Corporate Governance in Private Universities: Financial Performance Perspective

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Abstract

Purpose: *The purpose of the study is to examine the relationship between corporate governance and financial performance among private universities in Uganda.*

Methodology: *A cross sectional descriptive survey design was used and data were gathered from four (4) private universities in Uganda.*

Findings: *The study revealed that corporate governance variables negatively affected financial performance while policy and decision making are significant predictors of financial performance. Corporate governance variable are significant predictors of board roles, board roles are significant predictors of board effectiveness, and contingency is a significant predictor of board roles and effectiveness.*

Study limitations: *The study is limited by factors like the study being cross – sectional in nature and considered only public universities in Uganda. Future studies should consider being longitudinal and extend to private universities in Uganda.*

Practical implications: *To financial performance in private universities in Uganda, universities need to formulate better policies and make credible decisions, make up manageable council and senate committees that understand their roles, manage contingency and improve on board effectiveness.*

Originality: *This study contributes to literature in the areas of corporate governance and financial performance.*

Key words: Corporate governance, contingency, effectiveness and financial performance

1.0 Background

Corporate governance refers to corporate decision making and control, particularly the structure of the board and its working procedures (Hermes, 2004). Jenifer (2002) defines corporate governance as a set of interlocking rules by which corporations, shareholders and management govern their behaviour. In each country, this is a combination of a legal system that sets common standards of governance and systems of behaviour determined by firms themselves. Corporate governance scandals and accounting failures such as Maxwell and Enron dominating business debates during the last decade, recognized as failed corporate governance and systems of accountability and control in listed firms (Igor, 2004).

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Universities in Uganda are governed by University and Other Tertiary Institutions Act 2001 and amendment Act 2003. The Acts empower Universities to constitute governing boards; councils and senate. The governing boards monitor and control performance of universities as stipulated by Act 2001 and amendment Act 2003. The creation of a board of directors is to monitor the performance of the firm (Kosnik, 1987, 1990; American Law Institute, 1982). It is, therefore predicted that an effective council and senate will increase the value of the shareholders wealth.

According to Islamic University in Uganda (IUIU)’s strategic plan 2006/07 a number of polices were approved by council that included restructuring of staff, appointments, salaries and benefits, which caused academic staff turbulence. Subsequently, academic staff who had been laid off sued the university (Daily Monitor Newspaper, July 2007), which court ruled in their favour and ordered the University management to reverse the earlier decision on appointments. The legal and time costs and unrest caused disruptions of the university operations (Red Pepper News paper June 30, 2007). In addition, Uganda Martyrs University (UMU) council approved a new fees structure for the academic year 2007/2008 in the strategic plan 2007/08 which caused public outcry that government had to intervene and negotiate the implementation (New Vision September 18, 2007).

Uganda Christian University (UCU) failed to implement a decision made to increase staff salaries by 50% by January 2012 (The New Vision January 20, 2012) that caused a two weeks’ staff strike. Kampala International University had a debt of Shs.1.25 billion as compensation to former owners of University land since 2001which the University Council and Top management failed to settle (Red Pepper September 11, 2009). The same paper indicated Bugema University (BU) academic staff had a sit down strike protesting non-payment of salary arrears and non remittance to National Social Security Fund and taxes (NSSF Annual Reports 2009-2010; Uganda Revenue Authority (URA) Annual financial reports 2009–2010). Private universities continue to experience low revenue collections (table 1) causing doubt on the effectiveness of council and senate in setting appropriate policies, decision making and monitoring the financial performance hence the need for an investigation into their financial performance.

Table 1: Actual Revenue and Actual Expenditure for the Financial Year 2010/11

University	Actual Revenue	Actual Expenditure	Variance
IUIU	38,073,425,620	39,001,913,139	-928,487,519
KIU	40,475,237,900	44,785,652,526	-4,310,414,626
UMU	41,685,402,715	41,945,676,090	-260,273,375
UCU	38,852,347,205	39,568,092,403	-715,745,198
BU	37,546,294,851	38,798,123,654	-1,251,828,803

Source: Universities’ Financial Reports 2010/2011

2.0 Literature review

2.1 Corporate governance

Corporate governance refers to the way an organisation is directed and controlled (OECD, 2004). The comportment in which the supremacy of an organization is implemented in the stewardship of the firm’s total portfolio of assets and resources with the objective of maintaining and increasing stakeholders’ value (Private Sector Corporate Governance trust, 1999; The Cadbury Committee; Keasey & Wright, 1993; Tricker, 1984; Gedajlovic et al, 2004).

Zahra and Filatochev, (2004) contend that corporate governance systems and organizational learning are independent and may complement each other. The decision making style of the board affects corporate performance (Pearce & Zahra, 1991; Zahra & Pearce, 1989).

Prior research has investigated the immergence of corporate governance in developing economies in the context of corporate governance reforms (Rwegasira, 2000). Krambia & Psaros (2006) investigated the implementation of corporate governance principles in Cyprus and the findings indicated only a minimal impact, but advanced that Cyprus was working towards improving corporate governance of its listed companies. Solomon et al. (2000, 2003) argue that developing countries need to adopt commonly accepted standards of corporate governance to be internationally competitive and attract foreign capital - the Anglo-Saxon model (Rwegasira, 2000).

Witherell (2004) noted that regional roundtables on corporate governance set up in partnership with the World Bank have allowed the OECD principles to become a widely accepted global benchmark. Indeed the outcome of a survey by Mckinsey in collaboration with the World Bank in June 2000 attested to the strong link between corporate governance and stakeholders' confidence (Mark, 2000). Corporate governance is significant as it encourages superior leadership; transparency, efficiency, integrity and respect for the rights within the corporate and public sectors (Institute of Corporate Governance of Uganda, 2000). Inadequacy of sound corporate governance enables bribery, acquaintance and corruption to flourish and suppresses sound and sustainable economic decisions (Private Sector Corporate Governance trust, 1999).

Rosette's (2002) study looked at the extent to which board composition affects team processes, board effectiveness and performance of the selected financial institutions in Uganda. Matama, (2005) used three basic tenets of corporate governance; transparency, disclosure and trust in commercial banks financial performance in Uganda. Masibo (2005) focused on the board structure and board process in relation to state owned corporations set for divestiture and those listed on Uganda securities exchange and profit making. In line with Gavin and Geoffrey (2004), the current study centers on council and senate sizes, policy & decision making as indicators of corporate governance akin to board functions, contingency, board effectiveness and financial performance of private universities in Uganda.

Accountability though not in the scope of the study cannot be disregarded when reviewing corporate governance literature. Accountability relationships occur in every social sector and form the basis of trust (Wheelers, 2000). Inadequate accountability can encourage inefficient and ineffective use of resources which can result in devastating consequences and compromising the operations of an organization (Kluver, 2001; Gray & Jenkins, 1993). Much prior researches looked at accountability as a measure of corporate governance; this study is focused on board size, policy and decision making.

2.2 Board size

When the board has adopted a clear view of its responsibilities in governing the company, the directors can then move to discuss and agree the most effective way of structuring the board. Consideration could be given to the size of the board itself in adequately fulfilling its requirements, given the size and complexity of the organization and optimal mix of skills (Gavin and Geoffrey, 2004). Board size defined as the total number of directors on a board (Panasian et al., 2003), has been regarded as an important determination of effective corporate governance as it improves the quality of the board (Bonn et al., 2004; Goshi et al., 2002), contrary to Forbes & Daniel (1999) and Epstein et al. (2004) who argued that board size effect it's functioning due to difficulty inherent in coordinating members' contributions hindering them to use their knowledge and skills effectively, (Keegen & Gilmour, 2001).

From agency perspective, increase in board increases the Board's monitoring capacity but costs that accrue from large boards may facilitate CEO dominance over board members and lack of cohesiveness (Forbes & Daniel, 1999; Bonn et al., 2004) although small boards cannot enjoy the advantages of the pool of expertise, information and advice of a larger board. According to Leblanc & Gillies (2003), an 8-11 persons' board may be considered optimal.

In a study by Epstein et al. (2004), a board of 9-13 members is typically right for most companies but too small for large ones, although Goshi et al. (2002) considered an average of 16 directors (3 within and 13 outside directors) to be appropriate for larger companies which was in line with Connelly & Limpaphayom (2003), though respondents in this study believed that 12 is the most effective board size. The current study is focused on Board size in terms of the number of university council and senate members.

2.3 Board roles

Board effectiveness occurs through execution of responsibilities set that is conceptualized by different researchers in different ways (Hung, 1998; Johnson et al, 1996; Lipton and Lorsch, 1992). What is clear is that the roles of the board have evolved over time. Defining a clear role set is difficult as different disciplines concentrate on different areas of interest. There are, however board roles that receive board support (Gavin and Geoffrey, 2004) as explained below.

Monitoring and control

The first role of the board is controlling and monitoring management, a role made necessary by the separation of ownership from control (Berle & Means, 1932). The board has to strategize and provide advice to management and increase performance pressures as applied by institutional stakeholders (Black, 1992), board perception of the importance of the strategizing role (Tricker, 1984) and recent legal precedent that placed corporate goal setting and strategic direction within the board's charter (Baxt, 2002; Glaberson & Powell, 1985; Kesner & Johnson, 1990). The board's objective in strategy formulation is to ensure that the strategy of the company will lead to the long-term creation of shareholder wealth. However, the level of board involvement will vary from organisation to organisation when setting broad objectives for management to implement (Gavin and Geoffrey, 2004).

Accessing resources

All companies whatever their size or nature of business, need access to outside resources if their businesses are to succeed. These resources vary enormously from company to company, but fall into main categories, as information and physical resources. Developing business networks and working to promote the reputation of the firm are two other important ways that a board can add value to the company. By acting in an open, professional and ethical manner in their dealings with people outside the organization, board members also raise the profile of the firm and enhance its reputation (Akodo & Moya, 2008; Garvin & Geoffrey, 2004).

Advice and counsel

The role Directors play in providing advice to the chief executive officer (CEO) is a link between the direction of the company and the day to day implementation of the direction which is the responsibility of the CEO. The board is a key source of knowledge and experience for the organization it governs. Therefore it is important for the board to share its experience with management, particularly the CEO, to serve the interests of the company (Gavin and Geoffrey, 2004). Advising the CEO is widely acceptable (Lorsch & Maclver, 1989; Pfeffer, 1972).

2.4 Contingency, council and senate roles and their effectiveness

Heracleous (2001) Donaldson & Davis (1994) and Johnson et al. (1996) contend that while all boards are required to undertake activities within the range of their laid down responsibilities, each organization will need a different emphasis among these roles, making it necessary to explicitly incorporate a contingency perspective since a particular board composition or behavior advantageous for one organisation may prove unsuitable or even detrimental to another (Heracleous, 2001). There is need to identify control variables and gaps in understanding how the board can impact on firm performance.

Such contingencies of impact to board roles for corporate performance include; organizational size (Daily and Dalton, 1992; Dalton et al, 1999), diversity (Siciliano, 1996), management experience (Coulson-Thomas, 1993), industry turbulence, industry lifecycle, and firm lifecycle (Johnson, 1997) to moderate the relationship between board roles and board effectiveness. However, this study used management experience, university turbulence and lifecycle as contingencies that impact on council and senate roles and corporate financial performance.

Board effectiveness

Effectiveness is perceived in different ways. The social constructionist's conception holds that effectiveness is judgmental (Herman et al., 1997). According to Triscott (2004) effectiveness is doing the right things for results. Novick (1997) and Huat & David (2001) conceptualized board effectiveness as a function of overall contribution of the board to the organization performance, standard of support provided by the organization, individual contribution of directors to organization performance, board dynamics, Board performance evaluation and review (Van der Walt & Ingley, 2001; Jackson & Holland, (1998), contrary to Higgs & Dulewicz's (1998) viewpoint. Indeed, an earlier study by Forbes & Daniel (1999) defined board effectiveness as the board's ability to perform its control and service tasks effectively. From empirical perspective, Bardwaji & Vuyyuri (2003) found that overall judgments by respondents of board effectiveness were strongly related to how effectively the boards were judged to perform various functions. Using these perspectives, the following roles have been identified;

Skills and knowledge

Presence and use of skills and knowledge has been identified as another important dimension of board effectiveness. Board members must have the right mix of skills and knowledge. Possession of both functional knowledge in traditional areas of business as well as industry specific knowledge can enable members to truly understand specific company issues and challenges given the unique nature of their tasks to have a good input (Espstein et al, 2002; Nicholson & Geoffrey, 2004; Namisi, 2002).

Committees

Significant research effort has focused on the impact of committees (Klein, 1989), most notably the audit committee (Klein, 2002), remuneration committee (Conyon & peak, 1989) and nominating committee (Vafeas, 1999) with a link between the presence of board committees and board effectiveness. Committees can be used to gather, review and summarize information and report back to the full board for decision or delegated specific decision making powers (Gavin and Geoffrey, 2004).

Risk management

Risk management includes the identification of all significant risks faced by the company and ensuring that appropriate policies are in place to moderate the impact of these risks (Klein, 2004). This study focused on council committees like appointments board committee, staff welfare committee, students' welfare committee and Finance tender and general purposes committee and the roles delegated to them.

2.5 Financial performance

Measuring firm performance using accounting ratios is common in the corporate governance literature (Demaetz & Lehn, 1985; Ang et al, 2000) like return on capital employed, return on assets, and return on equity. Similarly, economic value added can be as an alternative to purely accounting-based methods to determine shareholder value by evaluating the profitability of a firm after the total cost of capital, both debt and equity are taken into account (Copeland et al, 1995). The current study on private universities as nonprofit making organizations measured financial performance in terms of actual revenue/budgeted revenue ratio, actual expenditure/budgeted expenditure ratio and actual revenue/ actual expenditure (Value for money ratio).

2.6 Relationship between corporate governance and board roles

According to Higgs (2003) overall leadership and control of the nonprofit entity fits within an overall system of management, which includes the board and stakeholders, the relationship between the board and the stakeholders, the chief executive, policy or consultative council of leadership stature, and operating managers or functional heads within the entity. The Cadbury Report (1992) embraces the interests of the stakeholders of the organisation and the interests of external bodies with who the organisation is in a strategic funding or policy relationship. McConville (2001) asserts that company law leads to the conclusion that the board is responsible for regulating the status of the company. Intuitive knowledge and commonsense of lay board members would say that the board must regulate the affairs of the NPO entity to which the board has been appointed.

2.7 Relationship between board roles and board effectiveness

Board effectiveness depends on the execution of a set of four board roles, namely monitoring and controlling, strategizing, providing advice and counsel and providing access to resources; and firm performance positively impacted on board effectiveness (Akodo & Moya, 2008; Gavin and Geoffrey, 2004). In a study carried out by Cornforth (2001), the findings suggested that board inputs and three process variables namely: board members having the time, skills and experience to do the job; clear board roles and responsibilities; the board and management sharing a common vision of how to achieve their goals; and the board and management periodically review how they work together are key in explaining board effectiveness,.

2.8 Relationship between board effectiveness and financial performance

Rutagi (1997) defines financial performance as to how well an organization is performing. Other researchers define performance of the organization as the extent to which an organization achieves its intended outcome (Namisi, 2002). The general assumption among both researchers and practitioners is that effective boards lead to effective organization. From either an internal long-term profitability or external shareholder perspective, there is an indication that good boards may be able to add value to the organization (Epstein et al., 2003). Herman and Renz, (2000) assert that little research on the relationship between board effectiveness and organizational performance has been done. There was a positive relationship between board effectiveness and organizational performance in listed profit making firms in Uganda (Zahra, 1991; Masibo, 2005; Namisi, 2002), which was consistent with prior studies. In non profit making organizations there were similar results that a positive relationship existed between board effectiveness and organizational performance (Jackson & Holland, 1998; Herman & Renz, 2000).

2.9 Relationship between Corporate Governance and financial performance

Two broadly defined theories co-exist in the corporate governance literature. One stresses the discipline of the market, claiming that threat of hostile takeovers and leveraged buyouts in firms was sufficient to ensure full efficiency. Where managers neglect to invest in projects that add value to the firm and its shareholders but divert recourses to their own benefit, the financial markets act to restore good governance. A number of mechanisms have been suggested, such as removing senior managers in poorly performing firms (Palepu, 1986; Morch, Shleifer & Vishney, 1988, 1989); demanding cash flow payments in the form of debt service and linking executive compensation to performance, including equity and options (Jensen, 1986). Matama, (2005) in the study of corporate governance and financial performance on selected commercial banks, obtained a positive relationship between corporate governance and financial performance. Masibo, (2005) also obtained a positive direct and indirect link between board governance and firm performance on Ugandan listed firms through board effectiveness. These findings were in contrast with Piesses' (2005) results about corporate governance and firm performance in an international perspective which was conflicting on the link between corporate governance and firm performanc

3.0 Methodology

3.1 Research Setting and Sample

A field study was conducted to test the hypotheses using a census of all private universities registered by Ministry of Education under the Universities and Tertiary Institutions Act (2001) operating in Uganda. Stratified sampling was used to ensure proper representation of different private universities. The strata were developed from the four (4) universities which included; IUIU, KIU, UMU and UCU.

These methods were used because the researcher wanted universities that were in the best position to provide the information required (Tusubira & Nkote, 2013; Sekaran, 2000), and to obtain a representative sample due to the difference in locations and cultures of the different universities. Of the 142 questionnaires distributed to council and senate members, 135 usable questionnaires, representing 95% response rate, were received and entered into SPSS version 16. The unit of analysis was universities. A total of 135 respondents in different universities participated in the study; 41% (55) were from IUIU, 19% (25) were from UMU, 34% (46) from KIU and 22% (30) were from UCU.

3.2 Procedure for Data Collection

The items of corporate governance were merged with those of Board roles, Board effectiveness, Contingency and financial performance to find out the relationship between variables. The self-administered questionnaire consisted of measurement item scales from factor analysis and literature. Extra care was taken during the design stage to minimize the common method bias. Consistent with Podsakoff, Mackenzie, Lee and Podsakoff (2003), the predictor and criterion variables were examined, and attempts were made to eliminate commonalities. During the literature review, similarities between the constructs were eliminated. In addition, the abstraction method was used to collect secondary data from financial reports.

After going through most of the item scales previously used by scholars to measure the constructs of corporate governance, board roles, contingency and financial performance, separate item scales were designed to measure the study constructs. These item scales were then critically examined, and the observed similarities were eliminated. The scales were pilot tested using 12 council and 18 senate members, yielding a 100% response rate. After the pilot study, item scales that were unclear were either improved or deleted from the questionnaire. All item scales had a Cronbach alpha reliability coefficient greater than 0.7.

Consistent with Aulakh and Gencturk (2000), data from the pilot study/test were loaded and subjected to exploratory factor analysis. The output of the rotated factor solution was then examined to determine the number of factors that were necessary to account for the variance in the variables. The final questionnaire covered all of the variables under study on a four-point Likert scale ranging from 1="strongly disagree" to 4="strongly agree." An odd number of responses were avoided because Raaijimakers, Van Hoof, Hart, Verbogt and Wollebergh (2000) found that the mid-point neutral statement of neither agreeing nor disagreeing is confused with "don't know" or "not available."

In this study, it was preferred that respondents make a definite choice, as is always the case in social research, rather than choose a neutral position on the scale. Our decision was consistent with Garland (1991, p.3; Tusubira & Nkote, 2013), who revealed that "social desirability bias arising from respondents desires to please the interviewer or appear helpful or not be seen to give what they perceive to be a socially unacceptable answer, can be avoided by eliminating a midpoint category from the Likert scales." During the major study, respondents were assured that there was no right or wrong answers to the questions. They were asked to respond honestly to the questions in the questionnaire. Data for the criterion variable were obtained from other members of council and senate to minimize the social desirability bias.

3.3 Measurement instruments

Consistent with Akodo & Moya (2008), coporate governance was conceptualized as a multi-dimensional variable composed of; board structure / size and decision making. Questions were developed to tap all the two variables. The measurement instrument listed questions, and the respondents were asked to think about their corporate governance practices before they rated their level of agreement on a 4-point Likert scale. These scales were adapted from Akodo & Moya (2008). The Cronbach alpha value for this scale was 0.892, suggesting adequate internal validity. Nunnally (1967) states that reliability coefficients greater than 0.70 are considered good.

Board roles were measured in terms of monitoring and control, access to resources, strategy and advice and counsel. Board effectiveness was measured in terms of committees, risk management, delegation, skills and knowledge. Contingency was measured in terms of management experience (Coulson–Thomas, 1993), institutional turbulence and institutional lifecycle (Johnson, 1997) with modifications to suit the Ugandan environment. The Cronbach alpha values for these scales were 0.769, 0.791 and 0.723 respectively which indicates high internal consistency for the instrument. Financial performance as dependent variable was measured in terms of the revenue collection performance ratio of actual revenue over budgeted revenue, expenditure performance ratio of actual expenditure over budgeted expenditure and value for money as a ratio of actual revenue over actual expenditure (Akodo & Moya, 2008).

4.0 Results and Discussion

4.1 The factor structure of board roles, contingency and board effectiveness

Factor analysis was used to examine the factor structure of council and senate roles, contingency and council and senate effectiveness. Factor loadings of 0.50 and above were considered significant for this study. Four components constituting 89% variance of council and senate roles were extracted from 27 items, which included; strategizing (30.679%), access to resources (14.332%) monitoring and control (16.248%) and advices and counsel (27.741%). Secondly, three factors were extracted contributing 76% of the variance of council and senate effectiveness. The three factors include; skills and knowledge (24.388%), delegation (25.601%), and risk management (26.001%). Lastly, three factors constituting 67% of total variance of contingency variable were extracted from 33 items. The items included; institutional turbulence (28.426%), institutional lifecycle (21.227%) and management experience (17.347%), all consistent with Gavin and Geoffrey, (2004) and Akodo & Moya, (2008).

4.2 Relationship between study variables

Corporate governance and council and senate roles

There was a significant positive relationship between corporate governance and council and senate roles ($r= 0.212$, P-value < 0.05, $r = 0.358$, P-value < 0.01) respectively in terms of council and senate sizes and policy and decision making constructs of corporate governance as shown in table 2 below. This implies that good corporate governance in terms of council and senate sizes, policy and decision making enhances their monitoring and control, access to resources, strategizing, advice and counsel.

Council and senate roles and effectiveness

Results in table 2 above indicate a significant positive relationship between council and senate roles and their effectiveness ($r = 0.478$, P-value < 0.01). This implies that well defined and streamlined council and senate roles improved on the council and senate effectiveness in terms of knowledge and skills, committees, delegation and risk management.

Council and senate roles & effectiveness and contingency

The partial correlation coefficient results indicated that there was a significant positive relationship between council and senate roles and council and senate effectiveness while controlling for contingency (r = 0.599, P-value < 0.01). This implies that contingency plays a positive role in moderating the link between council and senate roles and council and senate effectiveness.

Corporate governance and financial performance

There was a significant negative relationship between board size and financial performance (r = -0.318, P-value < 0.01). This implies that board size reduces on the financial performance. In addition, policy and decision making had a significant positive relationship with financial performance (r = 0.380, P-value < 0.05). This implies that policy and decision making as measure of corporate governance enhanced financial performance of private universities. In addition, there was a positive relationship between policy and decision making and revenue performance, expenditure performance and value for money (r = 0.354, P-value < 0.05, r= 0.361, p-value<0.01, r= 0.347, p-value<0.05). Proper policies and decision making, increased revenue performance, expenditure performance and value for money. There was a significant negative relationship between board size and revenue performance, expenditure performance and efficiency (value for money) (r = -0.389, p-value < 0.01, r = -0.311, P-value < 0.01, -0.867, p-value<0.01). This implied that size of boards reduced on the revenue, expenditure and value for money of private universities. The detailed results can be seen from table 1 below as follows;

Table 2: Zero order correlation matrix

	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
Council and senate Size (1)	1.000								
Policy & Decision Making (2)	-.162	1.000							
Council and senate Roles (3)	.221*	.359**	1.000						
Council and senate Effectiveness (4)	.098	.356**	.478**	1.000					
Contingency (5)	-.199	.192	.141	.231*	1.000				
Revenue Performance (6)	-.389**	.354*	.116	.115	.241*	1.000			
Expenditure Performance (7)	-.311**	.361**	.116	.117	.241*	1.000**	1.000		
Value for Money (8)	-.867**	.347*	.328*	.101	.342**	-.065	-.065	1.000	
Financial Performance (9)	-.318**	.380*	.115	.421**	.324*	1.000**	1.000**	-.065	1.000

**Correlation is significant at the .05 level (2-tailed).*
***Correlation is significant at the .01 level (2-tailed).*

Consistent with the above results, the regression model shown in Table 2 showed that there was a linear relationship between corporate Governance, board roles, contingency, board effectiveness with financial performance (F = 4.960, Sig = 0.000). Council and senate sizes, policy and decision, council and senate roles, contingency and council and senate effectiveness explained 51.2% of financial performance of private universities. Council and senate effectiveness (Beta = 0.558) explained more to the financial performance, followed by contingence (Beta = 0.462), policy and decision making (Beta = 0.388), and council and senate roles (Beta = 0.397).

This implied that increase in council and senate effectiveness, management of contingences, proper policies and decisions and council and senate roles led to increase in financial performance, which were significant predictors of financial performance. Council and senate sizes however, negatively impacted on the financial performance (Beta = -0.483). This implied that increase in the size of council and senate led to the reduction in financial performance of private universities.

Table 3: Regression model Summary Coefficients (a)

	Unstandardized coefficients		**Standardized coefficients**		
Model	**B**	**Std Error**	**Beta**	**t**	**Sig**
Constant	1.713	0.219		2.331	0.000
Council and senate size	-0.461	0.169	-0.483	-4.057	0.000
Council and senate roles	0.458	0.236	0.397	3.171	0.000
Council and senate effectiveness	0.647	0.054	0.558	4.502	0.000
Policy & decision making	0.419	0.428	0.388	3.270	0.000
Contingency	0.553	0.205	0.462	3.693	0.000
Dependent Variable: Financial Performance					
R^2	0.539,		F	4.960,	
Adjusted R^2	0.512		Sig	0.000	

5.0 Discussion of Findings

5.1 Corporate governance and council and senate roles.

In the context of Uganda, these findings uncover a significant positive relationship between corporate governance and council and senate roles, supporting previous studies asserting that corporate governance and board roles are positively related. Significant positive relationship was obtained between Policy and decision making; council and senate size had significant positive effect on council and senate roles. Council and senate sizes, policy and decision making positively influence the roles played by council and senate members. The finding is in line with Masibo, (2005) and Akodo & Moya, (2008) whose findings were that good board governance positively enhances on monitoring and strategy. The positive correlations imply that council and senate members contribute positively to the monitoring and strategic issues of the universities, which was consistent with Bonn et al., (2004). Corporate governance results indicated a significant positive perception across the four private universities which implied that council and senate in the four private universities are involved in policy and decision making. Council and senate members had no significant differences in perceptions with regard to Board roles across the four private universities. This implied that the roles played by council and senate members in the four private universities are comparable.

5.2 Council and senate roles and effectiveness

Council and senate roles had a significant positive relationship with council and senate effectiveness. There were no significant differences in council and senate effectiveness in all private universities. This implied that council and senate members applied similar skills and knowledge, constituted related committees to perform various functions, delegated roles, and devised procedures in the management of university threats. Council and senate roles had a significant positive relationship with council and senate effectiveness. This implied that monitoring and control, access to resources by council and senate members, appropriate strategies, advices and counsel improved council and senate effectiveness in terms of the skills and knowledge applied by the members, the committees constituted by council and senate, delegation of roles and measures to manage risk in the private universities.

This was consistent with Masunda (2013), Hung (1998), Johnson et al. (1996), Lipton & Lorsch (1992), who contend that Board effectiveness occurs via the execution of roles set. Black, (1992) revealed that the strategizing role increases performance pressures being applied by institutional stakeholders. By acting in an open, professional and ethical manner in their dealings with people outside the organization, board members raise the profile of the institutions and enhance their reputation (Gavin & Geoffrey, 2004). Akodo & Moya (2008) and Gavin & Geoffrey (2004) extensively acknowledged that advice and counsel is important to top management in serving the interests of the institution and this was supported by Lorsch & Maclever, (1989).

5.3 Council and senate roles, effectiveness and contingency

There was a significant positive relationship between council and senate roles and their effectiveness while controlling for contingency. Contingency in terms of management experience, controlled institutional turbulence and institutional lifecycle played a positive role in improving the relationship between council and senate roles and their effectiveness. This was in line with Masunda (2013), Akodo & Moya (2008), Heracleous (2001), Sisiliano (1996) and Johnson et al., (1996) who unequivocally acknowledged the necessity to integrate a contingency perspective in the execution of the different roles and the call for identification of control variables and gaps in a bid to better institutional performance.

5.4 Council and senate effectiveness and financial performance

There was a significant positive relationship between council and senate effectiveness and firm performance. This implied that effective council and senate are significant predictors of financial performance in private universities. The findings were consistent with the results of Masibo's (2005) and Brown's (2004) studies where it was found that board effectiveness was a significant predictor of firm financial performance. Furthermore, Jackson & Holland (1998), Namisi (2005), Kale (2002), Van der Walt & Ingley (2001), Epstein et al. (2003), Zahra (1991) and Herman & Renz (2000) all revealed that improvement in board effectiveness embodies an central position of leverage in improving organizational performance.

5.5 Corporate governance and financial performance

The findings show that corporate governance was a significant predictor of financial performance of private universities. These results are consistent with earlier ones obtained by Masibo, (2005) whose results showed a relationship between Board Governance and firm performance. Results are also in agreement with Mark's (2000) quarterly survey which revealed that a significant correlation existed between the two variables. Furthermore Matama, (2005) and Akodo & Moya (2008) separately obtained a positive relationship between Corporate Governance and financial performance of selected commercial banks and public institutions.

5.6 Corporate governance, council and senate roles, contingency, council and senate effectiveness and financial performance

Financial performance was significantly explained by corporate governance, council and senate roles, contingency and council and senate effectiveness, as indicated by the regression model. 51.2% of the financial performance of private universities was contributed by corporate governance, council and senate roles, contingence and council and senate effectiveness. Council and senate effectiveness contributed more to financial performance (0.558) followed by contingency (0.462), council and senate roles (0.397) and policy and decision making (0.388). However council and senate size (-0.483) had a negative effect on the financial performance of private universities. Results are consistent with Akodo & Moya (2008) and Bonn et al., (2004) whose findings showed a negative relationship between board size and performance of public institutions and Japanese firms. Results above are consistent with Masibo, (2005) who established that good Governance, board effectiveness and board processes positively explained firm performance but increase in board size reduces firm performance.

Furthermore, the study findings were in line with Gavin and Geoffrey, (2004) who established that corporate governance, board roles, contingency and board effectiveness enhanced organisational performance.

6.0 Conclusions, Policy and Supervisory Implications

From the above discussions, we conclude that corporate governance variables and board roles indicated significant positive relationship hence council and senate should strive to optimize council and senate sizes, policy and decision making as aspects corporate governance to improve their roles of monitoring, controlling, strategizing, providing advice and counsel. In addition, policy and decision making in private universities is important in contributing to financial performance. Furthermore, council and senate roles significantly influenced council's effectiveness and this meant that their roles were important in determining the effectiveness of council and senate. Therefore, council and senate's effectiveness will depend on how well the members implement their roles. Contingency in terms of management experience, institutional turbulence and institutional lifecycle significantly and positively influenced the impact on board roles and board effectiveness. Private Universities therefore require use of contingency measures to improve on the effectiveness of council and senate. However, the size of council and senate for private universities significantly reduced their financial performance. This means that private universities should not maintain council and senate sizes that are costly in terms of sitting allowances, mileage and retainer fees, but review council and senate membership and set optimal numbers with the required expertise.

Secondly, council and senate should set up policies that accommodate different perspectives, ideas and opinions from all the stakeholders are considered, and shun sanctioning top management's recommendations on policy issues without methodical deliberations through sub-committees of council. Council and senate should involve themselves in the strategic planning process of the universities to improve on their roles as board members which are in line with their missions and visions, in addition to managing contingency as a moderating factor for board roles and effectiveness.

7.0 Limitations of the Study and Areas for Further Research

This study was not without limitation although the study provides some interesting findings and makes important contributions to the financial performance literature, several potential limitations are worth noting. Empirical studies in the areas of corporate governance and financial performance in private institutions have not been conducted because there are still no clear regulations in Uganda that take into account the fundamental financial performance indicators. The lack of studies limited the researcher's sources of local scholarly literature on which to base the development of this study. In addition, the study was largely quantitative in nature and data collection was done at a single point in time which does not allow for changes in behavior over time. The use of qualitative longitudinal studies covering both private and private universities with in-depth interviews could provide more insights. The study population was limited to private universities as per the Universities and Other Tertiary institutions Act 2001.

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