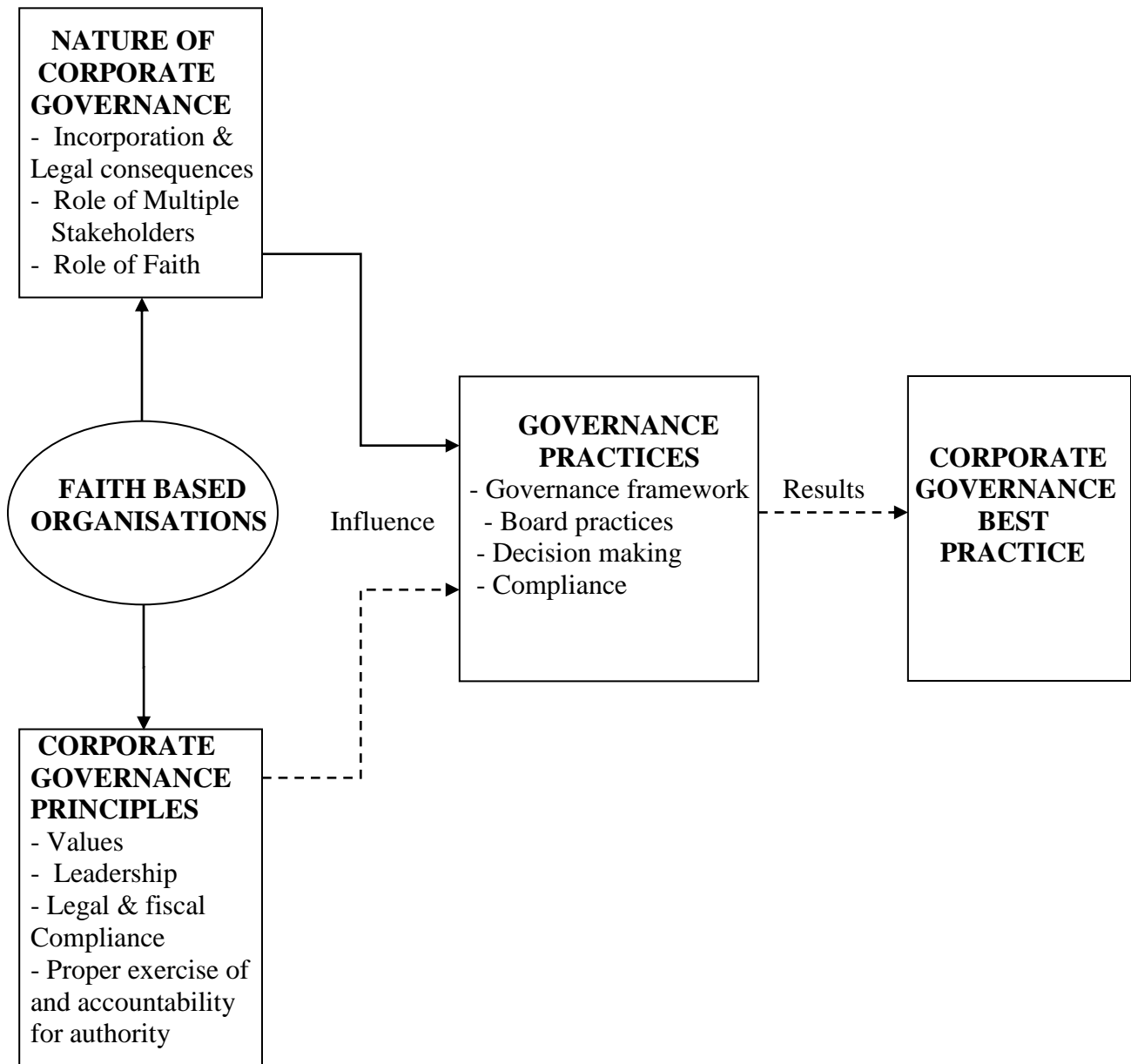


Figure 1: Conceptual Framework (Developed by Researcher from available literature)

Faith Based Organisations (FBOs) are a unique type of Non Profit Organisations, both in character and purpose (Jones, 2005), and so their governance as well is unique. In Uganda, they take different incorporation/registration forms. These include Companies Limited by Guarantee

under the Companies Act, 2012, Trusteeships incorporated under the Trustee Incorporation Act, Cap 165, Non Governmental organizations, incorporated under the Nongovernmental Organisations Registration Act, Cap 113 as amended by the Nongovernmental Organisations registration (Amendment) Act, 2006, Community Based Organisations, and Unregistered Organisations. Each of these has its own legal regime that determines how it should be governed. One thread that runs through these corporate vehicles is that they are not for profit, but rather to serve a particular need. Furthermore, FBOs have various stakeholders, each with a claim to the firm (Rehli, 2011). The major actors in the governance of FBOs are the Board, led by its Chairman, senior management led by the Chief Executive Officer (CEO), , religious leaders, contributors, partnering organizations, members, and beneficiaries (Jones 2005, Rehli, 2011). These, each have a role to play, in the achieving of the FBO's goals and objectives. Furthermore, FBOs derive inspiration and guidance for their activities and governance from the teachings and principles of a faith, or from a particular interpretation or school of thought within a faith (Clark & Jennings, 2007). Arising from this, one of the most critical questions is the role of faith viz a viz the 'secular' governance models (Bolds, 2004). Jones (2006) argues that the religious aspect of FBOs must permeate every aspect of governance for them to be authentic. These inevitably have an influence on the governance practices of FBOs as the practices reflect the nature of corporate governance of the FBOs.

The governance practices of FBOs cover major areas. These include the governance framework of the FBO, Board practices, decision making processes, and legal and regulatory compliance (Caver, 1997). The Board is the primary governance organ (Coyle, 2006). Good Corporate Governance calls for proper exercise of authority by a properly constituted

Board.(ICGU, 2001).In doing so, it must take into account the special nature and purpose of the FBOs.

A number of corporate governance principles have been developed over time. These may be summarized into ensuring of values; effective leadership; legal and fiscal compliance; and proper exercise of authority and accountability for it by the various players (Independent Code of Governance of Nonprofit Organisations in South Africa, 2012, Coyle, 2006, OECD, ICGU, 2008). Application of these principles, even in studies conducted in Uganda has been found to enhance performance (Akodo & Moya, 2008; Matama, 2008; Tuskuubira & Nkote, 2013). Once these principles therefore influence and are manifested in the governance practices of FBOs, it will result into FBO governance best practice, hence improved performance. Therefore, if the corporate governance practices of FBOs in Uganda, which are influenced by the nature of corporate governance of the FBOs, are also influenced by the principles of corporate governance, they will exhibit corporate governance best practice, hence improving performance. This study will therefore examine the nature of FBOs in Uganda, investigate their governance practices, and analyse the application of corporate governance principles in their governance, in order to develop a framework for best practice in governance of FBOs.

1.8 Significance of the Study

This study will be of significance both to theory and practice.

It will be useful to academics by contributing to the body of knowledge on corporate governance in FBOs. It will specifically contribute to knowledge on corporate governance practices of FBOs in Uganda.

Practically, the study will be useful to Faith Based Organisations. It will develop best practices that FBOs can adopt so as to improve their governance.

It will be useful to contributors to FBOs, by providing best practice for the FBOs, hence improving their effectiveness, in order to ensure that their funds are utilised efficiently.

The study will be significant to Government and policy makers, since it will analyse the corporate governance practices of FBOs. This will help to identify gaps and recommend ways of filling them, especially through policy development and legislation where necessary.

1.9 Justification of the Study

Although corporate governance is a relatively new discipline of study (Bradshaw, Hayday, & Armstrong, 2012), quite a good amount of research has gone into governance at the International perspective and in developed countries. However, not much study has gone into developing countries (Mensah, 2002; Mulili, 2011). Nonprofit Organisations (NPOs), especially FBOs even lie more behind in terms of research, and yet they play a major role in development in developing countries. Not much study has gone into corporate governance in FBOs (Olarinmoye, 2012), and yet corporate governance is an instrument of enhancing efficiency and effectiveness. This study therefore seeks to fill that gap by exploring corporate governance practices in FBOs in Uganda in order to develop best practice. This will go a long way in improving the efficiency of FBOs, hence aiding development.

1.10 Scope of the Study

1.10.1 Geographical Scope of the Study

The study will be carried out in eight selected FBOs in Uganda. These will be FBOs with a National presence, i.e. operating in the various regions of Uganda.

1.10.2 Time Scope of the Study

The Research will cover the present time. This is because the study will look at current corporate governance practices in FBOs and their rationale, which will enable the researcher to analyse and contrast them with present day corporate governance principles in order to identify gaps in the practice, and recommend a relevant framework for best practice for corporate governance of Faith Based organisations in Uganda.

1.10.3 Content Scope of the Study

The study will be limited to the Governance of the eight selected Faith Based Organisations. It will look at the nature of corporate governance of FBOs in Uganda in terms of their legal and regulatory framework in Uganda, and their unique character. It will also look at the governance practices of selected FBOs in contrast to corporate governance principles, and a framework for best practice will be developed. It will specifically cover four non-denominational FBOs and four Pentecostal FBOs. This is because the non-denominational FBOs are representative of the various denominations, and Pentecostal Churches and adherents are the fastest growing in the country as per the National Census, 2002.

1.11 Operational definitions

The following words/phrases are used as elucidated:

Common Law – The principles and rules of action, embodied in case law rather than legislative enactments applicable to the government and protection of persons and property that derive their authority from the community customs and traditions that evolved over the centuries as interpreted by judicial tribunals, and prevails in England, the United States, and other countries colonized by England (Legal dictionary, n.d.).

Corporate Governance – “the system by which corporations are directed and controlled, and for what purpose” (ICGU, 2008, p15; Coyle, 2006)

Faith Based Organisation – “any organization that derives inspiration and guidance for its activities from the teachings and principles of the faith or from a particular interpretation or school of thought within the faith,” (Olarinmoye, 2012, p3)

Stakeholders – “an identifiable group of individuals or organisations with a vested interest.”(Coyle, 2006, p10)

Third Sector – Organisations that are formed and sustained by groups of people (members) acting voluntarily and without seeking personal profit to provide benefits for themselves or for others; are democratically controlled; and where any material benefit gained by a member is proportional to their use of the organisation. (Lyons 2001, p5, in Jones, 2005, p11)

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the available literature in the field of study. It analyses previous studies in corporate governance, especially in Faith Based Organisations (FBOs), in order to identify the gaps that the study intends to fill. The chapter approaches the review thematically. It looks at the theories of corporate governance, and identifies those that this study will be based on. It looks at the development of and approach to Corporate Governance internationally, in Africa, and at national level. The chapter then looks at Faith Based Organisations specifically. It looks at FBOs in Uganda, and their framework. It then looks at the various models and approaches of governance of FBOs that have been put forward by various studies, and best practices. It then analyses the most relevant studies and gives their synthesis, thereby identifying the specific gaps that the study intends to fill.

2.2 Theoretical Review

There are traditionally seven theoretical perspectives for explaining the phenomenon of corporate governance: transaction cost theory, agency theory, resource dependence theory, managerial hegemony theory, class hegemony theory, stakeholder theory, and stewardship theory (Melyoki, 2005). However, two of these, the Agency (also known as ‘shareholder theory’), and the stakeholder theory have generally speaking stood out more (Taylor,2010). This could be attributed to the fact that the issue of ‘for who’ the corporation is governed will often answer most of the questions relating to ‘how it is governed’ and the shareholder and stakeholder

theories squarely address this question (*ibid*). This study shall however be based on the stakeholder theory and the resource dependence theory. Below is an analysis of the seven primary theories of corporate governance in order to show why the study shall be based on the stakeholder and resource dependence theories.

2.2.1 Agency theory

The Agency theory has been the dominant theory for the study of corporate governance (Clarke, 2004; Taylor, 2010). Sanda et al (2011) observe that the Agency theory provides the theoretical underpinning upon which the literature on corporate governance has flourished. The development of the Agency theory is attributed to Stephen Ross and Barry Mitnick in 1973, although it can be traced much earlier. It has its roots in the development of the concept of the firm (Berle and Means, 1932), where a firm is looked at as having two distinct persons – the owner and the manager, with the owner supplying the capital, while the manager has control over its activities and yet the owner supplies the capital, which control he may not exercise with due regard to the owner’s interests. Coarse (1937) argues that people are self-interested, rather than altruistic, and cannot be trusted to act in the best interest of others. On the contrary, they act to maximize their utility. The managers of FBOs cannot be trusted to apply resources at their disposal to the interest of the suppliers of the resources/contributors.

According to the Agency theory, managers/directors are considered to be agents of the shareholder (Eisenhardt, 1989b; Fama, 1980). They are thus expected to work in the best interests of the owners. However, without adequate monitoring, sanctions, and incentive schemes, the appointed managers may divert resources away from achieving the benefits of the shareholders (Hawley & Williams, 1996). Furthermore, in cases of asymmetry of information,

the agent may not be sure of the interests of the Principal (Eisenhardt, 1989b). Even when he is aware, their interests may not be aligned. Mechanisms thus must be put in place to ensure that the agent runs the firm in the best interests of the principal, leading to a need to have mechanisms to align these interests. This is especially so in FBOs, where the owners may not be easily ascertainable, due to multiplicity of players.

The major criticism of the Agency theory is that it assumes that the firm exists primarily to serve the interests of the shareholder/owner, without taking into account other concerned parties. This is magnified in Faith Based Organisations (FBOs), where one may not easily tag one person/group as the owner. Is it the contributors? The founders? The members? Or the beneficiaries? The Agency theory may thus not be the best basis of the study of FBOs hence the need to take into account the various players.

2.2.2 Stewardship theory

In contrast to the Agency theory where it is assumed that the interests of the Principal are contrary to those of the Agent, the Stewardship theory assumes that managers behave as if the organization were their own, and therefore act as effective stewards of an organisation's resources (Davis, Schoorman, & Donaldson, 1997; Rehli, 2011). As such, the board's primary role is strategic. However, this theory may be deemed to be idealistic. This is because, in the practical world, Agents cannot be said to always be in tandem with the interests of the Principal on their own. It also assumes that the interests of the Principal can be determined clearly. FBOs have very many players including founders, contributors, members, beneficiaries, and managers. It is idealistic to assume that the managers appreciate and work in the interest of these. This is made even more difficult by the question of, who the true owner of the FBO is among these.

2.2.3 Stakeholder theory

The stakeholder theory was developed as an alternative to the Agency/Shareholder and the stewardship views, to correct the ethical issues that arise out of considering the interests of the owners only (Taylor, 2010). The stakeholder theory is attributed to Freeman's publication of his landmark book, *'Strategic Management: A Stakeholder Approach'* in 1984. Freeman (1984) argues that the business must take into consideration not only the interests of the owners, but also those of the various stakeholders of the firm. He notes that the term 'stakeholders' was coined by the Stanford Research Institute (SRI) who in the 1960s coined the word, perhaps as a deliberate play on 'stockholder' to describe the various groups who have a 'stake' in a business enterprise, that is, those groups without whose support the organization would cease to exist (SRI, 1963 in Freeman, 1984, p34). Thus, instead of treating shareholders/owners as the sole group whose interest the agent should protect, the stakeholder theory sees other groups such as employees of the firm, creditors, and government as having equally vital stakes in the firm, a fact amply demonstrated by thousands of job losses, reduced tax revenues, and high costs of litigation that came in the wake of such high-profile corporate frauds as occurred at Enron, Global Crossing, Parmalat, and Worldcom (Sanda et al, 2011). This is because the corporation operates in a larger society than the owners. As such, the interests on the other parties cannot be ignored (Clarkson, 1994; Blair, 1995; Turnbull, 1997). Boards ought therefore to provide a voice to critical stakeholders. Potter (1992) recommends that this can be through stakeholders having representatives on the Board.

The Stakeholder theory is relevant to the current study considering that FBOs are not established as profit making ventures, but to fulfill a particular objective. They often have multiple Principals, such as the founders, contributors, staff, and beneficiaries, and so their

interests are important. However, the criticism is that it can be very confusing to the Agent to consider several interests. Determining which to be the guiding interest may not be that easy.

2.2.4 Enlightened Stakeholder/Shareholder theory

In answer to this, Jensen (2001) proposes the enlightened stakeholder/shareholder theory. In other words, the primary interests of the Shareholder are enlightened by the interests of the other stakeholders, which should not be neglected entirely (Coyle, 2006; Taylor 2010). That by pursuing the goal of maximizing long-term value of the firm, managers could serve the interests of all stakeholders. Coyle (*ibid*) recommends that directors ought to pursue the interests of the owners, but in an enlightened and inclusive way, by taking into consideration other stakeholders. Taylor (2010) observes that the enlightened shareholder aims at protecting the integrity of the firm, while also catering for the other stakeholders. However, this too may not be that easy practically, especially in the light of FBOs, where the primary owner may be difficult to determine sometimes. Furthermore, the long-term value of the firm may also be difficult to determine for FBOs. Is it sustainability? Better performance? Beneficiaries' happiness? Religious growth? Or efficiency? Sanda et al (2005) observe that this criterion has not been subjected to empirical verification. Taylor (2010) found that the inclusion of the Stakeholder approach in the UK Companies Act 2006 has not had much effect on the way the FTSE 350 companies do business. As such, it has not contributed significantly to improving efficiency of firms.

2.2.5 Managerial hegemony theory

Efficiency is the primary concern of the managerial hegemony theory. It argues that boards are largely ineffective as they possess limited knowledge on the firm as compared to management, and have limited time to put to the firm business (Turnbull, 1997). They thus end up being an executive rubber stamp. This theory however does not contradict the stakeholder theory as Board efficiency would necessitate taking into consideration major stakeholder interests and views in order to guide management appropriately.

2.2.6 Resource dependency theory

In answer to the issue of inefficiency of boards, the resource dependence theory argues that the major role of directors is to enable the firm to access resources very critical for the firm's existence, especially through influencing their other constituencies (Hawley & Williams, 1996, Turnbull, 1997). The Resource Dependency theory views organizations as embedded in and interdependent with their environment (Preffer & Salancik, 1978; Rehli, 2011, p15). The organisation's survival depends heavily on external resources, and so the organisation should ensure that it acquires and dispenses them well. The Board itself acts as a resource to provide legitimacy, advice, and links to other organizations, in order to harness resources (Brown, 2005). Because FBOs depend largely on resources from outside the organisation, their harnessing, and proper expending is very critical, making the Resource Dependence theory relevant to this study. It thus supplements the stakeholder theory because the board must take stakeholder interests into consideration if it is to effectively harness all resources that the firm requires to be effective.

The ability of boards to harness resources and the extent to which stakeholder interests may be taken into account, are largely determined by government policy. This led to the rise of the political theory of corporate governance. It posits that Government determines the allocation of corporate power, profits, and privileges, and so a firm must align itself to government policy to be effective (Hawley & Williams, 1996). Interest in corporate governance has largely grown out of corporate scandals attributable to corporate failure (Tumuheki, 2007). Governments have thus come in to protect investors and other stakeholders as they have a duty to protect their citizenry. Corporate governance must therefore take into account the political environment. However, taking into consideration the political environment alone cannot improve firm performance. Furthermore, the firm does not exist to serve government interests, but those of the owners, and other stakeholders, especially in the case of FBOs.

2.2.7 Theories underpinning this study

In conclusion, the stakeholder theory thus still remains the most viable approach to the study of corporate governance, especially in developing countries like Uganda where corporations play a major role in development. The firm is an artificial legal person that operates within a community, and has players whose interests cannot be ignored (Wanyama, 2006). The community is especially important when dealing with FBOs, since they do not exist for profit, but rather for the benefit of the general community. Furthermore, as discussed above, most of the theories tend to support the stakeholder theory. Stakeholders can be instrumental to corporate success and so have moral and legal rights. (Melyoki, 2005, Sanda et al., 2011) When stakeholders get what they want, they are willing to give more to the firm, hence enhanced firm performance. (Freeman, 1984, Blair, 1995). The stakeholder theory shall be supplemented by the

resource dependency theory, since FBOs largely rely on external resources, and so their being effectively harnessed is critical to their performance.

2.3 International approaches to Corporate Governance

Although the ideas on which the concept of corporate governance is based dates back to as far as 1776, Governance has only recently become a focus of concern in organizational theory and management, with the debate gearing up only about twenty years ago (Tricker, 1984, Melyoki, 2005, Bradshaw, et al, 2012).

A number of empirical studies on corporate governance internationally have found that there is a relationship between corporate governance and performance (John & Senbet, 1998; Jones, 2005; Sanda et al, 2011; Waduge, 2011, and Claessens and Yurtoglu, 2012). These have mainly focused on its theories, models, principles, and best practice; and the relationship between corporate governance and performance (Taylor, 2010; Sanda et al, 2011). As Jones (2005) observes, there has been no common approach to corporate governance internationally. Countries that follow the Common Law legal system such as the UK and US have generally adopted a 'shareholder model.' They have a strong mechanism for ensuring that the managers operate in the interests of the shareholders (Vives, 2000). This is largely based on the Company Law regime, which considers a company as a legal entity separate from its owner, and existing in perpetuity, with transferable shares (Macdonald & Beatie, 1993). The power to govern is derived from the shareholders who elect the Board of directors at the Annual General Meeting. The Board then oversees the operations of management, on behalf of the shareholders. Independent auditors are also appointed by the AGM to confirm that financial statements reflect a true financial position of the company.

Whereas corporate governance in the UK is primarily based on Codes of best practice, corporate governance in the US is based on the Sarbanes – Oxley Act (Coyle, 2006). Furthermore, the majority of directors on US Boards are outsiders, whereas the majority in UK are insiders (Vives, 2000).

On the other hand, countries that follow the Civil Law legal system for example France and Germany have adopted a “stakeholder approach.” Public companies have two boards. In Germany, a Supervisory Board elected by shareholders and employees on a 1:1 ratio is responsible for governance (Macdonald & Beatie, 1993). It appoints a Management board which is responsible for the direction of the company. In contrast, although employees are not represented on the Supervision Board in France, their representatives attend board meetings as observers in order to ensure that the interests of stakeholders are catered for (Vives, 2000).

The Japan model focuses largely on protection of employees. The goal of managers is to pursue employment stability for workers, rather than dividends for shareholders. As a result, the Board is typically a large unwieldy group dominated by insiders. Banks as well have a large say in the governance of the corporations as they are a major source of funding. Asian countries like China and Korea have adopted a family model of corporate governance where large family businesses have emerged. The Board serves to protect these family interests, and is largely an insider board (Claessens & Yartoglu, 2002). However, these too are experiencing reform. For example, it is now mandatory for at least a quarter of board members in Korea to be outsiders.

Accordingly, there has not been a unified approach to corporate governance in developed countries. Today, discussion of corporate governance tends to refer to the principles raised in three documents, the UK Corporate Governance Code (formerly Combined Code), the OECD

model, and the Sarbanes – Oxley Act (Tumuheki, 2007). From these, universally acceptable principles can be drawn.

The OECD, established to help countries, particularly those with developing economies by providing advice on economic matters also published a Code of Corporate Governance in 1999 and subsequently revised it in 2004 and 2014 (OECD, 2012). The OECD principles of corporate governance identify five areas that the corporate governance framework should cover (OECD, 2012): 1) Protection of the rights of shareholders/proprietors; 2) The equitable treatment of shareholders/proprietors. 3) The role of stakeholders – i.e. recognize the right of all stakeholders as established by law or otherwise, and encourage active cooperation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises. 4) Disclosure and transparency - timely and accurate disclosure on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the corporation. 5) The responsibility of the board – the strategic guidance of the company, the effective monitoring of management by the board, and the board’s accountability to the corporation and its shareholders/owners. Keong (2005) argues that the OECD principles are by no means carved in stone in that they are conclusive, but rather provide a general framework, enabling states to mould them according to their unique developmental experiences to build their own rules. Coyle(2006) on the other hand summarises seven principles from the UK codes that become very critical in the process of corporate governance:

- 1) Openness, honesty, and transparency – This is the willingness to provide accurate and timely information about how the company is being run. The proprietors are especially entitled to updated information on the operations of the firm. This would include among others, reports

from Management to the Board, and from the Board to the proprietors, and the public having access to sufficient information.

- 2) Independence – The extent to which procedures and structures are in place in order to minimize (or avoid completely) potential conflicts of interest that could arise, such as domination of a corporation by an all-powerful Chairman, director, or shareholder.
- 3) Accountability – Because in a corporation individuals take action on behalf of others, they ought to be accountable. This therefore raises questions on what form and frequency this accountability should take. It should however be sufficient, and the various stakeholders ought to have adequate structures/avenues to enforce this accountability.
- 4) Responsibility – This is the extent to which Management takes responsibility for its actions. There should be corrective measures for mistakes made.
- 5) Fairness – All shareholders/proprietors should be treated equally. This would also include mechanisms for redress.
- 6) Reputation and reputation risk – The reputation of the firm should be protected as much as possible.
- 7) Ethical conduct

This study will look at whether these principles have been applied in the governance of selected FBOs in Uganda or whether they are applicable in the first place, plus the rationale, and how they can be adjusted to conform to the specific context of Uganda in order to develop a framework for best practice.

2.4 Corporate Governance in Africa.

Mulili (2011) observes that developing countries, especially Africa, have corporate models that differ from those adopted in developed countries, largely because of their different circumstances. Armstrong (2009) argues that developing countries are poorly equipped to adopt the governance models in developed countries due to factors like poor governance, weak judicial systems, and involvement of government in companies. Although Africa is the world's second largest and second most populous continent, it has the highest proportion of people living below the poverty line (Change, 2012). Thirty years ago, the average income in Sub-Saharan Africa was twice that of both South and East Asia. Africa is now well below half that of East Asia and lags far behind the mean in South Asia, Latin America, and Middle East (Armstrong, Segal, & Davis, 2005). As a result, corporate governance issues are yet to be of regular concern on the African continent, which is characterized by a weak private sector and embryonic Capital Markets (Change, 2012).

2.4.1 African Peer Review Mechanism

Africa has the advantage that it has not experienced the level of corporate failure that has been experienced elsewhere. The Heads of State and Government of the African Union have taken cognizance of the fact that good economic and corporate governance are essential prerequisites for promoting economic growth and reducing poverty *.(ibid)*.

The African Union initiated the African Peer Review Mechanism (APRM) in 2002 and established it in 2003 in the framework of implementation of the New Partnership for Africa's Development (NEPAD) to foster the adoption of policies, standards, and practices that lead to good governance (APRM, n.d). The APRM is a mechanism for self-evaluation that focuses on

four thematic areas, i.e. Democracy and Political Governance, Economic Governance, Corporate Governance, and Socio-economic Development. The APRM has accordingly been used as a tool for peer evaluation on how far the member countries have gone in fostering good governance, and how it can be improved (APRM, 2009).

2.4.2 South Africa

Africa has largely drawn its inspiration from South Africa, which has led the way in terms of corporate governance. A Committee, was formed in 1993 by the Institute of Directors in South Africa (IoD) to investigate the role of Boards of Directors in South African firms. It produced the King I Code of Corporate Practice and Conduct 1994, named after Mervyn E. King, its Chair. King II was published in 2002, and King III in 2006. The unique thing about the development of corporate governance in South Africa is that it was not based on any major corporate scandals, but rather on the need to be competitive after re-admission into the global community (Armstrong, Segal, & Davis, 2005).

2.4.3 Other African countries

The development of Corporate Governance in other African countries is however still very low (Mulili, 2011; Melyoki, 2005). A number of countries, including Tanzania, Uganda, Egypt, Kenya, and Ethiopia have adopted aspects of corporate governance in their laws, especially those relating to financial institutions and capital markets (Melyoki, 2005; Tumuheki, 2007; Kenawy and Elgany, 2009; Mulili, 2011; Tura, 2012).

Nigeria introduced a Code of Best Practices for Public Companies in 2003, although most of its strides have been in the Banking sector, mainly spurred by a series of bank failures in the 1980's and 90's (Ibuakah, 2012).

Egypt has succeeded in incorporating most of the international corporate governance principles in its regulations, although implementation is still weak (Kenawy and Elgany, 2009).

Ethiopia on the other hand does not have adequate legal or regulatory provision, or practice of sound corporate governance (Megash, 2008; Tura, 2012).

There have therefore been a number of steps taken by Africa, both at continental and national level to improve corporate governance. This has largely developed as a result of globalisation, and pressure from the developed world, rather than corporate scandals (Mulili, 2011). However, not much research has been done on corporate governance in Africa (*ibid*). The few studies that have taken place have tended to be more generalistic on governance principles (Melyoki, 2005). They have also tended to look at public companies and financial Institutions, and yet these form a small proportion of firms in Africa. They have ignored NPOs and FBOs specifically, which is what this study will look at.

2.5 Corporate Governance in Uganda

Uganda, like other developing countries has been slow at adapting to corporate governance trends. Kibaya (2010) notes that, despite corporate governance taking root in many jurisdictions around the world, in Uganda this has until recently been an oft-ignored concept. Awareness is still in its infancy (APRM, 2009). Uganda's approach to corporate governance has

been rather mixed, with specific laws governing specific areas, and the other areas being left to look to codes and internal arrangements for Corporate Governance.

In Uganda, the wakeup call seems to have come with the collapse of several banks during the period of 1998 – 2000, such as Greenland Bank and Cooperative Bank, in what has come to be known as the dark period for the financial sector (Kibaya, 2010). Musaali (2010) notes that this was largely due to poor Corporate Governance. A number of Banks laboured under governance failures and some were controlled like family empires with no clear distinction between management and ownership, leading to loss of depositors' funds (Kibaya, 2010).

Government responded by introducing the Financial Institutions Act 2004, whose Part VII deals with Corporate Governance. The Act for the first time codified directors' duties and qualifications and set clear penalties for corporate failure against institutions, shareholders and directors. The Capital Markets Authority Act (Cap 165) established the Capital Markets' Authority, which issued the Capital Markets Corporate (Governance Guidelines), 2003 for Capital Markets. These provide concrete framework for Corporate Governance, enforced strictly by the Uganda Securities Exchange and the Capital Markets Authority

The recently enacted Companies' Act 2012 enjoins Public Companies to comply with identified Corporate Governance principles, or explain the non-compliance. It also provides Table F, which is a Code on Corporate Governance that may be adopted in the Articles of Association voluntarily by Private Companies. However, once adopted, compliance with it is mandatory.

The Institute of Corporate Governance of Uganda (ICGU) incorporated by Guarantee to promote Corporate Governance in Uganda has come up with a Corporate Governance manual (2002) which it encourages its members and the public to follow. Similarly, most laws give

general guidelines on how the established entities should be governed, for example the Nongovernmental Organisations Registration Act Cap 113 as Amended by the Nongovernmental organisations Registration Amendment Act 2006. The Act establishes the NGO Board to incorporate and monitor compliance of NGOs. The NGO Registration Act as amended also provides for registration of Community Based Organisations at Districts. It also enjoins the Board to enact guidelines for operation of CBOs. The Trustee Incorporation Act Cap 165 provide for incorporation of Trusteeships. However, these laws generally give the registration criteria and processes, but do not go far enough to give a clear Corporate Governance framework.

In spite of these strides, the African Peer Review Mechanism (APRM) Report on Uganda (2009) observed that the progress of Uganda on Corporate Governance is still slow. Most Financial Institutions are not regulated. The Capital Market is still very small. There is no law yet to enforce accounting standards, most commercial laws do not incorporate international standards, and corruption has hit endemic levels (*ibid*). Moreover, not much study has gone into Corporate Governance in Uganda (Tumuheki, 2007). The few studies have been generalistic, and more focused on the Corporate Governance framework for public companies (Tumuheki, 2007; Kibaya, 2010). This study will look specifically at the governance of Faith Based Organisations, with a view of establishing best practice for them.

Accordingly, subsection (2.6) expands on FBOs.

2.6 Faith Based Organisations

The third sector (NPOs) is growing all over the world and gaining impact (Salomon, 1997b Anheier, 2005, Boli, 2006). Rehli (2011) observes that studies have established that NPOs have

been one of the most dominant and most striking features of the world society in the last century (Salamon et al, 1999; Anheier, 2005). NPOs contribute a lot to communities through a vital advocacy role for those who are most disadvantaged within that community (Jones 2005). Whereas government agencies' major object is to govern, and businesses' to maximize profit, NPOs exist for a variety of reasons. These range from social clubs to sport clubs, Community Service Organisations, to Faith Based Organisations (FBOs) (Jones, 2005). The South African Independent Code (2012) observes that NPOs are a special category of organisations as they exist to serve the common good, or advance a purpose in the public interest. FBOs play a major role in providing a wide range of social activities and charity (Hall, 2002). Occhipinti (2013) observes that FBOs are a preferred vehicle of social transformation mainly because of their organisational strength as they have capacity to reach grassroots in the communities they operate, and because of their motivation expressed through a commitment to serve.

2.6.1 Classification of FBOs

FBOs may be classified in a number of different ways. Olarinmoye (2012) identifies at least three different ways of classification: By objectives/function; according to implicit or explicit connections to faith; and by Organisational size and geographical area of service. Clarke (2006) identifies a five-fold typology for classification, based on functions, i.e. Faith Based Representative Organisations/Apex Bodies; Faith-based Charitable or Developmental Organisations; Faith based socio-political organisations; Faith based missionary Organisations; and Faith Based radical, illegal, or terrorist Organisations. On the other hand, Jeavons (1998) argues that FBOs may be classified on the basis of the level of faith incorporated in their

mission/identity, programmes, and resource sources. FBOs exhibiting a high level of religious involvement in their activities can be referred to as ‘faith – saturated,’ whereas those exhibiting a low level of faith involvement as ‘faith – secular partnerships.’ (Working Group on Human Needs & Faith Based Community Initiatives, 2002). According to Cnaan (1999), FBOs may be looked at in terms of size and geographical area of operation, as Inter faith agencies & ecumenical coalitions; national projects and organisations under religious auspices; para-denominational advocacy and relief organisations; local congregations; and religiously affiliated International Organisations. However, not much study has gone into FBOs specifically, as they have mainly been looked as a sub-component of Nonprofits (Occhipinti, 2013). FBOs have a formal funding or administrative arrangement with a religious authority, have historical ties with a religious group, have a specific commitment to particular religious values, or have a commitment to work together stemming from a common religion (Smith and Sosin, 2001)

NPOs in Uganda take different forms. The most common are Companies limited by Guarantee (Companies Act 2010), Nongovernmental Organisations Registration Act Cap 113 as amended by the Nongovernmental Organisations’ Registration Amendment Act 2006), Trusteeships (incorporated under the Trustee Incorporation Act Cap 84), Community Based Organisations registered at Districts, under the NGO Registration Act, an unregistered organisations. Faith Based Organisations have been found to be a major component of NPOs in Uganda (Barr, Fafchamps, and Owens, 2003).

Academic research on NPOs stresses that there are no effective external control mechanisms in place (Jones, 2005). As a result, they need internal governance mechanisms for their supervision (Glaeser, 2003). Faithworks (2007) observe that good governance is important to the success of any organisation. And yet, not much study has gone into FBOs or their

governance. Occhipinti (2013) observes that although FBOs have been active as development practitioners, they have been regarded largely as merely a subset of NGOs until the mid 1990s. This is so even in Uganda, where FBOs are incorporated under the various laws relating to NPOs. These give a general framework. However, they do not go into much detail. They scarcely touch the subject of corporate governance. Moreover, not much study has gone into how FBOs are actually governed, hence the need for this study.

2.6.2 Models of Governance of FBOs

Researchers generally agree that an unadjusted adoption of corporate governance models in the nonprofit sector is neither feasible nor desirable (Alexander & Weiner, 1998; Hilb & Renz, 2009; Speckbacher, 2008; Jones, 2005; Rehli, 2011).

As such, a number of Governance Models for FBOs have been suggested (Bradshaw et al, 1998; Rehli, 2011). These have a number of peculiar features as discussed below:

The Traditional Model, proposed by Houle (1997), advocates for a clear separation of duties and powers in which the work is done by the staff, the administration by management, and the policy making by the board. Rehli (2011) observes that although the board is in charge of the organization, it operates in partnership with the executive. However, although this model leads to clarity, it ignores the fact that in some FBOs, these positions are intertwined.

The Policy Governance Model, also referred to as Carver's Governance Model (1997) is the most heavily cited model of nonprofit governance (Rehli, 2011). Carver presents a one-size-fits-all model of governance (*ibid*). Carver & Carver (2001) argue that it is applicable to government, businesses, and not-for-profits. According to this model, the Board is a representative of the owner, and so should take into consideration the interests of the owner, and

not those of other stakeholders. He thus advocates for the “Agency approach” to governance. Caver and Caver (2001) argue that in nonprofits, the members are the owners for member based organizations, and for community organizations, the community as a whole. The role of the Board is leadership for the sake of policy clarification in four areas: ends and results (targets), executive limitations (what they may not do), the board-executive relationship; and board process. The criticism of this model is that it assumes that it is that easy to identify the ownership. It also takes on the view that “one size fits all” which is not practical.

The **Management Team Model** is the model that has been most used by NPOs over the years (Gaber, 1998). Here, the board takes management decisions (Bradshaw et al., 2007). This usually occurs where the board members are members of the community with managerial skills, and are usually unpaid. This could however lead to conflict of interest.

In the **Constituent/Representative Board model**, the FBO is governed by a Board with representatives from the different constituent organizations and membership (Bradshaw et al., 2007). The Board is usually large, with about 15 to 40 members. The main purpose of the Board is to balance the interests of the various constituents. Although this model provides for wide consultation, it could easily lead to bogged down decision making process or conflicts of interest, leading to governance issues.

Bradshaw et al.(2007) also identify the **Entrepreneurial board model**, which is also referred to as the business/corporate model. Here, the board focuses on innovation, efficiency, and effectiveness. It is highly focused on ends. The CEO is usually the Board Chair or a non-executive member of the Board wielding a lot of power over the Board (Jones, 2005). Although it may produce results, there is a high likelihood that the major goal of the FBO may actually be lost out, in the process of getting ‘results’ through measures like statistics.

On the other hand, the **Emergent Cellular Model** bases on creation of networks and autonomous teams that are interlinked. However, it has not been tested much in practical terms (Bradshaw, et al. 2007). In the **Operational Model**, the board both does the work of the organization and governs it. It does not employ staff, but works through volunteers and at the minimum higher administrative staff only. The Board is therefore directly in charge. This may get work done, but it can easily lead to conflict of interest. In the **Collective/Cooperative Model**, the staff and board act as a team and take decisions jointly (Gaber, 1998). In the **Advisory Model**, the board is merely advisory, and supports the CEO (Bradshaw et al., 2007; Gaber, 1997). This usually occurs where the CEO is the Founder. On the other hand, in the **Patron Model**, the Patron and Board are figure-heads, but the actual authority lies with management (Bradshaw et al., 2007).

It has however been argued that no one model is applicable to all organizations (Rehli, 2011). In response, some researchers have proposed the principle based approach as an alternative to governance of NPOs (Hilmer, 1998). However, the studies that have focused on governance models have concentrated on NPOs generally, without taking into consideration the specific scenario of the FBO. This research will look at governance of FBOs specifically.

Another factor that comes into play in FBOs is the role of faith in their governance. Faithworks (2007) argue that the values of the faith on which the FBO is anchored should make the organization exceptional. This proposition was supported by Elson et al (2007), who carried out a survey among Churches in the State of Georgia, US. It was established that the majority of the Churches sampled had adequate financial oversight. However, their policies and procedures were generally lacking. There is therefore need to specifically study the nature of FBOs, and their governance which is what this study sets out to do.

The FBO governance models are summarized in Table 1 below:

Table 1: Corporate Governance Models for Faith Based Organisations

MODEL	KEY FEATURES	STRENGTHS	CRITICISM
Traditional	Board sets policy; Management administers; Staff do the work	Clear roles	Simplistic
Policy Governance (Caver)	Board responsible for policy – ends and results, executive limitations, board-executive relationship; and board process. - Interests of owners	Clear role; and separation of governance & management	- Assumes ownership clearly defined - Does not cater for place of the faith - one size fits all mentality
Management Team	Board plays management function	Alignment of interests	Conflict of interest
Constituent/ Representative Board	Board represents various constituents Focuses on balancing interests	Wide consultation	Potential conflict Performance may be compromised
Entrepreneurial model	Focus on innovativeness, strong CEO	Result oriented	May ignore core purpose in favour of results
Emergent Cellular model	Based on network of units	Division of labour	Not yet tested Complex
Operational	Board both governs and does the work	Clarity of what needs to be done	Danger of conflict of interest
Collective	Decisions by both board and staff	Consultation Harmony	Conflict of interest
Advisory	Board supports CEO	Focus on major objective	Concentration of power in CEO
Patron	Board figure-head	Focus on objective	Fusion of power in Management/staff

(Source: Developed by researcher from available literature)

2.6.3 Principles of corporate governance in FBOs

Various corporate governance codes provide for corporate governance principles, but these do not specifically deal with FBOs. The OECD Code (2004) identifies six general principles of corporate governance: ensuring the basis for an effective corporate governance framework,

protection of the rights of shareholders; equitable treatment of shareholders/proprietors; recognition of rights and role of stakeholders; disclosure and transparency; and the responsibility of the board.

Keong (2005) argues that the OECD principles are not “curved in stone,” but merely a framework. Coyle (2006) on the other hand summarises seven principles from the UK Codes, i.e. Openness, honesty, and transparency; Independence; Accountability; Responsibility; Fairness; Reputation and reputation risk; and Proper exercise of authority. The ICGU (2002) summarises these principles into three elements, i.e. proper exercise of authority or stewardship; ensuring accountability and transparency; and promoting integrity and efficiency.

Jones (2005) who looks specifically at FBOs identifies seven corporate governance best practice principles for FBOs. These are strategy setting and planning; Risk management consultation; Roles and responsibilities; skills, independence and resources; conduct and ethics; performance; succession planning; and financial and operational reporting. These tend to bring out the major corporate governance practice areas, especially with relation to the board.

The South African Independent Code of Governance for NPOs in South Africa (2012) provides principles that summarise the principles enumerated in the various codes discussed above, and so these shall be adopted with suitable modifications to be applicable to Uganda. These are:

- 1) Ensuring adherence to values – fidelity to purpose; altruism and benevolence; integrity; optimizing resources; avoiding conflict of interest; quality and non discrimination; democracy and empowerment; and independence and impartiality.
- 2) Exercising Effective Leadership – vision, purpose, & values; accountability & transparency; fundraising, sustainability and risk; collaboration and synergy; board and other governance structures; and procedural governance.

3) Ensuring legal and fiscal compliance – proper incorporation and administration; administrative and procedural requirements; and compliance with the law.

However, how applicable these principles are to Uganda has not been studied. This study will therefore contrast these principles against identified corporate governance practices in the selected FBOs, other countries, and other sectors in order to develop best practice for corporate governance in FBOs in Uganda.

The next section specifically reviews studies that have been carried out that are specifically relevant to corporate governance in FBOs.

2.7 Review of Related Studies

A number of studies have been done that are relevant to Corporate Governance in Faith Based Organisation in Uganda. A synthesis of the studies reviewed is given in Table 2 below:

Table 2: Summary of Related Studies

Researchers & Year	Area of Study	Country / Region	Variables/ aspects & Methodology	Results/ Findings	Gaps Identified
John Lessing, David Morrison & Maria Nicolae (2012)	<i>Educational Institutions, Corporate Governance, and Not-for-Profits</i>	Canada	Framework of Governance of Educational Institutions and Not for Profits Legal aspects	Recommends Company by Guarantee as appropriate legal status for Not for Profits Advocates for single Law	Not field based Canadian/ Developed Countries focus Does not deal specifically with FBOs
Patricia Bradshaw, Bryan	Nonprofit Governance Models:	Canada	Nonprofit Governance models	No one model fits all New Hybrid Model	Looks at Canadian environme

Hayday& Ruth Armstrong (2012)	Problems and Prospects		<ul style="list-style-type: none"> - Policy Governance Model - Entrepreneurial model - Constituency Model - Emergent Cellular model 	developed that builds on the strengths	nt, does not take into consideration unique aspect of developing countries
Florian Rehli (2011)	Governance of International Nongovernmental Organizations : Internal and External Challenges	Canada	<p>Paper based empirical study</p> <p>Governance INGOs NPOs</p> <p>P1: Board Chairs Executive Directors</p> <p>Theories: - Actor Centered Institutionalism - New NPO Governance model</p> <p>P2. Board nomination Stakeholder representation</p> <p>Resource dependence Theory</p> <p>P3. Boards & Board members</p>	<p>a stable power relationship is characterized by the actors' equal capabilities and complementary preferences.</p> <p>the choice between a board elected by the membership and a board appointed to represent major stakeholders depends on the different sources of funding and volunteer involvement.</p> <p>INGOs, to a large extent, design their boards rationally to acquire relevant expertise, networks, and legitimacy.</p>	<p>Does not look at FBOs specifically</p> <p>Based in developed world</p>

Christopher Randal Jones (2005)	<i>Best practice features and practices guiding community service organisation governance</i>	Tasmania, Australia	Corporate Governance best practices Whether implemented Case Study – interviews, data analysis, self assessment questionnaires 6 cases of which 3 religious based	Room for improvement Some Boards focusing on compliance, while others on quality Principle based approach to Corporate Governance can be extended to Tasmania Develops a list of best practices for community Service Organisations	Best practice in light of Australia, not developing countries
Peter Dobkin Hall (2002)	Accountability in Faith Based Organisations and the future of charitable choice	U.S.	Accountability Regulation	FBOs not accountable enough Under regulation/ exemptions may lead to abuses	Does not look at other factors of governance Does not look at African case
Elson, Raymond J, OCallaghan, Susanne Walker, John P (2007)	Corporate governance in religious organizations: a study of current practices in the local church.	State of Georgia, US	Financial oversight in Churches Survey with sample of 60 (27% return rate)	Adequate oversight Inadequate policies Inadequate accounting knowledge	Only looks at US case Considers financial oversight only
Lemayon L. Melyoki (2005)	Determinants of effective Corporate Governance in Tanzania	Tanzania	Ownership structure Board effectiveness Case Study – 4 public companies	Recommends best Corporate Governance practices	Does not look at FBOs
Benjamin Mwanzia	Towards the Best	Kenya	Public Universities	Constituted on basis of Stakeholder Theory;	Does not look at

Mulili (2011)	Corporate Governance Practices Model for Public Universities in Developing Countries: The Case of Kenya		Boards – selections, functions, challenges Organizational culture Case Study – 5 public universities Interviews, data analysis	Improvements suggested	private sector Focuses on Kenya
Simeon Wanyama (2006)	Corporate Governance and Accountability in Uganda: An analysis of stakeholder perspectives	Uganda	Accountability Framework of corporate governance in Uganda Corporate governance practice in Uganda Stakeholder perspectives to corporate governance in Uganda Interpretive paradigm Semi structured Interviews – 16 interviewees & structured questionnaires – 382 respondents	There is lack of accountability, a weak corporate governance framework, and ignorance about corporate governance among the stakeholders. Urgent action needed to facilitate implementation of a sound corporate governance system that provides for a meaningful degree of accountability	Looks at corporate governance generally in Uganda. Considers mainly stakeholder perspective rather than actual practice. Does not look at FBOs specifically
Justine Tumuheki (2007)	Towards Good Corporate Governance: An Analysis	Uganda	Corporate Governance framework Comparison	Good strides taken Needs strengthening further	Does not look at FBOs

	of Corporate Governance Reforms in Uganda		with South Africa and UK		
Jimmy Walabyeki (2008)	Corporate Governance: Auditor Independence in Uganda	Uganda	Internal auditor Framework Independence Library research	Regulations and oversight of audit function not sufficient enough to ensure conducive framework for auditor independence	Covers only auditor Concentrates on for profits
Rogers Matama (2008)	Corporate Governance and financial performance of selected commercial banks in Uganda.	Uganda	Corporate governance in commercial banks (Financial transparency, Disclosure & Trust) Financial performance (capital adequacy, earnings, & liquidity, Case study of 4 banks Cross-sectional & co-relational study (sample: 291 depositors, 16 Bank of Uganda officials, & 16 URA officials	Corporate governance predicts 34.5% of the variance in the general financial performance of commercial banks in Uganda. All the dimensions of financial transparency, disclosure, and trust have positive relationships with most of the dimensions of financial performance. Credit risk as a measure of disclosure has a negative relationship with financial performance	Focuses on commercial banks,; and so does not tackle FBOs
Robinah Akodo & Musa Moya (2008)	Corporate governance and financial performance of public	Uganda	Corporate governance: Board size, board roles; policy and	Board size had a negative effect on financial performance, i.e. the large the Board, the worse the financial	Deals with corporate governance in public Universities

	universities in Uganda.		<p>decision making; board effectiveness; contingency</p> <p>Financial performance</p> <p>Cross sectional and correlational study in four public Universities (in essence a case study)</p>	<p>performance</p> <p>Policy and decision making had significant positive relationship with financial performance.</p>	<p>s.</p> <p>Does not look at NPOs or FBOs specifically</p>
Miriam Ekirapa Musaali (2010)	Corporate governance in Uganda	Uganda	<p>Corporate governance practices in Uganda</p> <p>Library research</p>	Corporate governance practice weak in Uganda and so need to strengthen it	<p>Only looks at corporate practices generally, with emphasis on public companies.</p> <p>Does not deal with FBOs</p>
Ernest Katwesigye (2012)	The Relationship between Corporate Governance and Performance in Private Secondary Schools in Wakiso district, Uganda	Uganda	<p>Corporate Governance Private Secondary Schools Performance</p> <p>Descriptive survey</p>	Positive relationship between Corporate Governance and performance	Does not look at FBOs
Festo Nyende Tsubira & Isaac	Corporate Governance in Private Universities:	Uganda	Corporate Governance: Council & Senate size;	There is a negative relationship between board size and financial performance, i.e. increase	Only looks at corporate governance

Nabeta Nkote (2013)	Financial Performance Perspective		<p>policy & decision making; contingency; board effectiveness</p> <p>Financial performance: actual revenue/budgeted revenue ratio, actual expenditure/budgeted expenditure ratio; actual revenue/actual expenditure (Value for money) ratio</p> <p>Cross sectional descriptive survey – information gathered from four private Universities in Uganda (in actual sense, case study)</p>	<p>in Board size leads to decrease in financial performance</p> <p>There is a significant positive relationship between policy and decision making and financial performance, i.e. better policy & decision making mechanisms lead to improved financial performance</p> <p>There is a significant positive relationship between corporate governance and effective performance of board roles, and effectiveness</p> <p>Significant relationship between contingency and board roles & effectiveness</p>	<p>of private Universities.</p> <p>Does not look at other nonprofit organisations, or FBOs specifically</p>
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(Source: Developed by Researcher from reviewed literature)

Although a number of studies relevant to Corporate Governance in Faith Based Organisations have been undertaken, most of the empirical studies and papers on Nonprofit Organisations (NPOs) and Faith Based Organisations (FBO) have been carried out in developed countries, such as the United States, United Kingdom, Germany, and Spain. Most of the relevant studies in developing countries, and Africa specifically have been generalistic, or focused on public corporations and financial institutions. The studies on corporate governance in Uganda

have been on the development of corporate governance, corporate governance practices generally, and corporate governance in public corporations and financial institutions. This leaves a gap because corporate governance of faith based organizations in Uganda has not been researched into.

Morrison & Nicolae (2012) look at NPOs and educational institutions' governance. They consider the various alternatives and recommend Companies limited by Guarantee as an appropriate vehicle for corporate governance in NPOs. However, this study is based in Canada, and so the results may not be fully applicable to developing countries like Uganda. Bradshaw, Hayday, & Armstrong (2012) analyse the various NPO Governance models, and come up with a Hybrid model that builds on the strengths of the prior models, while seeking to minimise their weaknesses. However, it is based in Canada, and so does not take into consideration the peculiar circumstances of developing countries like Uganda, or the unique situation of Africa. It also is not specific to FBOs. Rehli (2011) looks at the governance of International NGOs (INGOs). He looks at this through a paper based research, comprising three papers, where he considers various governance alternatives for NPOs and INGOs, and establishes that for there to be a stable power relationship on the board, the actors ought to have equal capabilities and complementary preferences; the major sources of funding and level of voluntary involvement of NPOs should be taken into account when determining whether a board should be elected by the membership, or appointed to represent major stakeholders; and INGOs to a large extent design their boards rationally to acquire relevant expertise, networks, and legitimacy. He however does not look at the specific situation of FBOs.

Furthermore, his focus is on International NGOs. Jones (2005) looks at best practices for governance of community service organizations. The study is based in Tasmania, Australia. He

identifies the various models and principles of governance of NPOs/Community Service Organisations (CSOs), and recommends that principle based approach to corporate governance. He proposes best practice for governance of CSOs. He does a multiple Case Study of six CSOs, of which three are faith based. However, the study was carried out in Australia, and so does not capture the Ugandan experience. Hall (2002) looks specifically at FBOs' governance. He establishes that FBOs in the US are not accountable enough, and so under-regulation/exceptions may lead to abuses. He accordingly moots for stricter governance. However, he does a library study, and it is based in the on the US. Another study on Governance of FBOs was carried out by Elson et al (2007). It looks at the oversight in religious based organizations, and establishes that although there are adequate oversight measures in Churches in the US, there were inadequate governance policies, and accounting knowledge by the governors. However, it too was limited to the US and so does not capture Uganda's scenario. This study will seek to fill this gap by analyzing Corporate Governance practices in FBOs in Uganda.

The studies in Africa, and specifically East Africa on Corporate Governance have tended to be general. Melyoki (2005) does a study of the determinants of corporate governance in Tanzania, and recommends best practice. He however focuses on Public Corporations. Mulili (2011) looks at Corporate Governance in Kenya. He focuses on Public Universities, and explores their practices. He establishes that corporate governance in Tanzania is premised on the stakeholder theory. He comes up with a recommended model. However, although the Universities looked at are not for profit, they fall more within the government sector as they are Government funded.

A number of studies on corporate governance have been undertaken in Uganda. These have mainly focused on general practices, public corporations, and financial institutions. Wanyama

(2006) analyses the perspectives of various stakeholders on corporate governance and accountability in Uganda. The stakeholders studied included legislators, regulators, practitioners, and company directors. He found that there is lack of accountability among Ugandan firms; and there was general ignorance about corporate governance among stakeholders. His study was too generalistic as it looked at corporate governance in Uganda as a whole, and so may not accurately describe corporate governance practices in FBOs. Furthermore, it based on stakeholder perspectives and not necessarily empirical evidence on actual practice. Tumuheki (2007) looks at the Corporate Governance reforms in Uganda, in contrast to those in South Africa and the UK. She looks at the general Corporate Governance framework in Uganda, and observes that great strides have been taken in developing it. She therefore does not look at actual corporate governance practice or FBOs specifically, which is what this study will do. Walabyeki (2008) also looks at Corporate Governance in Uganda. He however concentrates on auditor independence, and not FBOs. He specifically finds that regulations and oversight of the audit function are not sufficient to ensure conducive framework for auditor independence. Matama (2008) examines the relationship between corporate governance and financial performance of selected commercial banks in Uganda using a case study of four banks (two international and two indigenous). He finds that corporate governance predicts 34.5% of the variance in the general financial performance of commercial banks in Uganda. He establishes that whereas financial transparency, disclosure, and trust have positive relationship with financial performance, credit risk as a measure of disclosure has a negative relationship with performance. This study focuses on financial institutions and so does not consider FBOs.

Akodo and Moya (2008) carried out a study on the relationship between corporate governance and performance of public Universities in Uganda. Although it adopts a cross

sectional and correlational design, it employs a case study approach as it studies four public Universities. The study established that board size has a negative effect on financial performance, i.e. the larger the board, the worse the financial performance. However, policy and decision making had a significant positive relationship with financial performance. This implies that merely increasing board size may not increase financial performance, and so an optimum size ought to be arrived at. Clear policy and decision making mechanisms on the other hand improve financial performance. This study was restricted to public Universities.

Musaali (2010) does a library study on corporate governance practices in Uganda. She establishes that corporate governance is still weak. Katwesigye (2012) looks at the relationship between Corporate Governance and Private Secondary School. The study only looks at Private Secondary Schools, whether they are for-profit or not-for-profit. It does not consider FBOs as a specific category. Another study on NPOs was on corporate governance in private Universities and financial performance (Tusubira & Nkote, 2013). It concentrated on four private Universities in Uganda, which are non-profits (in effect, a multiple case study). It established that there is a negative relationship between board size and financial performance. It also established that there is a significant positive relationship between policy and decision making, and financial performance. It further found that appropriateness of board size increases the effective performance of board roles, and board effectiveness. Although private Universities are not for profit, they highly rely on public funding, especially through fees, government subsidies, and grants. They therefore do not reflect the picture of the typical NPO.

Although two of the four Universities studied were FBOs (Islamic University in Uganda and Uganda Christian University), they were not looked at separately, but corporately with the other Universities. Therefore, their corporate governance practices were not captured

specifically. This study will therefore seek to add knowledge in the area of Corporate Governance in faith based organizations specifically in Uganda

2.8 Conclusion

From the literature reviewed above, it is clear that research in Corporate Governance has concentrated on developed countries (Melyoki, 2011), and public for-profit companies (Mulili, 2011). There has been little research on Corporate Governance in Nonprofits (Jones, 2005). The research on NPOs has mainly been carried out in developed countries, and has not been specific to FBOs (Lessing, et al, 2012 Bradshaw et al, 2012; Rehli, 2011; Jones, 2005). This study on the contrary will focus on FBOs. A few studies have been carried out on corporate governance in FBOs, but still, these have mainly been in developed countries (Hall, 2002; Elson et al, 2007). These do not take into account the corporate governance practice in developing countries like Uganda. This study will specifically look at corporate governance in FBOs in Uganda. The studies on corporate governance in Africa have also not been specific to FBOs (Melyoki, 2005; Mulili, 2011).

Although there have been some studies on corporate governance in Uganda, these have not been specific to FBOs. Wanyama (2006) looks at stakeholder perspectives on corporate governance in Uganda generally, while Tumuheki (2007) and Musaali (2008) look at the development of corporate governance in Uganda generally. The more specific studies still do not tackle FBOs. Walabyeki (2008) looks at auditor independence; Matama (2008) looks at corporate governance and financial performance of selected commercial banks, Akodo and Moya (2008) at corporate governance and financial performance of public Universities, while Katwesigye (2012) looks at corporate governance and performance in private Secondary

Schools. The studies that look at corporate governance and performance in Uganda all establish that there is a positive relationship between good corporate governance and performance. They however do not cover NPOs. Although Tusubira and Nkote (2013) look at corporate governance in specific NPOs (private Universities), the study is only limited to private Universities, that are not even typical NPOs.

From these studies, it is clear that corporate governance is important. It specifically improves performance. It is also clear that the corporate governance framework and practice in Uganda is still weak. However, there has been no study of corporate governance on FBOs, and yet they play a major role in the development of Uganda. This study will therefore cover this gap by analysing Corporate Governance practices in selected Faith Based Organisations in Uganda, in order to develop a framework for Corporate Governance best practices of Faith Based Organisations.

CHAPTER THREE: METHODOLOGY

3.1. Introduction

This chapter deals with the methodology and methods the researcher intends to employ in the study. Amin (2005) notes that there are two main approaches in social science research – qualitative and quantitative methodologies. This study shall be primarily qualitative. Amin (*ibid*) explains that the purpose of qualitative research is to promote greater understanding of not just how things are, but also why they are the way they are. This study will investigate eight selected FBOs in order to understand their corporate governance practices and why they have been adopted, and how corporate governance can be improved in order to develop an appropriate framework for corporate governance best practice for FBOs in Uganda. The major advantage of the qualitative approach is that it provides an understanding of a social setting as viewed from the perspective of the research participants (*ibid*). This enables a more realistic and holistic understanding of the problem. However, its major criticism is that objectivity may be compromised due to close interaction between the researcher and research subject. According to Yin (1994), this can be controlled by having a clear and specific design from the onset. This study shall adopt a combination of the exploratory and case study designs as expounded in this chapter. The chapter also describes the study population, sample size, sampling techniques, data collection, pre-testing, validity, and reliability, data analysis, ethical issues, and limitations of the study.

3.2. Research design

A Research Design may be defined as a master plan or framework which outlines the methods and procedures for collecting and analyzing data (Cooper & Schindler, 2010). Yin (1994) defines it as ‘the logic that links the data to be collected (and the conclusions to be drawn) to the initial questions of a study.’ Amin (2005) notes that the research design is determinant on the purpose of the research. Because not much prior study has gone into corporate governance in FBOs in Uganda, this study looks at the nature of corporate governance in FBOs and how the selected FBOs are governed. It seeks to explore the various corporate governance practices in the selected FBOs. It will further contrast these governance practices to established corporate governance principles, and analyse the reasons for the current practices, in order to develop a framework for best practice for FBOs in Uganda, It will therefore answer the questions, ‘what,’ ‘how,’ and ‘why?’ In order to do this effectively, the study will make use of the triangulation logic and adopt a combination of the exploratory design and the case study design.

It will be exploratory in order to explore the governance practices in the selected FBOs, since governance of FBOs in Uganda has not been studied before, hence being a grey area. An exploratory study is useful to answer the questions “What,” and “how,” and enables the discovery of ideas and insights which provide a better understanding of a situation (Patton, 1990). Perry (1998) explains further that exploratory studies are suitable where the research question cannot be answered by a mere ‘yes’ or ‘no,’ but require some description. According to Wyk (n.d), exploratory studies enable identification of the salient factors and variables. It is suitable where not much research has been done in order to bring out new insights. It is thus suitable for the study of corporate governance in FBOs in Uganda, where no study has been done on the governance practices of FBOs, or of NPOs for that matter.

Although corporate governance in FBOs in Uganda has not been studied, there have been some studies of corporate governance of NPOs generally, especially in developed countries and some models have been developed (Jones, 2005). However, the relevance or applicability of these to developing countries such as Uganda, with different circumstances is suspect. Furthermore, the applicability of the general principles of corporate governance to FBOs in Uganda specifically has not been studied. This calls for a design that will enable the unique context of Uganda to be understood. As such, the study shall also adopt a Case Study Research Design. This is because, “the case study design enables the study/exploration of complex phenomena within their contexts using a variety of data sources” (Baxter & Jack, 2008; p544). Melyoki (2005) argues that due to the limited state of knowledge on corporate governance in Africa, the case study design is the most appropriate, as it enables corporate governance to be studied within its specific context in order to establish the extent to which acclaimed principles and models are applicable. Thus, the study of corporate governance practices of ‘selected cases’ will aid the appreciation of corporate governance in FBOs in Uganda, within context. The case study design has been supported by the few studies that have looked at corporate governance practices in East Africa, on grounds that it is most suitable in developing countries due to the limited state of knowledge (Melyoki, 2005, Matama, 2008, Mulili, 2011).

According to Yin (1994), ‘how’ and ‘why’ questions are likely to favour the use of case studies, experiments, or histories. That, in such cases, if the phenomenon to be studied is past, then the historical design is appropriate. If it is contemporary and the researcher has control over it, the experimental design is the best. However, where it is contemporary, but the researcher has no control over the event, then the Case Study approach is best. Corporate governance in FBOs is a contemporary scenario, and yet the researcher has no control over it, and so the Case Study design

is most suited. Yin (*ibid*) defines a Case Study is an empirical inquiry that investigates a contemporary phenomenon, especially when the boundaries between the phenomenon and context are not clearly evident. Both the nature of FBOs and their corporate governance practices are important to this study, necessitating a case study.

One of the major questions to determine when using a case study design is whether to have a single or multiple case study. According to Yin (1994), a single study should be used when it represents the critical case in testing a well-formulated theory; the case represents an extreme or unique case; or the case is revelatory, i.e. the researcher has the opportunity to observe a phenomenon previously not accessible. That in all other cases, a multiple-case study should be adopted. The current scenario meets none of these conditions, and so a multiple case study approach shall be adopted.

The study shall be embedded as it shall have more than one unit of analysis, that is the cases themselves on the one hand, and the major actors in the governance of FBOs on the other, i.e. the Board, senior management, long serving members/beneficiaries and key partners. Multiple cases also enable analysis of similarities and differences within and between the cases, hence producing more robust findings. Furthermore, the evidence from multiple case studies is usually more compelling (Nair and Riege, 1995).

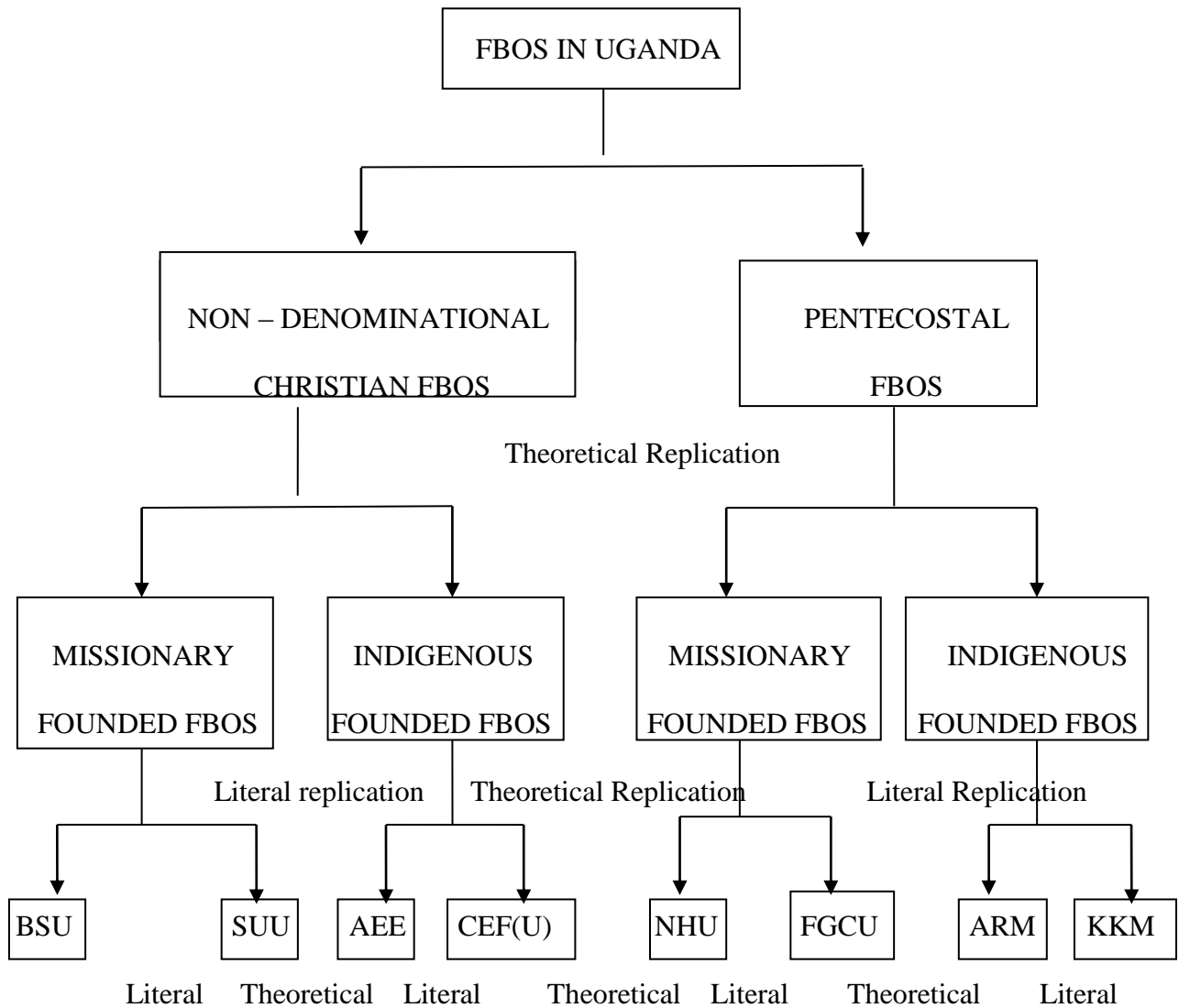
There is no agreement as to the number of cases that is adequate. Scholars generally recommend a minimum of two cases and a maximum of fifteen cases (Mulili, 2011). Eisenhardt (1989a) recommends that more cases should be added until saturation/redundancy is obtained. Sample saturation or data redundancy, occurs when themes repeat, or when new themes no longer emerge. Nair and Riege (1995) found stability to occur after only six interviews, and Woodward (1996) after five (Mulili, 2011). Eissenhardt (1989a) advises that a number between four and ten

cases often works well, since with less than four cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be unconvincing. On the other hand, Miles and Huberman (1994) warn that more than 15 cases would be unwieldy.

In view of this, eight cases shall be studied, as this number falls within the recommended range.

Eissenhardt (1989a) emphasizes that the cases must be purposively selected. Each case must be carefully selected so that it either predicts similar results (a literal replication) or contrasting results but for predictable reasons (a theoretical replication), (Yin, 1994). He recommends that a few cases (two or three) be selected for literal replication, whereas a few other cases (four to six) might be selected to pursue two different patterns of theoretical replications.

Following the replication logic, two big categories have been selected, each with four FBOs. The first group is non-denominational Christian FBOs. These have been selected because they incorporate the major Christian denominations within their ranks. Two of the FBOs were missionary founded, while two were mainly founded by Ugandans, as the two categories are likely to be governed differently. The second category is Pentecostal founded FBOs. This group was selected because Pentecostalism is the largest growing Christian denomination in Uganda (Uganda Bureau of Statistics, 2002) and they have the largest number of FBOs among the denominations (Barr et al, 2003). Among these as well, there are two missionary founded and two indigenous founded FBOs. Thus, literal replication shall take place within the category, and theoretical replication across the categories, as demonstrated in Figure 2 below:



Key:

BSU – Bible Society of Uganda

SUU – Scripture Union, Uganda

AEE – African Evangelistic Enterprises

CEF(U) – Child Evangelism Fellowship, Uganda

NHU – New Hope Uganda

FGCU – Full Gospel Churches of Uganda (Child Development Centres)

ARM – Africa Renewal Ministries

KKM – King’s Kids Ministries

Figure 2: Selected Case Organisations

Below is a tabular representation of the Case Organisations and the basis for their selection:

Table 3: SELECTED CASE ORGANISATIONS' DETAILS

CATEGORISATION	FBO	DESCRIPTION
Interdenominational Missionary founded	Bible Society of Uganda	*A large FBO with activities spread across the country and three branches in different parts of the country. * Major activities – Bible publication and distribution, and promotion of Bible reading
	Scripture Union	* A large organisation with activities in every district, and Six Regional Offices. * Major activities include Evangelism, spiritual instruction, life skills especially to youths and children
Interdenominational Indigenous founded	Africa Evangelistic Enterprise	* A large FBO with three branch ventures and activities spread across the country. * Activities - Evangelism, AIDS, Education
	Child Evangelism Fellowship of Uganda	* Has activities spread across the entire country and 11 regional offices. * Major activities -Evangelism & discipleship of children
Pentecostal Missionary founded	New Hope Uganda	* a very large FBO with very activities in various regions and four branches. * Major activities - Childcare, education, Evangelism, Discipleship
	Full Gospel Churches of Uganda (Child Development Centres)	* widespread across the country with 16 Centres. * Major activities - Child care, evangelism, Christian instruction
Pentecostal Indigenous founded	Africa Renewal Ministries	* A large FBO with widespread activities and 24 Child Development Programmes * Major activities - Child care, evangelism, Christian instruction
	King's Kids Ministries	* A large Organisation with four ventures. * Major activities – child care and education

3.3. Study population

The study population shall be the corporate governance actors of the eight selected FBOs. There are different power centres/stakeholders in FBOs. The Board of Governors is the primary corporate governance organ (Coyle, 2006). Other corporate governance actors/parties in FBOs include the CEO, senior management, the General Meeting of members or beneficiaries, major contributors/partners, and religious leader(s) of faith to which the FBO is affiliated/.

The study will therefore cover the Board, senior management, representatives of the General Meeting of Members, affiliated religious leader, and key partner of the eight selected FBOs.

The study shall further cover the technical leaders of five key agencies involved in corporate governance. These are the Uganda Registration Services Bureau, the NGO Board, the NGO Forum, the Institute of Corporate Governance of Uganda (ICGU) and the Institute of Chartered Secretaries and Administrators – Uganda (ICSA – U).

In view of this, the Study population is reflected in Table 4 below:

Table 4: Study population:

CASE FBO	GOVERNANCE CATEGORY	DETAILS	TOTAL NUMBER OF PERSONS
1. Bible Society of Uganda	Board		17
	Management		5
	Branches	3	
	Branch Board		-
	Management	1 person x 3	3
2. Scripture Union of Uganda	Board		12
	Senior Management		5
	Branches/ Regions	6	
	Regional Committees	7 people x 6	42
	Regional Management	2 people x 6	12
3. Africa Evangelistic Enterprises	Board		7
	Senior Management		4
	Branch Organisations	3	
	Branch Boards	7 people x 3	21

	Branch Management	4 people x 3	12
4. Child Evangelism Fellowship of Uganda	Board		7
	Senior Management		7
	Regions/Branches	11	
	Regional Committees	7 people x 11	77
	Regional Management	7 people x 11	77
5. New Hope Uganda	Board		8
	Senior Management		3
	Branches	4	
	Branch committees	N/A	
	Branch Management		17
6. Full Gospel Churches of Uganda Child Development Centres	Overseer		1
	Committee		6
	Senior Management		-
	Child Development Centres (CDCs)	16	
	Overseer	1 x 16	16
	CDC Committees	8 x 16	128
	CDC Key Staff (Management)	4 x 16	64
7. Africa Renewal Ministries (Child Development Programme)	Board		10
	Senior Management		6
	Child Development programmes:		
	Committees	8 people x 24	192
	Key Staff	3 people x 24	72
8. King's Kid Ministries	Board	4	
	Senior Management	3	
	Ventures	4	
	Committees	7 people x 2	14
	Management	4 people x 2 2 people x 2	10
Key Informants:			
1. Registrar General of Companies			1
2. Secretary, NGO Board			1
3. Chairperson, ICSA Uganda			1
4. Chairperson, Institute of Corporate Governance of Uganda			1
5. Secretary, NGO Forum			1
TOTAL			852

3.4. Sample Size

Quantitative studies generally use a sampling logic where a percentage of the total sum is used to represent the full size (Amin, 2005; Yin 1994). However, the use of sampling logic to qualitative studies, especially case studies would be misplaced, since they cover both phenomenon and context, but not incidence. Instead, a replication logic is utilized (Yin, 1994). Each individual case study consists of a 'whole' study, in which convergent evidence is sought regarding the facts and conclusions for the case are considered to be information needing replication by other individual cases (p49). For each individual case, the report should indicate how and why a particular proposition was demonstrated (or not demonstrated). Across cases, the report should indicate the extent of the replication logic.

However, there is still need to determine the participants to be studied even in qualitative studies. Patton (1990) observes that the sample of participants should be to the point of redundancy. Nasti (n.d) expounds redundancy/saturation to refer to the point that allows for the identification of a consistent pattern. In other words, how many persons are enough to generate adequate data about the governance of the selected FBO? The other consideration is, how large a sample is needed to represent the variation within the target population, in this case, the corporate governance players (Nasti, n.d). The participants shall be determined purposively from the various corporate governance players/ stakeholders using the maximum variation method. Patton (1990) advises that it is best in qualitative studies to start with a minimum sample size, rather than determining dogmatically the sample size from the onset.

In view of the principle of maximum variation, the range of the selected FBOs shall be taken into consideration. The sample shall therefore take into consideration of the corporate governance players at the various levels. Considering that the selected FBOs have governance at

both the Headquarters/National Office and the branches/regions, the sample shall be taken from both levels. For each FBO, the Headquarters and two branches/regions shall be considered, in order to ensure a balance and comparison.

The sample shall also take into account the various corporate governance players at each level. This is the Board/Committee and Management. Where an FBO has a Patron and/or partner representative, they shall be considered as well. At each of the identified levels, three persons shall be sampled out, as it is believed that these are adequate to give enough information, i.e. the Board and Management. This will ensure that there is adequate comparison in order to achieve data saturation. The Headquarters/ National Office, and the branches/regions.

It is important to note that the sample size is therefore obtained, not as a percentage of the sample population, since the goal is not representativeness, but the number of corporate governance players at each level that are information-rich in order to provide adequate data (Yin, 1994; Patton, 1990). The same number of participants shall therefore be sampled from each level and category regardless of the total number. The sample size for each organisation will accordingly be determined as follows:

a) Head Office

- i. Board – 3 members
- ii. Management – 3 members
- iii. Patron/Religious leader

b) At each Branch

- i. Board – 3 members
- ii. Management – 3 members
- iii. Patron/Religious leader

On the basis of this criteria, the sample size is shown in Table 5 below

TABLE 5: SAMPLE SIZE

LEVEL	GOVERNANCE STRUCTURE	SAMPLE SIZE	TOTAL SAMPLE SIZE (x 8 FBOs)
Headquarters	Board	3	24
	Management	3	24
	Patron/Religious leader	1	8
Branches (2)	Board/Committee	3	48
	Management	3	48
	Patron/Religious leader	1	16
Companies' Registry	Registrar General	1	1
NGO Board	Secretary	1	1
ICSA Uganda	Chairperson	1	1
ICGU	Chairperson	1	1
NGO Forum	CEO	1	1
TOTAL SAMPLE SIZE			173

The sample size shall therefore be 173 corporate governance players.

3.5. Sampling technique and procedures

The participants in the study shall be selected using purposive/purposeful sampling methods. Unlike quantitative studies which generally use random sampling, qualitative studies often use either convenience or purposive/purposeful sampling (Nasti, n.d., Yin, 1994, Amin, 2005, Baxter and Jack, 2008). Quantitative studies base on the logic of probability sampling, which aims at a statistically representative sample that will permit confident generalization from the sample to a larger population. Qualitative studies on the other hand base on the logic and power of purposive sampling, which depends on selecting information – rich cases that enable in-depth study. As such,

generalisation is not based on incidence, but rather theoretically, whereby ideas can be drawn from the findings that can be applied to a larger population (Yin, 1994).

Purposive sampling is where participant selection is based on a clear rationale and fulfils a specific purpose related to the research question (Collingridge & Gantt, 2008). This is because sampling is not based on representativeness, but rather incidence in qualitative studies, and specifically case studies (Yin, 1994). According to Patton (1990), the logic and power of purposeful sampling lies in selecting information – rich cases for study in depth. He describes information-rich cases as those from which one can learn a great deal about issues of central importance to the purpose of the research, thus the term ‘purposeful sampling.’

A number of purposive/purposeful sampling techniques have been identified by scholars. This study will employ a number of these to determine the specific participants to be sampled from the study population, in order to benefit from the advantages of triangulation. These will include, maximum variation, typical case, and snowball method.

Using the maximum variation sampling technique, a wide range of variation on dimensions of interest is picked in order to discover/uncover central themes, core elements, and/or shared dimensions that cut across a diverse sample while at the same time offering the opportunity to document unique or diverse variations (Nasti, n.d., Patton, 1990). Using this approach, the wide range of corporate governance stakeholder groups shall be chosen from the selected cases, i.e. the board, management, members/contributors, and religious leaders. To determine the specific participants from each category, the typical case sampling method will be applied. According to Nasti (n.d), the typical case is adopted when one needs to select a typical profile. It caters for what usually happens (Patton, 1990). This is because this being a primarily qualitative study, what is

important is an information-rich participant and the typical person responsible for an aspect will ordinarily have the information. As such, the person usually responsible for corporate governance in the various groups will be chosen. This is the CEO for the management, the Board Chair for the Board, a recognized representative of the key partners/funders where they exist, and the Patron/religious leader. For each Board and the Management, two more long serving members shall be picked as well. This is because they are the ones typically aware of the governance of the organisation.

This shall be supplemented by the snowball approach. According to Patton (1990), the snowball technique is where key information rich people are located and these lead the researcher to other information rich potential participants (Patton, 1990). It is a useful method because qualitative studies rely on data saturation, but the participants chosen may not have all the information, and yet there are others that can be useful. The sampled participants therefore lead the researcher to other participants until he/she reaches saturation of information. The identified corporate governance actors shall be employed to lead to other persons concerned with corporate governance where it is a different person, or there is an extra information-rich person regarding corporate governance of the FBO. Purposeful random sampling shall also be used to determine the beneficiaries to participate. This is where a small sample is chosen randomly from a purposefully determined group, such as a stakeholder group.

3.6. Data Collection Methods

For the results from a case study to be robust, a triangulation of data collection methods must be applied (Yin, 1994). In view of this, the study will employ a number of data collection methods

that are compatible with qualitative studies, especially exploratory and case studies. These will include the following:

1. Informally contacting Case Organisations – this will also be done at the beginning of the study, in order to obtain background information and permissions. This will help to ensure that the case organizations eventually chosen fit the required characteristics and are information-rich, and that it will be possible to obtain information from them.
2. Document review – Pertinent documents pertaining to the Case organizations will be reviewed, such as the Memorandum and Articles of Association, Constitution, or Trust Deed. Other documents to be reviewed will include policies and Board minutes.
3. Interviews – three types of interviews shall be carried out as follows:
 - i) Expert/key informant interviews – These shall be with the heads of from the five identified Government Agencies responsible for various categories of FBOs, and other Corporate Governance agencies. These shall specifically be the Registrar of Companies, NGO Board, NGO Forum, Institute of Corporate Governance of Uganda, and ICSA, Uganda. The purpose will mainly be to establish the nature of corporate governance of FBOs, best practice, and how they can be applied to FBOs in Uganda.
 - ii) Interviews with at least 48 identified participants in the case FBOs. Interviews shall be carried out with the main people responsible for corporate governance. These shall be the Chairperson of the Board and CEO. Where an organisation has a Patron/Religious leader or Key Partner, they too shall be interviewed.

- iii) Focus Group Interview – A Focus Group Interview will be carried out with a group of about four to six members and one with a group of beneficiaries in each of the Cases, both at headquarter level and regional level.
- 4. Checklist administration – A checklist, with provision for open-ended explanations shall be administered to the other persons identified from the governance organs. They shall therefore be administered to the remaining members of the Board and Management that have been identified. These shall therefore be at least 96. The purpose shall be to analyse the application of corporate governance principles to the governance of their respective FBOs.
- 5. Observation – The researcher shall sit in at least one governance meeting for each case organisation, both at headquarters and regional level to observe the decision making process.

3.7. Data collection Instruments

In view of the identified data collection methods, the following data collection instruments shall be employed:

- 1. Case Study Protocol – This will be a comprehensive guide of the procedures to be used in studying the cases. Yin (1994),
- 2. Case Initial Information Form to obtain initial information from the Cases
- 3. Interview Guides – these will have questions to act as a guide during the interviews
- 4. Key informants' Guides for the expert interviewees
- 5. Focus Group Interview Guide

6. Checklist with provision for open ended explanations – to establish current corporate governance practices and application of principles in the cases.
7. Observation Guide

3.8. Pre-testing, Validity, and Reliability

The quality of a study is very important. This is through ensuring validity and reliability of a study (Yin, 1994). Pre-testing (piloting) is one of the key methods of ensuring validity and reliability of instruments. Beyond this, Yin (1994) recommends four tests that have been commonly used to establish the quality of any empirical social research, i.e. construct validity, internal validity, external validity, and reliability. These are summarised in Table 6 below in as far as they are relevant to Case Studies:

Table 6: Quality tests for the Case Studies

Test	Case Study tactic	Phase of research
Construct validity	- multiple sources of evidence - establish chain of command -key informants review draft case study report	- data collection - data collection - composition
Internal Validity	Inapplicable to Case Study	
External validity	-replication logic in multiple case study	Research design
Reliability	- case study protocol - develop case study data base	Data collection Data collection

Source: Adapted from Yin (1994) with appropriate variation

3.8.1 Construct Validity

Amin (2005) defines validity as the ability to produce findings that are in agreement with theoretical or conceptual values, i.e. to produce accurate results to measure what is supposed to be measured. Construct validity may be said to be the formation of suitable operational measures for the concepts being investigated (Perry, 2001). Yin (1994) identifies three tactics of establishing construct validity, which tactics shall be adopted in this study:

1. The use of multiple sources of evidence, i.e., triangulation – This study shall use documentary evidence, policies, minutes, interviews, and focal discussions. Researcher triangulation shall also be used through the use of a Research Assistant, especially to take record.
2. Establishment of a chain of evidence –this shall be done through ensuring a proper record. The collection methods shall also be used systematically.
3. Review of the draft report by key informants. Each case report shall be reviewed by a key informant in the case organization.

3.8.2 Internal Validity

Internal validity is relevant for causal or explanatory studies, and so is not relevant to this study. Its concern is in ensuring that the proper relationship has been established, and there is no other factor responsible for the observed results (Amin, 2005; Yin, 1994).

3.8.3 External Validity

According to Yin (1994), external validity deals with whether the study's findings are generalisable beyond the immediate case study. Whereas surveys are generalisable to larger sizes (statistical generalization), case studies rely on analytical generalization (*ibid*: p36). In analytical

generalisation, the investigator is striving to generalize a particular set of results to some broader theory. Analytical generalization will be ensured through replication (both literal and theoretical). In other words cases with similarities (literal replication) and cases with differences (theoretical replication) will be considered, and corporate governance practices examined in view of these similarities and differences, in order to come up with best practice generalisable to FBOs in Uganda.

3.8.4 Reliability

Reliability refers to how consistent a technique is in measuring the concepts (Perry 2001). The objective of reliability is to ensure that if a later investigator followed the same procedures, he would come up with exactly the same results (Yin, 1994). The goal of reliability is to eliminate errors and biases. This shall be achieved in a number of ways:

1. Documenting all the procedures through a **Case Study Protocol**. The Case Study protocol lays out the structure the study is to take in detail, in order to ensure consistency (Jones, 2005). The protocol shall show the study procedures. It shall be a ready reference throughout the research.
2. The Case Study database – this shall capture all the evidence obtained from the study. It shall be available to verify the findings and for quotations and references (Perry, 2001).
3. Collaboration. This shall be through the research assistant, and the Supervisors. A key informant in each case shall also study the particular case report for reliability

The term 'pilot studies' refers to mini versions of a full-scale study (also called 'feasibility' studies), as well as the specific pre-testing of a particular research instrument such as a questionnaire or interview schedule

3.8.5 Pilot/pre – testing

Piloting is a major tool in ensuring validity and reliability. Teijlingen & Hundley (2001) define a pilot study as “mini versions of a full-scale study, or the specific pre-testing of a particular research instrument such as a questionnaire or interview schedule.” In this study, a pilot study shall be used to refine the data collection instruments, specifically the Interview guides and checklist. This will help to refine the instruments before the actual data collection. The pilot case shall be carried out on Glad Tidings Bible College, which is under the Full Gospel Churches of Uganda. This shall be to ensure that the pilot has similar characteristics with the organisations that are to be studied.

The responses from the administration of the instruments shall be analysed critically to check if they are indeed answering the intended questions, and if the questions are clear enough. The instruments shall thereafter be refined.

3.9. Data analysis

Data analysis is the process of examining, categorizing, tabulating, and compiling empirical evidence to address the research questions (Miles and Huberman, 1994). There are no rigid rules, or formulas for analysis of qualitative data, but rather general guidelines (Patton, 1990, Yin, 2009). Whereas quantitative data analysis focuses on numbers, qualitative data analysis focuses on data. This largely depends on the researcher’s style and interpretive ability (Yin, 2009). According to Amin (2005), in qualitative studies, the investigator searches for patterns of data in form of recurrent behaviours or events, then interprets them moving from description of empirical data to interpretation of meanings.

To effectively analyse the data, it must be documented, conceptualized, coded, categorized, and relationships examined in order to come up with solid conclusions supported by the data (Patton, 1990; Miles and Huberman, 1994; Yin, 2009).

In view of this, the data shall first be documented. It should be organized and prepared for analysis through transcribing of interviews and group discussions (Amin, 2005). The data from interviews and observation shall therefore first be transcribed. After this, there shall be conceptualization through the development of sub-themes. Yin (2009) advises that these should follow the research questions. The data shall then be coded. The coding shall be based on the responses given, rather than a prior determined coding in order to avoid bias.

The coded responses shall then be categorized and relationships examined. This shall be through pattern matching. Yin (2009) states that pattern matching is the analysis of categorized data to identify similarities and differences in order to determine relationships. This shall be done in accordance with the research questions. From this conclusions and recommendations shall be made.

The analysis shall be case by case first, and a report generated. The draft report will then be given to a key informer in the organization to crosscheck for accuracy. Yin (1994) postulates that the use of a key informer to crosscheck the accuracy of a case report eliminates any inaccurate biases the researcher could have developed. From here, a cross – case analysis shall then be done in within the categories, and thereafter an overall cross-case analysis. From this, theory will be built on corporate governance practices for FBOs, contrasted with corporate principles in order to develop best practice for FBOs in developing countries.

The NVIVO Text Analysis software shall be employed in the data recording, coding, pattern matching, and analysis. The NVIVO is a text analysis tool that is useful to evaluate, interpret, and

explain social phenomena, analyse data such as interviews and documents (Columbia University, n.d.). It therefore assists in identifying patterns easily. It does not play the researcher's role in data analysis, but simply is an aid in organizing the data in an organized manner in order to facilitate effective analysis (Yin, 2009). NVIVO will therefore be a very useful tool in the analysis of the data.

3.10. Ethical considerations

Protecting the rights and welfare of the participants should be the major obligation of all parties involved in a research study (Mugenda, 2008). In order to ensure the protection of the participants, this study shall give due attention to the following ethical issues:

1. **Voluntariness** – For a study to be ethical, participation should be voluntary and the participants should be at liberty to withdraw without any repercussions (Mugenda, 2008). The consent must be free of any coercion or promises of benefits likely to result from participation (Amin, 2005). The researcher shall respect the potential participants' rights to decide whether to participate or not. They shall not be coerced, and they shall be made to understand that they can withdraw their consent to participate in the study at any time.
2. **Informed consent** – it is important for the participants to understand the nature and purpose of the study (Mugenda, 2008). In view of this, the purpose of the study and the procedures that shall be employed shall be explained to all the participants, and their consent shall be sought prior to their participation. Permission to record the interviews shall also be sought in advance.

3. Confidentiality – Amin (2005) argues that persons made the subject of research are entitled to confidential treatment of all information they give on personal matters. In view of this, any personal information given by the respondents shall be treated confidentially. Any sensitive information that shall come to the knowledge of the researcher during the study shall also be kept confidential.
4. Anonymity – Data collected from the study should always regard individuals as anonymous and names or any other forms of identification should be excluded (Amin, 2005). Furthermore, a system of coding the participants' responses should be developed so that each completed tool can be linked to the person who provided the information without using actual names (Mugenda, 2008). The participants' names shall accordingly be excluded from the data analysis.
5. Accountability – A researcher should take responsibility and be answerable for the utilization of resources set aside for the study (Mugenda, 2008). In view of this, the researcher shall ensure that all resources financial, material and otherwise shall be put to proper use during this research.
6. Sharing research findings – Mugenda (2008) also argues that withholding research results without any good cause is unethical. Other scholars must be able to use the data a researcher relies on to make conclusions insofar as this does not violate confidentiality requirements (Amin, 2005). Therefore, the analysis and conclusions of this study shall be available for use by other scholars and interested parties

7. Plagiarism and fraud. Plagiarism should be avoided at all costs. Amin (2005) defines plagiarism as the presentation of the research work of others that may lead others to believe or suppose that it is one's own. According to Mugenga (2008), it is the false attribution of ideas and involves unauthorized use or close imitations of the language and thoughts of another author. In order to avoid plagiarism, the researcher shall properly attribute referenced works to their authors.

8. Accurate recording of data – the researcher shall further ensure that data is recorded accurately. Care shall be taken to ensure that transcriptions are correct, and reflects what the participants have said precisely.

3.11. Limitations of the Study

The study is expected to have a number of limitations:

1. Generalization – the results cannot be generalized in terms of the sample. Surveys may have to be carried out by interested parties to generalize the results statistically.
2. Only Non – denominational FBOs and Pentecostal FBOs shall be studied. FBOs from other denominations shall therefore not be studied.
3. Churches will not be looked at
4. Finances may be a hindrance
5. Time – there is limited time, and yet the researcher is a full time employee and employer.
6. Some selected case organisations may be hesitant to release all the information relating to their governance.

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ANNEX 1: INTERVIEW GUIDE FOR BOARD CHAIR

GENERAL INFORMATION OF INTERVIEWEE

- i. When did you join the FBO?
- ii. When did you join the Board, and how long have you served as Board Chair?
- iii. What other roles have you played on the Board before?
- iv. Have you served on any other Boards before? Which ones?
- v. What are your academic qualifications (UCE, UACE, Certificate; Graduate; Masters; PHD, Other)
- vi. Do you have any professional qualifications (ACCA, CPA, ICSA, etc)

OBJECTIVE 1: EXAMINING THE NATURE OF CORPORATE GOVERNANCE OF THE FBO

a) Incorporation

- i. When was the FBO founded?

ix. Why was the Organisation formed/what is its purpose?

b) Stakeholders

i. Who do you consider the major stakeholders?

ii. Does the organisation have members? (Yes/No)

iii. If yes, how involved are the members in the affairs of the Organisation (Very much; reasonably; fairly; a little; Not at all). Give details

iv. Who are the funders of the organisation?

v. How involved are they in the affairs of the Organisation (Very much; reasonably; fairly; a little; Not at all). Give details

vi. Does the organisation have a Patron or religious leader? (Yes/No)

vii. If yes, how involved is the religious leader of the denomination/church affiliated to, in the governance of the Organisation (Very much; reasonably; fairly; a little; Not at all). Give details

viii. Who are the major beneficiaries of the organisation?

ix. How involved are they in the governance of the Organisation (Very much; reasonably; fairly; a little; Not at all)? Give details

c) Faith

i. How influential is faith/religion in the affairs of the Organisation (Very much; reasonably; fairly; a little; Not at all)? Give details

ii. Does faith/religion influence the appointment of the Board members (Very much; reasonably; fairly; a little; Not at all)?

- iii. Does faith/religion influence the appointment of the CEO and staff (Very much; reasonably; fairly; a little; Not at all)?

- iv. Is the mission, vision, and goals of the Organisation aligned to religious values (Very much; reasonably; fairly; a little; Not at all)?

- v. What religious principles affect the way the FBO is governed?

- vi. What role do you feel faith/religion should actually be playing in the running of FBOs?

OBJECTIVE 2: ANALYSING THE CORPORATE GOVERNANCE PRACTICES OF THE ORGANISATION

a) Governance Framework

- i. Describe the Governance Structure of the Organisation.

- ii. What is the governing document of the Organisation? (Constitution, Memorandum and Articles of Association, Bye-Laws, other)

- iii. How conversant are you with it (Very much; reasonably; fairly; a little; Not at all)? How conversant are the other Board members with it (Very much; reasonably; fairly; a little; Not at all)?

- iv. How is the Organisation financed?

- v. Who is responsible for ensuring adequate funds are obtained?

- vi. Does the Organisation have a vision, mission, and core values?

- vii. How conversant are you with it? (Very much; reasonably; fairly; a little; Not at all)?

- viii. How conversant are the other Board members with it? (Very much; reasonably; fairly; a little; Not at all)?

- ix. Does the Organisation have a Strategic plan? Yes/No/I don't know

- x. How conversant are you with it (Very much; reasonably; fairly; a little; Not at all)?

- xi. How conversant are the other Board members with it (Very much; reasonably; fairly; a little; Not at all)?

- xii. How satisfied are you with the governance framework of the organisation?

- xiii. How can it be improved?

b) The Board

- i. How is the Board chosen?

- ii. How is the Chairman of the Board chosen?

- iii. How many members does the Board have?

- iv. What is the tenure of the Board members?

- v. How can they be removed?

- vi. How many are Executive Directors, and how many are non executive directors?

- vii. Do you feel the Board is balanced enough (Very much; reasonably; fairly; a little; Not at all)?

- viii. What are the major roles and powers of the Board?

xv. How effective is the Board in leading the Organisation (Very effective; reasonably; fairly; a little; Not at all)? Give reasons for your answer

xvi. How frequently does the Board review its performance (very frequently; many times; sometimes; rarely; never at all)? How?

xvii. How frequently does the Board review the Organisation's performance (very frequently; many times; sometimes; rarely; never at all)

xviii. What reports does the Board make?

xix. What reports does the Board receive?

xx. How can the Board performance be improved?

c) Decision Making

i. How frequently is the Annual General Meeting held?

ii. How effective is it in giving general direction to the Organisation (Very effective; reasonably; fairly; a little; Not at all)?

iii. What issues specifically does the AGM handle?

iv. What issues are reserved for the Board?

v. What issues are reserved for Management?

vi. How involved is the religious leader in the decision making process of the Organisation (Very much; reasonably; fairly; a little; Not at all)? Give details.

vii. How involved are the funders in the decision making process of the Organisation (Very much; reasonably; fairly; a little; Not at all)? Give details.

viii. How involved are the members in the decision making process of the Organisation (Very much; reasonably; fairly; a little; Not at all)? Give details.

ix. How involved are the beneficiaries in the decision making process of the Organisation (Very much; reasonably; fairly; a little; Not at all)? Give details.

x. What mechanisms are in place to resolve conflict, and how adequate are they (Very much; reasonably; fairly; a little; Not at all)?

xi. How satisfied are you with the decision making processes of the organisation (Very much; reasonably; fairly; a little; Not at all)?

xii. How can they be improved?

d) Compliance

i. How conversant are you with the major Laws and Regulations governing the Organisation (Very much; reasonably; fairly; a little; Not at all)?

ii. Which are these?

ANNEX 2: INTERVIEW GUIDE FOR CEO

GENERAL INFORMATION OF INTERVIEWEE

- i. How long have you worked with the Organisation?

- ii. How long have you been CEO?

- vii. What are your academic qualifications (UCE, UACE, Certificate; Graduate; Masters; PHD, Other)?

- viii. Do you have any professional qualifications (ACCA, CPA, ICOSA, etc)

- iii. What is your governance history?

- iv. Are you a member of the Organisation? (Yes/No)

OBJECTIVE 1: EXAMINING THE NATURE OF CORPORATE GOVERNANCE OF THE FBO

a) Incorporation

- i. How is the Organisation registered?

viii. Who are the beneficiaries?

b) Stakeholders

i. Who do you consider the major stakeholders?

ii. How effectively are the interests and views of the members taken into consideration (Very effectively; reasonably; fairly; a little; Not at all)?

iii. How effectively are the interests and views of the funders taken into consideration (Very effectively; reasonably; fairly; a little; Not at all)?

iv. How effectively are the interests and views of the Organisation the FBO is affiliated to taken into consideration (Very effectively; reasonably; fairly; a little; Not at all)?

- v. How effectively are the interests and views of the religious denomination taken into consideration (Very effectively; reasonably; fairly; a little; Not at all)?

- vi. How effectively are the interests and views of the beneficiaries taken into consideration (Very effectively; reasonably; fairly; a little; Not at all)?

- vii. How are the interests of the various stakeholders ascertained?

- viii. Do you feel the involvement level of the various stakeholder groups promotes good corporate governance?

- ix. How can this be improved?

- v. To what extent does faith play a role in the recruitment of employees (Very much; reasonably; fairly; a little; Not at all)? Give details
- vi. To what extent does faith play a part in the recruitment of members (Very effectively; reasonably; fairly; a little; Not at all)? Give details
- vii. To what extent does faith play a part in the identification of beneficiaries (Very much; reasonably; fairly; a little; Not at all)? Give details
- viii. To what extent do you feel faith hinders the progress of the Organisation (Very much; reasonably; fairly; a little; Not at all)?

xii. How are funds raised?

xiii. How effective is the framework for fundraising (very effective; reasonable; fair; weak; wanting)?

xiv. How effective is the framework for accountability for funds fundraising (very effective; reasonable; fair; weak; wanting)?

xv. What are the major staffing policies in place?

xvi. How effective are they in ensuring the organisation is run effectively (Very effective; reasonably; fairly; a little; Not at all)?

xvii. How satisfied are you with the Governance framework of the Organisation (very effectively; reasonably; fairly; minimally; not at all)?

xviii. How can the Governance Framework of FBOs be improved?

b) The Board

i. How would you describe the Board (Supportive; Quite Interested; Micro-governing; a little interested; disinterested)

ii. How would you describe the skill mix of the Board members (perfect; adequate; fair; wanting; very wanting)?

iii. What is your take on the Board size (Adequate; too large; too small)

iv. What roles is the Board supposed to play?

x. What role do you feel Boards should play in FBOs?

c) Decision making

i. Who makes the major decisions in the Organisation?

ii. What matters are reserved for the members/AGM?

iii. What matters are reserved for the Board?

iv. What matters are reserved for management?

v. What matters are reserved for staff members?

vi. What matters are reserved for the major partners/funders?

vii. What matters are reserved for the patron/religious leader?

viii. Who comprises management?

ix. How frequent are Management meetings (Very frequent; reasonably; fairly; a little; Not at all)?

xv. What is the budgeting process?

xvi. How effective is the budgeting process (Very effective; reasonable; fair; ineffective; no budget at all)?

xvii. How effective is the budget monitoring process (Very effective; reasonable; fair; ineffective; no monitoring at all)?

xviii. How effective is consultation before major decisions are made (Very effective; reasonable; fair; ineffective; no consultation at all)?

xix. What stakeholders are usually consulted, and in what circumstances?

xx. How satisfied are you with the decision making process of the Organisation (Very much; reasonably; fairly; not that much; very dissatisfied)?

xxi. How can the decision making process be improved in FBOs?

d) Compliance

i. How conversant are you with the major Laws and Regulations governing the Organisation (Very much; reasonably; fairly; a bit; not at all)?

ii. How effectively are they complied with (Very effectively; reasonably; fairly; minimally; not at all)?

iii. What measures have been put in place to ensure that they are complied with?

- iv. How frequently does the Organisation make returns/reports to Government, and in what form?

- v. What other Reports are made and to who?

- vi. How frequently is the Organisation audited by independent auditors?

- vii. How frequently does the Organisation consult a lawyer?

- viii. How can the Organisation's compliance be improved?

ii. What is its primary purpose?

iii. What is unique about the organisation?

b) Stakeholders

i. Who would you consider the major stakeholders?

ii. Which stakeholder group(s) do you feel you belong to or associate with?

iii. How effectively do you feel your interests have been taken care of in the governance of the Organisation (Very effectively; reasonably; fairly; minimally; not at all)?

- iv. How effectively are the objectives of the founders being met (Very effectively; reasonably; fairly; minimally; not at all)?

- v. How effectively are the interests and views of the members being taken care of (Very effectively; reasonably; fairly; minimally; not at all)?

- vi. How effectively are the interests and views of the Organisation affiliated to being taken care of (Very effectively; reasonably; fairly; minimally; not at all)

- vii. How effectively are the interests of the religious denomination being taken care of (Very effectively; reasonably; fairly; minimally; not at all)?

- ix. How effectively does the Organisation communicate with the stakeholders (Very effectively; reasonably; fairly; minimally; not at all)?

- x. How can stakeholder involvement be improved in FBOs?

c) Faith

- i. How effectively do you feel religion/faith plays a role in the affairs of the Organisation (Very effectively; reasonably; fairly; minimally; not at all)?

- ii. How does faith/religion influence the affairs of the Organisations?

- iii. How effectively do you feel religion/faith is reflected in the goals, mission, and vision of the Organisation (Very effectively; reasonably; fairly; minimally; not at all)?

- iv. How effectively do you feel religion/faith is reflected in the activities of the Organisation (Very effectively; reasonably; fairly; minimally; not at all)?

- v. To what extent do you feel faith hinders the proper governance of FBOs (Very effectively; reasonably; fairly; minimally; not at all)?

- vi. What place do you feel faith should play in the governance of FBOs?

vi. How does the organisation raise its funds?

vii. How effective is the fundraising process (Very effective; reasonable; fair; wanting; very weak)?

b) The Board

i. What is your relationship with the Board?

ii. How effectively do you feel the Board is playing its roles (Very effectively; reasonably; fairly; minimally; not at all)?

iii. How satisfied are you with the manner in which the Board is constituted (Very effectively; reasonably; fairly; minimally; not at all)?

iv. How satisfied are you with the manner in which the Board is appointed (Very satisfied; reasonably; fairly; minimally; not at all)?

**ANNEX 4: CHECKLIST FOR APPLICATION OF CORPORATE GOVERNANCE
PRINCIPLES IN SELECTED FBOs**

Dear Participant,

Thank you for accepting to participate in this research. I am a PhD student of Mbarara University of Science and Technology (MUST)/ Uganda Technology and Management University (UTAMU).

I am undertaking research on corporate governance practices in selected faith based organisations.

I therefore request you to fill in this checklist as honestly as possible.

Thank you.

Ernest Katwesigye (PhD Candidate/Researcher)

Name of Organisation:

Position in Organisation:

Please indicate whether and how strongly the following corporate governance practices are implemented in the organisation basing on the scoring key below. Also, please give details of the supporting practice and any other views you have about the applicability of the said principle.

Score Key:

1. Strongly agree
2. Agree
3. Undecided
4. Disagree
5. Strongly disagree

	PRINCIPLE	SCORE					SUPPORTING PRACTICE & VIEW ON APPLICABILITY
		1	2	3	4	5	
A	VALUES						
1	The purpose/main objective of the organisation are clearly stipulated in the governance document						
2	The values of the organisation are clearly spelt out for all to appreciate						
3	The religious values of the Organisation are clear						
5	There are adequate mechanisms to ensure that funds are put to proper use						
6	There are mechanisms to avoid conflict of interest						
7	All stakeholders are treated equally and fairly						
8	There are mechanisms for enforcing values						
B	EFFECTIVE LEADERSHIP						
9	The organisation has a clear vision and mission						
10	The organisation has a supportive and motivated Board						
11	There is a satisfactory Board appointment procedure						

12	The Board composition has a proper mix of skills						
13	The position of Board Chair and CEO are separate						
14	There are well documented Board procedures						
15	There is a clear mechanism for ascertaining stakeholder interests						
16	The Board regularly consults stakeholders						
17	The Board offers strategic guidance to the Organisation						
18	The Board sets goals for the organisation						
19	The Board regularly reviews the organisation's performance						
20	The Board regularly reviews its performance						
21	There are clear and transparent procedures for appointment of the CEO						
22	The Board regularly reviews the CEO's performance						
23	There are clear and transparent						

	procedures for appointment of staff						
24	There are clear Human Resource policies and procedures						
25	The Board effectively mobilizes resources for the Organisation						
26	The Board offers effective leadership to the Organisation						
C	COMPLIANCE						
27	The Organisation complies with the Law and Regulations relating to its operations						
28	The Organisation holds an AGM regularly						
29	The Organisation makes the annual statutory returns to Government regularly						
30	The Organisation has effective internal audit procedures						
31	The Organisation has annual external audits						
D	PROPER EXERCISE OF AUTHORITY AND ACCOUNTABILITY						
32	The board has clear roles and responsibilities						
33	The Board Chair has clear roles and responsibilities						

34	The Board acts as a whole, and not just one or a few individuals						
35	The CEO has clear roles and responsibilities						
36	Management has clear roles and responsibilities						
37	The members have clear roles and responsibilities						
38	Board resolutions are clearly communicated						
39	The Board exercises its roles and responsibilities effectively						
40	The CEO is accountable to the Board						
41	The Board is accountable to members						
42	The Organisation makes accountability to the funders						
43	All stakeholders have access to key information relating to the organisation						
44	Organisational Reports are detailed and clear enough						
45	There are conflict resolution mechanisms						

ii. What are the major features of each type of registration?

iii. What are the advantages of the various forms of registration?

iv. What are the disadvantages of the various forms of registration?

v. What is the governing authority of the organisations under the various forms of registration?

b) Stakeholders

i. Who are the major stakeholders in an FBO?

ii. What are the rights of each?

iii. How can their interests be best catered for?

c) Faith

- i. Do you feel faith/religion promotes or or hinders effectiveness of corporate governance in FBOs? Why?

- ii. What role do you feel faith/religion should play in the governance of FBOs?

OBJECTIVE 2 CORPORATE GOVERNANCE PRACTICES OF FBOS

- i. What is your general comment on governance practices of FBOs in Uganda?

- ii. What are the major legislative requirements for governance of FBOs?

- iii. What returns do they have to make?

- iv. What reports do they have to make and to who?

OBJECTIVE 3: CORPORATE GOVERNANCE PRINCIPLES

- i. What do you consider the most important corporate governance principles for FBOs?

OBJECTIVE 4: FRAMEWORK FOR BEST PRACTICE

What are your recommendations about the following

- i. Board composition

- ii. Roles of the Board

- iii. Board meetings

- iv. Board performance

- v. CEO appointment

- vi. Roles of the CEO

- vii. Roles of management

- viii. Stakeholder involvement

- ix. Consultation

- x. Resource mobilization

- xi. Accountability

- xii. AGM

- xiii. Decision making process

xiv. Compliance

xv. Organisational performance

CONCLUSION

Generally speaking, how can corporate governance be improved in FBOs in Uganda?

- vii. How effectively does the Organisation ensure that your needs are met (Very effectively; reasonably; fairly; minimally; not at all)?

- viii. How effectively are your views considered in governing the Organisation (Very effectively; reasonably; fairly; minimally; not at all)

- ix. How effective is the Organisation's governance (Very effective; reasonable; fair; weak; wanting)?

- x. How effectively does faith play a role in the activities of the Organisation (Very effectively; reasonably; fairly; minimally; not at all)?

- xi. What do you like about the Organisation's governance?

xii. What don't you like about the Organisation's governance?

xiii. Do you have any leadership among the beneficiaries? How is it chosen?

xiv. How does the Organisation find out about your issues and how effectively does it respond to them (Very effectively; reasonably; fairly; minimally; not at all)?

xv. What would you like to see improved about how the Organisation is run?

xvi. What would you consider the most important features of proper Corporate Governance of Faith Based Organisations?

