CHAPTER I INTRODUCTION

1.1 Research Background

Corporate directorship has been a major concern in the daily operations of a corporation because it ensures that everyone in the organization abides by a set of rules and regulations established by the Board of Directors. Corporate Directorship is concerned with how investors achieve a fair return on their investment. Corporate directorship issues have not, however, disappeared despite greater awareness of them in publicly traded firms. Investors in established and developing markets often reward companies with minimal risks related to corporate directorship while penalize companies with poor directorship.

Investors search for warning signs of unfavorable policies and principles, such as poor CEO compensation criteria, insufficient board credentials, limited shareowner rights, little to no disclosure, and other directorship issues. It is crucial to look into how current corporate directorship affects the performance of listed firms as modern securities exchanges sprout out around the globe, with an emphasis on the Uganda Securities Exchange sector, which is still growing and listing new companies.

Corporate directorship has been defined by various scholars. Li et al. (2019) referred to corporate directorship as a system of rules, processes, and principles applied to manage and direct a company. Becht and Jenkinson (2005) defined corporate directorship as a method through which a corporate company's set goals

and objectives are pursued while complying with social, regulatory, and market standards are referred to as corporate directorship.

An institution that practices proper corporate directorship utilizes its resources well and performs according to the goals and objectives for which it was formed (International Federation of Accountants, 2009). Afrifa & Tauringana (2015) highlighted five crucial corporate directorship criteria, including CEO age, CEO tenure, board size, the proportion of non-executive directors, and directors' remuneration, as having a significant impact on a company's success in UK-listed firms. A study on how these factors impacted the performance of the companies listed on USE is needed in order to make recommendations.

The companies itemized on stock markets play a significant role in economic development (Zhan, 2017). Therefore, it is vital to study and recognize how these companies involved in the stock exchange are managed to enable policy actors to put enough effort into improving their corporate directorship. A well-governed and transparent corporation not only contributes to the country's growth and development, but it also decreases investment risk among investors, providing a favorable investment climate that can even attract overseas investors (Drabek & Payne, 2002).

As organizations enter international capital markets, investors expect companies to have a robust corporate directorship framework to protect their rights and interests. Failure to protect investors' interests leads to low investor turnover, negatively affecting the Company's performance.

A comparative study of the United States of America and European countries revealed significant differences in corporate directorship models. The findings further indicated that investors were more willing to invest in a country with the best corporate directorship in firms (Meier & Meier, 2013). In Ahmed's (2021) study on Bangladesh commercial banks registered on the Dhaka stock exchange, ordinary least squares regression discovered a favorable connection between corporate directorship and performance. However, the report did not outline the criteria by which the commercial banks were evaluated.

There is a statistically significant correlation between corporate directorship and the success of listed banks, according to an Italian study on the subject (Bubbico, 2012). However, unlike this study, which will survey organizations availing a wide range of services such as financial, energy, communication or information services, and insurance, among others, this study will solely focus on financial banks.

In sub-Saharan Africa, listed companies have been reported to face many challenges due to incompetent corporate directorship structure tantamounting to poor corporate directorship principles. For instance, Waweru (2014) revealed that audit quality and company performance are the primary determinants behind the quality of corporate directorship in a study done to investigate the factors impacting the performance of listed firms in sub-Saharan Africa.

Also, Yartey and Komla (2007), who studied the importance of stock market companies in sub-Saharan Africa, found that though the companies have facilitated the financing of the growth of large corporations, they face a challenge of technical

corporate directorship personnel. Due to the corporate directorship structure of the listed mining companies on the Johannesburg stock exchange, Dzingai & Fakoya (2017) discovered a weak negative correlation between return on equity and board size and a weak but positive correlation between return on equity and board independence in South Africa. This study indicated that corporate directorship enhances performance using secondary data from 2010 to 2015.

A conference report compiled by the Private sector initiative for Corporate Directorship (2017) describes corporate directorship principles in the east African region. The report indicates that corporate directorship is not new in east African countries. It dates way back to 1998, when regional conferences were conducted to increase awareness of matters relating to regional corporate directorship. Spectacular losses and collapses reported among listed companies have been attributed to the failure of corporate directorship principles, as these principles have been reported to maintain viable companies and safeguard the interests of investors(Maher & Andersson, 2019). However, corporate directorship studies in Uganda have primarily focused on financial institutions. Corporate directorship has been found to affect the survival or collapse of financial institutions; for example, the collapse of Crane Bank was attributed to poor corporate directorship principles of poor accountability and incapability of the Board of directors (Napakol & Mugunga, 2019).

In their study, Okiro & Aduda (2015) identified the effect of corporate directorship on firm performance listed on the stock exchange of the East African Community. Between 2009 and 2013, census research was conducted on all 98

listed companies on the Nairobi, Uganda, Dar es Salaam, and Rwandan Securities Exchange. According to the study, there is a strong correlation between corporate directorship and firm performance. However, this research did not reveal which corporate directorship elements have a meaningful impact on the success of publicly traded companies, leaving a gap to be filled.

Researchers are analyzing the performance of listed small and medium sized enterprises in Great Britain based on corporate directorship parameters including board size, chief executive officer age and duration, percentage of non-executive directors, and directors' remuneration (Afrifa & Tauringana 2015), these factors are significantly related to performance. This study was conducted in the United Kingdom, which sets it apart from the current study in that it made performance distinctions between small and medium-sized businesses. As a result, a similar study in the Ugandan setting is required, with the goal of making recommendations.

The current study's main goal is to investigate the influence of corporate directorship features (board size, CEO age, CEO tenure, non-executive director proportion, and directors' remuneration) on the performance of companies listed on the Uganda Securities Exchange (USE). The rationale for considering these corporate directorship principles is due to their importance in firm performance (Afrifa & Tauringana, 2015; Boachie, 2020).

During the June 1998 conference, member states argued for drafting a framework and code of conduct/best practices to promote national corporate directorship. In 1999 Uganda established an Institute of Corporate Directorship (ICGU) and a national code of best principles. However, in Uganda, companies are

majorly owned by related people such as family members, which makes companies neglect corporate directorship principles when directed and rely on family or individual interests.

The USE went through moments of rise and times of decrease between 2012 and 2017. The performance of individual companies listed on the exchange varied significantly depending on their specific economic sector, degree of financial stability, and market circumstances. The USE had a boost in market capitalization during this time, reflecting a general rise in the value of listed companies. Additionally, there was more trading activity on the market, with larger share volumes and trade values.

A number of industries, including banking, telecommunications, and manufacturing, had significant presences on the USE and influenced its success during this time. Some businesses in these industries saw tremendous growth and attracted the attention of investors. It's crucial to remember that a number of variables, such as macroeconomic circumstances, political stability, regulatory changes, and global market trends, can affect how well a market performs.

According to a report from USE (Ungar, 2022) study, trading activity fell drastically in 2020, with stocks market turnover falling 73.7% to Ugx 33.4 billion from Ugx 127 billion in 2019. The total number of deals closed in 2020 decreased by 40% to 3,174 compared to 5,317 in 2019, foreign investor participation decreased to 42% in 2020 compared to over 70% in previous years, and the Company's profitability decreased by 83% to Ugx 41.2 million in 2020 from Ugx 243.8 million in 2019. As a result, one questions whether the loss in performance

is related to corporate directorship factors or to the listed firms themselves, hence the need for this study.

With a turnover of UGX 32.31 billion in 2021 compared to UGX 33.26 billion in 2020, trading experienced a modest dip. Nevertheless, there was a notable increase in trading volume, which was ascribed to increased interest in the SBU and UCL counters. The fourth quarter of 2021 accounted for roughly half of the total turnover, which can be primarily attributed to the economic recovery brought on by the reopening of important economic activities following the easing of several restrictions put in place to curb the spread of Covid 19 and the effects of the new listing on the stock market of MTN Uganda. The number of days traded in 2021 were 6 days less than the prior year, this was attributed to more public holidays falling on week days as compared to the previous year (USE, 2021).

Another famous example of a listed company on USE that collapsed was UCHUMI, where the financial situation worsened in 2015, and USE suspended its operations in 2016. As evidenced by the Board's recommendation for a forensic audit of the executive director and chief financial officer due to their flagrant misconduct and negligence that resulted in declining fortunes and a worsening revenue position, the collapse was attributed to abuse of the corporate directorship principles of responsibility, accountability, fairness, and transparency (Balaram, 2019).

Early in the 2000s, the Kenyan supermarket company Uchumi Supermarkets moved into Uganda. The business suffered a number of difficulties that ultimately to its demise, including: Mismanagement, including insufficient

financial controls, inefficient inventory management, and weak corporate governance, were problems at Uchumi Supermarkets. High levels of debt were accrued by the company as a result of its quick growth and ineffective operations, which caused financial instability and an inability to pay off its debts. Intense local and foreign grocery chains competed fiercely with Uchumi in Uganda, putting pressure on its market share and profitability. Due to supply chain interruptions, Uchumi had trouble keeping constant product supplies, which had an impact on its capacity to meet consumer demand and on its reputation (Star, 2023).

Prior to its failure Crane Bank was one of Uganda's biggest commercial banks. Poor corporate governance, claims of mismanagement, insider lending, and regulatory non-compliance at Crane Bank were the main causes of its demise. The bank's management and board of directors were charged with engaging in questionable activities that damaged the bank's financial position. Non-performing loans posed serious problems for Crane Bank because a sizable chunk of its loan portfolio wasn't being repaid by borrowers. As a result, the bank's capital base and asset quality declined. Concerned about the financial viability of Crane Bank, the Bank of Uganda, the nation's central bank, intervened through regulatory means. The bank was placed under statutory management, and later on, it was sold to another bank after being declared insolvent (Eagle online, 2023).

On the basis of this assumption, I became interested in learning whether corporate directorship has an impact on firm performance because it would highlight the significance of sound corporate governance for companies listed on the Uganda Securities Exchange.

1.2 Research Authenticity

While responding to various corporate failures and changes in management lifestyles in global companies, most countries and companies are considering corporate directorship factors to cope with the changes (Afrifa & Tauringana, 2015; Boachie, 2020). Despite this backdrop, little or no information exists about how corporate directorship criteria affect the success of companies listed on USE. In turn, this is likely to affect investors negatively while investing in stock exchange companies if this study is not done to make necessary recommendations. In order to help investors make informed investment decisions, it is essential to conduct a study assessing the impact of corporate directorship determinants on the performance of firms listed on USE.

1.3 Research problems

In reference to the above background, six different research problems were identified as follows:

a. Is there any significant influence of board size on the performance of companies listed on USE?
b. Is there any significant influence of CEO age on the performance of listed companies on USE?
c. Is there any significant influence of CEO tenure on the performance of listed companies on USE?
d. Is there any significant influence of the proportion of non-executive directors (NEDs)on the performance of listed companies on USE?

e. Is there any significant influence of directors’ compensation on the performance of companies listed on USE?
f. Do Directors’ compensation, Proportion of non-executive directors, CEO age, CEO tenure and board size simultaneously significantly affect the performance of companies recorded on the USE?

1.4 Research objectives

The study objective includes general and specific objectives described in the succeeding subsections below.

1.4.1 General objective

To understand the statistical effect of corporate directorship factors on the performance of companies listed on the USE.

1.4.2 Specific Objectives

a. To determine and explain the effect of board size on the performance of companies listed on the USE.
b. To examine and explain the influence of CEO age on the performance of companies listed on the USE.
c. To determine and explain the effect of CEO tenure on the performance of companies listed on the USE.
d. To determine and explain the effect of non-executive directors (NEDs) on the performance of companies listed on the USE.
e. To determine and explain the effect of directors' remuneration on the performance of companies listed on the USE.

f. To determine and explain the effect of Directors' compensation, Proportion of non-executive directors, CEO age, CEO tenure and board size on the performance of companies recorded on USE.

1.5 Significance of the research

1.5.1 Theoretical benefits

Theoretically, corporate directorship stems from theories of corporate governance, majorly stakeholder and agency theory which describes the relations between businesses and customers, suppliers, investors, communities, and any additional person or group that has a stake in the company (Parmar et al., 2010). Therefore, this study is based on these theories to determine how stakeholders such as directors, board members, and others affect the performance of listed companies. If gaps are found, necessary policy implications will be drawn, targeting relevant policymakers by availing new knowledge in the management of stock markets.

1.5.2 Practical benefits

a. The results of this study will be instructive for anyone involved in the stock market, especially investors, to reduce risks associated with poor investment choices. It has been noted that healthy corporate-governed companies maintain viable companies and safeguard investor interest (Centre for Financial Markets Integrity, 2004). Proper corporate directorship principles promote transparency and accountability (Private sector initiative for Corporate Directorship, 2017).

b. Other Researchers may utilize the study's findings as a source of reference data when researching corporate directorship and governance of publicly traded companies.

1.6 Literature Review

This literature review's main objective is to show how innovation benefits society by pointing out inconsistencies between more recent research and earlier studies. The study will help close this knowledge gap in terms of theory, application, and societal growth. This literature review will also be useful as an analytical tool for the findings of the research in chapter four. Appropriate literature reviews can show how this study's findings successfully investigate the findings addressed by employing past research theories and findings, and they can also deepen research findings.

1.6.1 Corporate Performance

Corporate performance, according to Mihok (2006), is an all-encompassing word that refers to all techniques, approaches, metrics, and systems needed to assess and manage an organization's performance. Paladino (2020) opined that corporate performance is measured to assess whether or not the goals and The planning phase's objectives have been met and achieved in the implementation phase.

Corporate performance is a comprehensive assessment of how successfully an organization achieves its objectives. Information delivery, performance oversight, and performance effectiveness are three essential elements that it provides to a corporation, improving its capability. These ideals support managing, understanding, and improving the company. Five key corporate performance

measurements were opined by (Rong et al., 2019): revenue growth, revenue per client, profit margin, client retention rate, and customer satisfaction.

The most well-known performance evaluation technique that combines financial and non-financial measures in evaluating total firm performance is the balanced scoring approach (Lawson et al., 2020). The balanced scorecard includes four metrics for internal business processes, customer value, learning, growth, and financial performance (Richard, 2009). However, (Akinyi & Moturi, 2015; Sharafaddin & Fazel 2021) revealed that a balanced scorecard evaluates performance from four perspectives: the perspective of the customer, the perspective of internal processes, the perspective of learning and growth, and the perspective of the finances.

Customer perspective. According to Kime (2015), this viewpoint is a strategy that focuses on value creation and difference as seen by the client. Customer perspective assists firms in connecting their internal company operations with consumer demands to improve financial results by using performance measures including customer happiness, customer response time, market share, and on-time delivery (Sharafaddin & Fazel, 2021). According to Sharafaddin (2022), the internal process perspective's three customer-focused goals—organizational competitive advantage, regional growth, and customer satisfaction—can be accomplished through the processes of creativity, service, and learning.

Internal process perspective. According to this viewpoint, key internal procedures are what lead to satisfied clients and shareholders (Chimtengo et al., 2017). According to Oluseye & Tairat (2014), this viewpoint focuses on the internal

operations that the business must successfully carry out in order to deliver value to customers and generate profits for shareholders. The KPIs for this perspective could be cycle time, defect rates, and production efficiency. The internal process approach, according to Wang (2010), includes sequential processes centered on online services, education, and research and development, which together create the causal chain of value generation.

Learning and growth perspective. In order to continuously enhance the organization's internal processes, this approach tries to pinpoint the competencies and procedures that fuel the organization's performance (Narayanamma & Lalitha, 2016). This approach, according to Ballard (2013), focuses on the skills, techniques, and practices utilized by employees to perform well in internal operations that fulfill customer needs and generate financial results. According to Martello et al. (2008), this perspective includes tactics for enhancing firms' educational skills, consumer understanding, and research and development capacities.

Financial perspective. According to Sharafaddin and Fazel (Sharafaddin & Fazel, 2021), Financial measures such as operating income, return on investment, economic value-added, sales growth, cost control, and cash flow are strategic indicators of growth, profitability, and risk from the perspective of the shareholders (Poll et al., 2011). Non-profit organizations historically have used profit-driven financial statistics as KPIs to maximize outside funding or maintain fiscal stability instead of profit, in contrast to business organizations (Martello et al., 2008). According to Friedl & Deuschinger (2008), the financial perspective includes the following metrics: funding, operating revenue, investment in human capital, and

financial management. However, firm performance has been majorly measured in terms of financial performance proxied through profitability (Okiro & Aduda, 2015; Ombayo, 2011), and therefore my study will also use profitability as the measure of firm performance.

According to Ndubuisi et al. (2020), while audit committee meetings have a beneficial impact on profitability, corporate performance management factors such board independence have a negative impact. Leverage, CGPI, and company size all have favorable effects on profitability but leverage has a negative impact. Audit quality also has a beneficial impact on profitability.

Audit quality. The preservation of an effective market environment has been linked to audit quality. It supports consumer confidence in the veracity of financial statements, which is crucial for healthy markets and good company financial performance. According to Ndubuisi et al. (2020), using the audit committee's size, independence, and financial expertise as audit quality criteria had a significant beneficial impact on return on assets in Nigeria. According to Sayyar's (2016) research, there is no meaningful relationship between return on assets and the audit quality proxies (audit fees and audit firm rotation). Instead, she substituted audit firm rotation and audit fees for actual audit quality results. Ayoor (2021) asserts that the effectiveness of an audit can either be positive or detrimental for a corporation, and Momoh & Emmanuel (2020) found that return on equity, a measure of a company's success, is significantly influenced by the audit quality (number of employees in audit companies).

Corporate Governance Perception Index (CGPI). Natalia (2012) defined CGPI as the ranking of GCG implementation in public companies listed on stock markets in any given country. Gunarsih's (2021) study on all firms on the Indonesia Stock Exchange revealed that CGPI significantly impacts firms' performance. Momoh & Emmanuel (2020) revealed that CGPI has a significant negative impact on price book value (PBV), and corporate social responsibility (CSR) has an insignificant negative impact on PBV. According to Putri et al. (2021), the corporate Governance Perception Index had a favorable impact on Share Value.

Firm size. Dang & Li (2015) defined firm size measurement as total assets, total sales, equity market value, and their natural logarithm terms. In the Meiryani (2020) Study, it was discovered that a firm's size had no bearing on its financial performance as measured by return-on-assets or market-to-book value.

1.6.2 Corporate Directorship

There are various definitions of corporate directorship according to different scholars. Corporate directorship, according to Youssef and Thornton (1986), is a way for businesses to be controlled and directed. Serrat (2011) defined corporate directorship as an internal system made up of guidelines, procedures, and people who satisfy the needs of stakeholders by overseeing management activities with good judgment, objectivity, responsibility, and honesty.

Corporate directorship refers to the position of being a member of a board of directors for a corporation. A board of directors is a group of individuals responsible for making high-level decisions and providing oversight to the company's management and operations. Directors play a crucial role in shaping the

strategic direction of the company, ensuring compliance with laws and regulations, and safeguarding the interests of shareholders and stakeholders.

Key responsibilities of corporate directors include:

Strategic Decision-Making: Directors participate in discussions and decisions regarding the company's long-term goals, business strategies, and major initiatives.

Governance and Oversight: Directors oversee the company's management to ensure it is acting in the best interests of shareholders and stakeholders. This includes monitoring financial performance, risk management, and ethical practices.

Financial Oversight: Directors review financial statements, budgets, and financial performance to ensure the company's financial health and compliance with accounting standards.

Risk Management: Directors are responsible for identifying and mitigating risks that could impact the company's operations, reputation, or financial stability.

Executive Compensation: Directors often participate in decisions related to executive compensation and ensure that it aligns with the company's performance and goals.

Legal and Regulatory Compliance: Directors ensure that the company operates within the boundaries of laws and regulations applicable to its industry and geographic locations.

Shareholder Relations: Directors engage with shareholders and represent their interests during annual general meetings and other interactions.

Ethics and Corporate Social Responsibility: Directors uphold ethical standards and may be involved in decisions related to the company's environmental, social, and governance (ESG) practices.

Corporate directors can be divided into different types:

Independent Directors: These directors have no significant ties to the company other than their board membership, ensuring objective oversight.

Executive Directors: These directors are also part of the company's management team, such as the CEO or other C-suite executives.

Non-Executive Directors: These directors do not hold executive positions within the company and provide a more external perspective.

Inside Directors: This term is often used interchangeably with executive directors, referring to those who are part of the company's internal leadership.

Outside Directors: These directors are not part of the company's management and bring an external perspective to the board.

Serving on a corporate board of directors requires a combination of skills, experience, industry knowledge, and a commitment to the company's success. Directors often have diverse backgrounds in areas such as finance, law, technology, marketing, and operations. It's important for directors to exercise their fiduciary duty and act in the best interests of the company and its stakeholders.

Indicators of corporate directorship refer to the characteristics, qualifications, and experiences that make an individual well-suited for a role as a member of a company's board of directors. These indicators help identify individuals who can effectively contribute to the strategic decision-making,

governance, and oversight responsibilities of a corporate board. Here are some key indicators:

Relevant Experience: Individuals with significant experience in executive leadership roles, senior management positions, or relevant industry sectors are often considered strong candidates for directorship. This experience provides valuable insights into the company's operations, industry trends, and challenges.

Industry Knowledge: Directors with a deep understanding of the company's industry, market dynamics, and competitive landscape can provide valuable strategic guidance. They are better equipped to assess risks and opportunities specific to the industry.

Financial Expertise: Directors with a strong background in finance, accounting, or economics can effectively contribute to financial oversight, audit committees, and evaluating the company's financial performance.

Legal and Regulatory Knowledge: Individuals with legal expertise can help ensure the company's compliance with laws, regulations, and governance standards. This is particularly important in industries with complex regulatory environments.

Ethics and Integrity: Directors with a strong track record of ethical behavior and integrity are crucial for maintaining the company's reputation and ethical standards.

Strategic Thinking: Effective directors possess strategic thinking skills and are capable of providing input on the company's long-term goals, business strategies, and growth opportunities.

Diversity: Boards benefit from diverse perspectives, including diversity in terms of gender, ethnicity, background, and expertise. Diverse boards can lead to more comprehensive decision-making.

Leadership Skills: Directors should have strong leadership qualities and the ability to collaborate effectively with fellow board members, senior executives, and stakeholders.

Risk Management: Directors who can identify and mitigate risks, especially in complex and dynamic business environments, contribute to a company's stability and resilience.

Stakeholder Management: Directors who understand and can balance the interests of various stakeholders, including shareholders, employees, customers, and communities, contribute to sustainable business practices.

Communication Skills: Effective communication skills are vital for directors to express their ideas, ask pertinent questions, and engage in meaningful discussions during board meetings.

Innovation and Adaptability: Directors who are open to new ideas, innovation, and adapting to changes in the business landscape can help companies stay competitive.

Network and Relationships: Directors with a wide network of industry contacts and relationships can provide valuable insights, connections, and opportunities for the company.

Global Perspective: In a globalized business world, directors who have experience with international markets and cross-cultural understanding can help companies expand their operations and navigate global challenges.

It's important to note that different companies may prioritize different indicators based on their specific needs and goals. Corporate nominating committees and search firms often evaluate potential directors based on these indicators to ensure a well-rounded and effective board of directors.

The following corporate directorship indicators were included by Afrifa & Tauringana (2015): board size, CEO tenure, age, and the proportion of non-executive directors.

Board size

According to Boachie (2020)**,** The board of directors is a corporation's supreme governing body; it is selected by shareholders with voting rights. The board's sole responsibility is to protect the interests of all parties concerned. It is made up of both executive and non-executive members. The impact of board size on corporate business success, however, is not clear. An adverse relationship between the size of the board of directors and business performance, for instance, was found by Chu et al. in 2021, and according to research (Goel, 2020a), higher board sizes have a detrimental impact on a company's success when measured by market-based criteria, but have no impact when measured by accounting-based

indicators. Also, Larger boards are less successful in monitoring managers, according to Afrifa & Tauringana (2015), because it is difficult to coordinate them but (Boachie, 2020) revealed a link between board size and business success, indicating that a bigger board would boost company performance. These studies have been conducted outside Uganda, and therefore it is essential to conduct similar studies to understand the nature of the relationship since (Goel, 2020b) showed that board size had a different impact on performance depending on the nation, and board size was said to be measured by the total number of board members at the end of the fiscal year. (Afrifa & Tauringana, 2015).

CEO Age

Belenzon et al. (2019)indicate that firm investment, growth, and profitability decline as a CEO grows older, but the probability of survival increases. According to Chu et al. (2021), relatively young CEOs may pose risks because they lack faith in their managerial abilities and are afraid to make mistakes. Furthermore, younger CEOs could lack expertise, making them more likely to make poor choices that raise costs and impair performance (Goel, 2020a). According to Ewart & Ewart (2015), The value of the company is negatively impacted by CEO promotions in their 40s, but CEOs who are older exhibit a positive anomalous return on firm value. The findings of Mukherjee and Sen from the year 2022 show that tenure, as opposed to CEO age, has a significant and favorable correlation with sustained company success in India. None of these studies have been steered in Uganda. As a result, given that it has been suggested, we also anticipate that the relationship between CEO age and performance in Uganda would differ (Boachie, 2020) that the effect

of corporate directorship factors on firm performance varies from company to company (Mukherjee & Sen, 2022) and from country to country (Belenzon et al., 2019). At the conclusion of each fiscal year, the CEO age is expressed in terms of CEO oldness (Afrifa & Tauringana, 2015).

CEO tenure

According to Mukherjee and Sen (2022), CEO tenure appears to have a notable and advantageous relationship with long-term corporate growth in India. CEOs with more experience in the role are more likely to be successful than those who have only recently assumed it because they are better familiar with the operations of the company. (Afrifa & Tauringana, 2015). The ability of the CEO to build dependable connections with stakeholders and create and implement long-term initiatives, which improves the performance of the company, benefits from a longer tenure. During the tenure of an inside CEO in Japan, Allgood et al. (2000) found a persistently unfavorable correlation between business success and forced turnover.

Setyawan and Anggraita (2018) found that freshly elected CEOs in Indonesia utilize precise and accrual earnings management to raise profits early in their terms of office, whereas CEOs stepping down from their positions use merely natural revenue management to achieve so. There may be difference in the tenure and performance of the CEOs in Uganda given that the average CEO tenure varies per country, according to the research that is currently accessible.

The proportion of non-executive directors (NEDs)

The proportion of NEDs on a company's board has reportedly been linked to corporate business performance (Maher & Andersson, 2019). According to Davies (2000), NEDs are responsible for creating the firm's strategy as well as supervising the administration of the organization. According to (Faatihah et al., 2016), the number of non-executives on the board, but not their ownership percentage, is significantly and favorably correlated with corporate success. In Sri Lanka, (Guo & Kumara, 2012) discovered that, in contrast to the results of earlier studies, there is a negative correlation between the number of non-executive directors on a board and the financial performance of the company. Given that listed businesses have substantial resource bases and are therefore likely to have a high percentage of NEDs on their boards, the relationship between NEDs and performance is anticipated to be favorable, the fraction of NEDs is expressed in terms of NEDs as a percentage of directors on the board at the end of the fiscal year (Afrifa & Tauringana, 2015).

Directors' remuneration

Numerous studies have demonstrated a link between directors' pay and successful corporate firm performance. (Mildred, 2012) found in Kenya that, in contrast to assessments of the effectiveness of using shareholder funds and market success, directors' compensation is closely tied to measures of raw performance. The findings of Rahman (2005) show a weakly positive link between director compensation and business performance measures, and the short-term bidirectional relationship between director compensation and business performance indicators is

supported by (Soni & Singh, 2020). Breepoel's (2019) results show a significant positive relation between CEOs' total compensation and variable compensation with Tobin's q. The alternative for firm profitability is Tobin's q. Given that this is a cost to businesses, we anticipate a negative correlation between board compensation and performance. The alternative for firm profitability is Tobin's q. Given that this is a cost to businesses, we anticipate a negative correlation between board compensation and performance. The total payment of directors for each fiscal year was calculated in terms of the natural log of the summation of directors renumeration for each fiscal year (Afrifa & Tauringana, 2015).

Control variables

We take into account many control factors to lessen the possibility of absent-variable prejudice. Boachie, (2020), asserts that failing to account for confounding variables may result in erroneous rejection of the null hypothesis. We will carefully adjust for firm size and age in this investigation.

According to (Japheth Katto, 2014), other underlying factors of Corporate Directorship that affect corporate performance include;

Openness, being open means being prepared to inform people and groups about the organization (without giving away sensitive information, commercial or otherwise). To make wise choices when interacting with the organization, those who are interested in it need to be aware of it. For information to be useful to its recipients, it must be disclosed promptly. It can be disseminated via websites, market releases, and press releases.

Honesty, it might seem obvious for businesses to value honesty. However, genuine information is not as common as it should be in a time of "spin" and fact manipulation.

Independence is the degree to which procedures and rules are put in place to minimize or eliminate any conflicts of interest, such as the independence of non-executive members.

Reputational risk and its impact on Organizations need to establish a positive reputation, especially if they are in the public eye, because they, like individuals, have reputations. For instance, if their stock is traded on a stock exchange. A positive reputation helps raise money while also attracting and inspiring customers, workers, and investors. A reputation can be destroyed overnight by a badly handled catastrophe or bad press. Getting your reputation back on track is harder than getting it in the first place. When this happens, the company is frequently compelled to go out of business.

Ethical behavior. All organizations should act ethically and as sound corporate citizens.

According to Alfonso & Castrillón (2021), corporate directorship involves a number of associations between a company's management, board of directors, shareholders, and other stakeholders. These associations define the relationship between stakeholders, management, and the board of directors of a company and have an impact on how that company operates. According to Dissanayake & Szilagyi (2010), corporate directorship is concerned with resolving conflicts of

interest between diverse corporate claimholders and collective action issues among dispersed investors.

Alfonso & Castrillón (2021) defined corporate directorship as a system for controlling stock firms and establishing frameworks, ways to pay employees, and roles for the Company's many stockholders.

Coordination, communication, communication and coordination, connection, collaboration, and co-creation were the corporate directorship aspects discovered by McCahery & Vermeulen (2014). Businesses that have adopted the six components are typically wealthier, healthier, and more competitive.

Scholars have advanced different corporate directorship roles; for example, Arshida (2012) revealed that corporate directorship improves the performance of an organization and stockholders' rights. Evidence from various fields shows an association between good directorship and good organizational performance and effectiveness (Cornforth & Chambers, 2010). Effective corporate governance ensures that firms may be held accountable for their actions and that the business environment is fair and transparent. In contrast, a weak corporate directorship results in corruption, waste, and poor management.

According to Youssef & Thornton (1986), the following were highlighted as the significance of corporate Directorship (C.G.) to a company;

- Access to money and financial markets is being improved.
- Through partnerships, mergers, and acquisitions as well as risk mitigation through asset diversification, they are assisting in the survival of their companies in a highly competitive climate.

- Establishing an exit strategy, facilitating the wealth transfer across generations, selling off family assets, and minimizing the possibility of conflicts of interest (vital for the investors).
- Additionally, using sound C.G. principles improves internal control, which results in higher levels of accountability and higher profit margins.
- Using sound C.G. principles can help a company grow, diversify, or sell itself in the future. These concepts can also cut the cost of loans and credit for businesses, as well as help a company draw equity investors from both domestic and foreign markets.
- Many businesses seeking new finance regularly find themselves forced to enact pricey and severe corporate directorship reforms in response to external pressures, particularly during times of crisis. Investors and potential partners will have more faith in investing in or extending the Company's activities after the necessary groundwork has been laid. Four indices are used to measure corporate directorship: the board of directors, board committees, an audit committee index, and an overall or total index (ACCA Global, 2018; Khanchel, 2007; Schnyder, 2013).

1.6.3 The Influence of Corporate Directorship on Firm’s Performance

Research on corporate directorship's effects on firms' performance indicated that corporate directorship affects the development and functioning of capital markets firms and strongly influences resource allocation(Maher & Andersson, 2019). C.G. affects an organization's return on assets and equity, according to a study looking at the impact of corporate directorship mechanisms such board

diversity, board duality, government ownership, and management ownership on corporate performance (Wagana & Karanja, 2015). The adoption of corporate directorship principles by the companies and return on equity and assets were shown to be significantly correlated in a study on the effect of corporate directorship on the financial performance of listed corporations in Turkey (Boyacioglu, 2014). Evidence from Egypt demonstrates the importance of accepted corporate directorship standards in lowering investor risk, attracting investment capital, and enhancing firm performance (Kyaw, 2016). The gap in this review is the country and now focused on listed companies in Uganda.

1.6.4 Previous research

Several studies have been conducted on corporate Directorship (Addae-Boateng et al., 2015; Naimah, 2017), but none worked in Uganda and used secondary data. These studies did, however, discover a strong connection between corporate directorship and the success of listed companies. Additional research has been done on corporate directorship and listed company performance (Pratheepkanth, 2014). Secondary data used in this study focused on the success of listed companies in Sri Lanka, where research found a strong correlation between corporate directorship principles and performance. For this investigation, secondary information was acquired from publicly traded businesses.

Ombayo (2011) found that the majority of the surveyed firms in Kenya performed well, with the majority of the firms' profitability growing by over 100% over the course of four years when using board composition, disclosure and

transparency, audit and board committee independence as the factors of corporate directorship, differing from the factors taken into account for my study.

Ex-post facto research was used by Aca et al. (2020) to conduct their study on corporate directorship and performance of listed firms, a corporate directorship compliance index. However, this study shall apply linear regression. Previous studies (Achi et al., 2014; Dzingai & Fakoya, 2017)analyzed the effect of corporate directorship factors in listed companies, but the study was done in Romania, a gap for Uganda. To bridge these gaps, a study is being done in Uganda to analyze the corporate directorship elements influencing the performance of listed firms there and to provide guidance on policy recommendations.

Table 1.1 Previous research

Title	Author and year	Methods	Conclusions
The Role of Corporate Directorship in Firm Performance	Naimah, Z. (2017)	Regression using data from Databases of listed companies on the Indonesian stock exchange	Board size, board independence, outside directors, audit committee size, audit committee meeting, and audit quality influence profitability
Assessment of Corporate Directorship Practice among Listed Conglomerate Companies in Nigeria	Aca, A. I., Garba, M., & Musa, F. (2020)	Regression using data from Annual reports and accounts of listed conglomerate companies in Nigeria	Listed companies followed the securities exchange commission code of practice
The Effect of Corporate Directorship and Capital Structure on the Performance	Okiro, K., & Aduda, P. J. (2015)	Regression and using data from financial statements	A positive association between corporate directorship and firm performance.

Title	Author and year	Methods	Conclusions
of Firms Listed at The East African Community Securities Exchange			
To examine corporate directorship practices of companies listed at the Nairobi Stock Exchange	Ombayo (2011)	Descriptive statistics and primary data were collected using questionnaires from employees of listed companies and financial reports	Corporate directorship affects the financial performance of the companies listed on the Nairobi Securities Exchange
Corporate directorship and financial performance of banks in Ghana: the moderating role of ownership structure	Boachie (2020)	A sample of 23 banks and the multiple regression method to analyze a panel dataset of 414 from banks over 18 years	Audit independence, chief executive officer (CEO) duality, non-executive directors, and banks size have a favorable effect on performance
Corporate directorship and performance of UK-listed small and medium enterprises	Afrifa & Tauringana (2015)	Un-balanced panel data regression analysis on a sample of234 SMEs listed on the Alternative Investment Market for ten years (2004-2013)	Board size, chief executive officer (CEO) age and tenure, and directors' remuneration – are significantly associated with performance of SMEs

1.6.5 Theoretical framework

Various theories are used in corporate directorship studies, including stakeholder and stewardship theories, which are all rooted in the agency theory (Alfonso & Castrillón, 2021). However, this study shall be guided by the

stakeholder theory since corporate directorship's definition aligns with the stakeholder theory. Stakeholder theory is practical from the perspective of capitalism, which supports the interaction between businesses and their clients, shareholders, and other stakeholders. Stakeholder theory has been adopted as an ethical strategy for corporate management and directorship in numerous management studies (Harrison & Freeman, 2015). However, for better understanding, the study will present two theories from which the analysis will help identify the best.

1.6.5.1 Agency Theory

Berle and Means devised this theory in 1932; corporate companies are directed to separate ownership and agents (Parmar et al., 2010). According to this theory, the Board of Directors serves as a watchdog to reduce principal-agent issues, the owner is the principal, while the agent is the manager. In this theory, there are two conflicting issues. It is first asserted that a company's management should be left in the hands of two parties, namely the manager and shareholders, whose interests, duties, and responsibilities are apparent. Secondly, humans are self-interested and capable of forgoing their interests in favor of others. Analyzing this theory at this point is that the theory neglects the role of the owner/principal in the daily running of the corporation. Therefore, due to personal interests also described in this theory, lack of owner intervention can lead to losses in the sight of the principal because shareholders and managers may work only for their interests.

The agency theory model

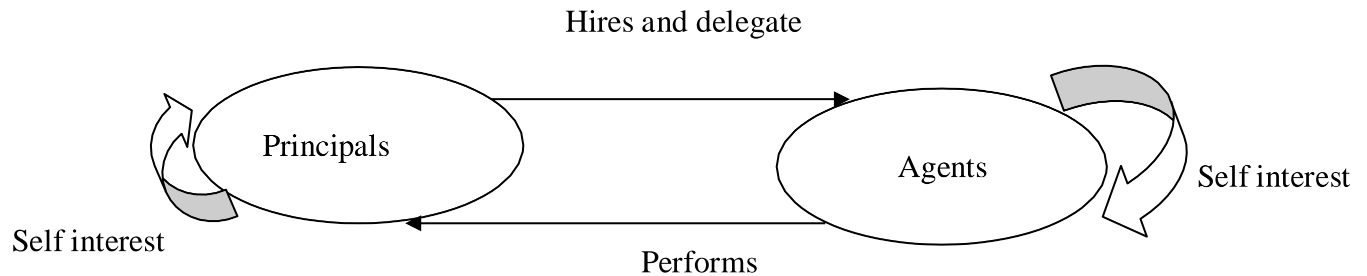

Figure 1.1 Agency Theory

Source: Adapted with modification from Fauziah et al. (2012)

1.6.5.2 Stakeholder theory

This only centers on individuals or groups with a stake in the corporation (stakeholders). This theory advocates for achieving satisfaction among all stakeholders in the corporation. However, this theory has been criticized as it only describes shareholders as the only interest group of a company (Abdullah & Valentine, 2009). Nevertheless, this theory is better than agency theory in providing for Corporate Directorship as it highlights better the firm's constituents and advocates for maximization of satisfaction for all stakeholders. The agency theory gives participation to only the manager and shareholders in the cooperation, leaving out the principal and others. The stakeholder theory provides that each stakeholder shares the right to decide on the corporation's operation.

Stakeholder classification model

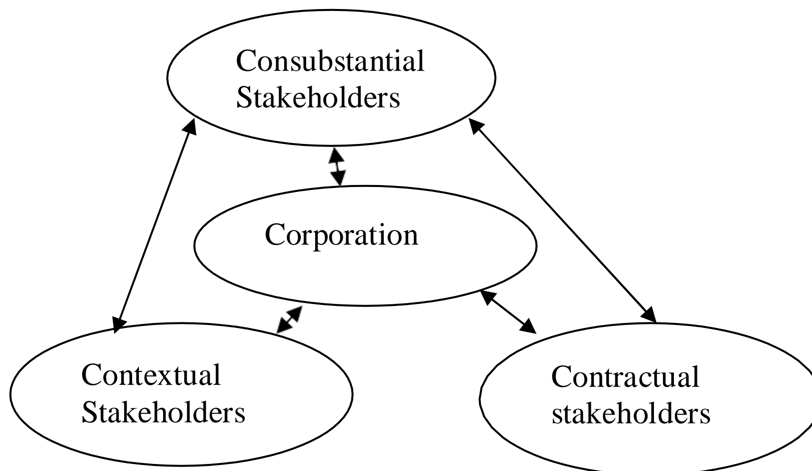

Figure 1.2 Stakeholder classification model

Source: Adapted from Fauziah et al. (2012) with modification

1.7 Hypothesis

H_1: Board size has a significant influence on the corporate performance of companies listed on the USE.

H_2: CEO age has a significant influence on the corporate performance of companies listed on the USE.

H_3: CEO tenure has a significant influence on the corporate performance of selected companies listed on the USE.

H_4: The proportion of non-executive directors (NEDs) has a significant influence on the corporate performance of selected companies listed on the USE.

H_5: Directors' remuneration has a significant influence on the corporate performance of selected companies listed on the USE.

H_6: Board size, CEO age, CEO tenure, proportion of non-executive directors, and directors' remuneration simultaneously affect the performance of companies listed on USE.

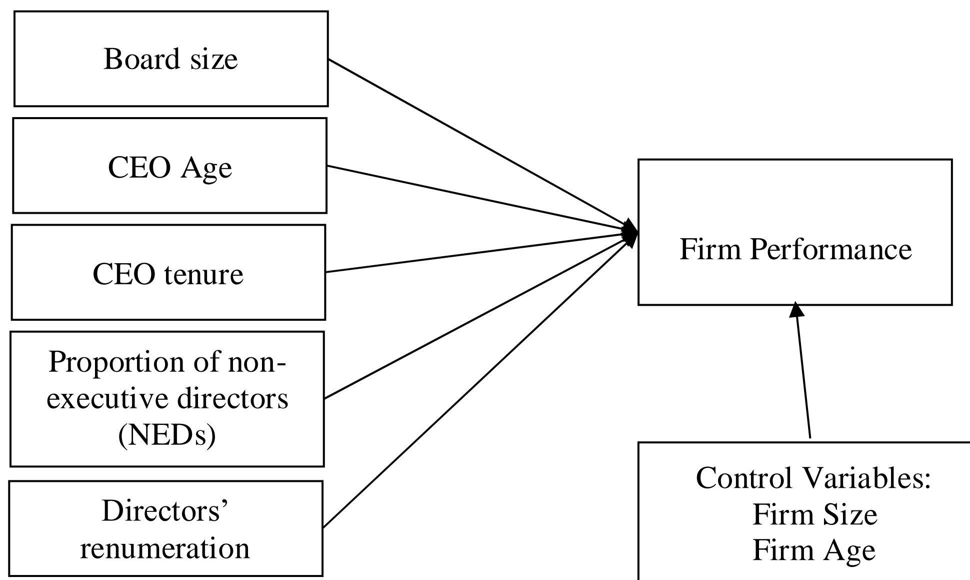

Figure 1.3 Working hypothesis model

1.8 Conceptual definitions and operational definition

The primary aim of giving definitions of concepts/ variables used in the study is to reduce the limitations associated with failure to understand things that the study will handle.

a. Corporate Directorship

Corporate directorship is the increasing form of character in investment companies and reform that is crucial in creating an attractive business environment for domestic and foreign investment (OECD, 2011). By definition, it is defined as a process in which corporations are controlled and directed, and it aims to instill rules and regulations that maintain the integrity of a corporation or firm.

Different countries have different corporate directorship principles or principles. However, if a country lacks or finds a weakness in its principles, it can adopt the international principles designed by OECD. These international principles state that the degree to which a company adheres to basic corporate directorship principles determines its capacity to attract investors. Therefore, all companies which admire attracting huge investment stakeholders must adhere to corporate directorship principles, which is the case for these study companies outlined earlier.

b. Performance

Performance is the degree to which anything succeeds in achieving a goal, and firm performance takes into account both the financial and non-financial parts of the purpose. The key indicators as regards measuring company performance are; net profit, customer/investor satisfaction, and customer growth. Performance measurement has been used to measure company success or failure worldwide; therefore, it is essential to measure the performance of listed companies to understand the state of failure or success and make informed recommendations. Performance; hence this study will adopt ROA as the measure of firm performance.

c. Securities Exchange

Securities exchange is a business that involves the selling of shares to investors by companies in order to raise capital. When these companies get capital from investors who buy issued equity shares, they reinvest it into the business, but the investors earn profits. The Securities Exchange is widespread in most companies in developing and developed countries, including Uganda. As earlier noted, adherence to corporate directorship principles determines how a company

attracts investment. Since these companies listed on the stock exchange raise capital from attracting investment, it is essential to analyze their corporate directorship and make recommendations.

Table 1.2 Variable Measurements

Concepts	Variables	Indicators	Source
Corporate directorship	CEO age	Age at the end of the financial year	Adopted from Afrifa & Tauringana (2015)
	Non-executive directors	Percentage of independent directors on the board	
	Board size	The number of directors on the board	
	CEO tenure	Numeral of years the CEO has been in post at the end of each financial year	
	Director remuneration	Natural log of the total remuneration of directors for each financial year	
Performance	Firm Performance	Return on Asset (Profit at the end of each financial year divided by the total assets)	Adopted from Boachie (2021)
Control Variables	Firm Size	Natural logarithm of the firms' total assets	Adopted from Boachie (2021); Salam et al. (2022)
	Firm Age	The number of years in business	

1.9 Research Methods

1.9.1 Research type

The study followed an explanatory type using majorly quantitative methods with less application of qualitative methods except for document analysis. Since the study applied working hypotheses that require statistical answers, the quantitative method finds its use in this research. Quantitative research emphasizes measuring

objectives and numerical data analysis collected through questionnaires and polls. Quantitative research allows data collection from a large sample size, which allows us to generalize a group of study subjects or a given phenomenon without bias in the results (Delİce, 2001).

According to the study conducted by Rahman (2017) on the advantages of using quantitative research, It was discovered that quantitative research methods use a wider sample and don't take as long to collect data as other types of research methods. It also also helps us to ascertain the relationship between variables (Garbarino & Holland, 2009). This study aimed to comprehend how corporate directorship in particular listed firms on USE impacts such companies' performance.

1.9.2 Population and sampling

All firms listed on the Uganda Securities Exchange were included in the analysis, as shown in table 3 below:

Table 1.3 Listed companies

S/N	Company name	Year listed	Sector
	Local Listings		
1	Uganda Clays Ltd	January 2000	Industrials
2	British American Tobacco (BAT) Uganda Ltd	October 2000	Consumer goods
3	Bank of Baroda (U) Ltd listed	November 2002	Financial
4	DFCU Ltd	in October 2004	Financial
5	New Vision Printing and Publishing Co Ltd	December 2004	Consumer services
6	Stanbic Bank Uganda Ltd	January 2007	Financial
7	National Insurance Corporation	January 2010	Financial

S/N	Company name	Year listed	Sector
8	UMEME Limited	February 2012	Utility
9	Cipla Quality Chemical Industries Ltd	October 2018	Healthcare
10	MTN-Uganda	October 2019	Telecom
	Cross border listings		
11	East African Breweries Ltd	March 2001	Consumer goods
12	Kenya Airways	March 2002	Consumer services
13	Jubilee Holdings Ltd	February 2006	Financial
14	Equity Bank Ltd	June 2009	Financial
15	Kenya Commercial Bank Ltd	November 2008	Financial
16	Nation Media Group	December 2010	Consumer services
17	Centum	August 2011	Financial
18	Uchumi	2013	Consumer goods

1.9.3 Sampling technique

The study applied census sampling to select all listed 18 companies whose documents and annual reports were analyzed and quantitative data collected for the last five years (2017-2021). However, data for 17 listed companies was collected due to the collapse of the 18th company operations in Uganda meaning that data was unavailable.

1.10 Data type and sources

Secondary data sources were used to collect Panel data. Panel data is a collection of quantities obtained across multiple individuals that are assembled over even

intervals in time and ordered chronologically. Panel data combines cross sectional data with time series data.

1.10.1 Secondary data sources

Secondary data can be defined as the data collected before and stored for future use. Secondary data is collected by someone else rather than the primary user. For five years, from 2017 to 2021, secondary data was taken from USE annual reports., and other previous studies relating to corporate directorship in listed companies. Majorly qualitative data was collected from these reports and research, and we discuss our research findings concerning previous research findings to make informed recommendations. The 2020 report indicates that the financial performance of USE was as follows. The USE posted a profit after tax of Ugx 41.17 million in 2020, a decline compared to Ugx 243.8 million registered in 2019. The lower profitability was driven by a 9% drop in Gross income, mainly resulting from a 74% drop in trading turnover and a 1.5% increment in expenses which catered for seamless operations during the lockdown period. Corporate Strategy and Directorship: During 2020, USE enhanced its self-service online portal (USE Easy Portal) to allow for online account opening. Due to this update, investors from Uganda can easily open Securities Central Depository accounts. Company managers were contacted for financial and annual reports incase these reports were not obtained on the companies' websites.

1.11 Data collection techniques

1.11.1 Documentation technique

Documentation Technique is a data collection technique that collects and analyses written documents, pictures, and electronic documents. Information was gathered through records from the Uganda Securities Exchange and fiscal and yearly reports of listed companies.

1.12 Data Analysis

Two analysis methods were used since the study has quantitative and qualitative data.

1.12.1 Quantitative data analysis

The data was analysed at three levels. At the univariate analysis level. The data were described using the mean and standard deviation. Correlation statistics were used to identify the correlation between variables.

To further determine the effect of corporate directorship on the corporate performance of listed companies, a regression model specified below was used

$y = b_0+b_1x_1+b_2x_2+ b_3x_3 +b_4x_4+b_5x_5 \dots\dots\dots\dots b_nx_n+ e$..(3)

Where;

y = ROA

b_0 is the regression constant.

b_1, b_2, b_3, b_4, $b_5 \dots b_n$ are Corporate Directorship's parameter coefficients, and the *e* term is the error term.

x_1 - board size

x_2 - CEO age

x_3 - CEO tenure

x_4 - non-Executive director’s proportion

x_5 - Director remuneration

1.12.2 Qualitative data

A narrative technique was used. Collected data from reports was shown as information without requiring calculations. The practice of analyzing the tales individuals tell, reporting on them, and posing a specific question to the narrative "texts" for a specific goal is known as narrative analysis (Akinsanya & Bach 2014).