

Research Article

Managerial Competences and Financial Performance: A Study on NGOs in Central Division-Fort Portal City

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Abstract

Democratic Governance Facility (DGF) still remain the biggest funder of most NGOs in the region, however most NGOs still face challenges in not only obtaining funds but also managing them. This study was carried out to examine the relationship between managerial competences and financial performance of NGOs in Fort Portal Tourism City. A quantitative research design was adopted to achieve the research objectives. Out of a total population of 320 employees, 183 respondents were selected using simple and stratified random sampling techniques. The study used structured questionnaires to collect data from managers, accountants, field officers, office assistants and secretaries. Apparently, one hundred eighty three copies of the questionnaire were administered to respondents but only one hundred seventy three were properly filled and returned constituting response rate of 94.50%. Construct and content validity were adopted and the reliability co-efficient of the items in the instrument ranged between 0.70 and 0.78. Descriptive and inferential statistics (simple and multiple linear regression analyses) were used to analyze data. The study findings reveal that managerial competences have a significant effect on financial performance of NGOs in Fort Portal Tourism City (Adj. R2 = 0.375; F (4, 427) = 61.906, p<0.05). The conclusion drawn by this study is that managerial competences affect financial performance of NGOs in Fort Portal Tourism City. The study recommends that management of NGOs in Fort Portal City should make extra effort in investing in their managerial competences in order to improve their financial performance. Management of NGOs should constantly review the managerial competence profile for better managerial decisions and performance improvement.

Keywords

Financial Performance, Competence Management, Critical Skills, Knowledge, Attitudes, Customer, NGOs

1. Introduction

The recent past has witnessed rapid increase in non-governmental organisations (NGOs)'s involvement in different development processes in Africa and elsewhere [1]. Indeed the Democratic Governance Facility (DGF) which is apparently a joint establishment of countries like Austria,

Norway, Sweden, Denmark, Ireland, the Netherlands, the United Kingdom and the European Union have according to Muhwezi [2] intensified their activities which involve strengthening democracy, enhancing accountability, promoting human rights and improving access to justice. In the

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same realm studies have shown that non-governmental initiatives, for example the Grameen Bank in Bangladesh put forward as a model for accelerating development has illustrated the potential of NGOs in delivering better and much-needed development especially for the poor communities [3, 4]. It has been reported that in African continent NGOs have played a critical role in poverty alleviation much importantly in situations where governments' capacity and revenue constraints limit delivery of the much-needed services to the public [5]. However, elsewhere other studies have indicated that the development assistance advanced to governments in Africa and other developing countries has apparently failed to fully generate desired economic growth and development [6]. Also despite these appreciated roles especially in providing service to underserved populations as expressed above, NGOs in developing economies, besides having weaknesses in funding sustainability, face problems while obtaining funds to the extent that some witness economic shocks, cut offs of donor funds and delays in the receipt of funds [7]. Beyond this source challenges, there is an apparent failure to disclose information on the proper earnings/ operating cash flows, Return on Assets, Operating Cash Flow and fundraising return on investment (ROI) which has seemed to cause a lot of irregularities in the NGO financial performance [8]. Coupled to the global, regional and national non-profit sector experiencing financial mishaps, NGOs in Fort Portal are reportedly failing in their financial responsibility:- inability to satisfy not only their stakeholders, communities they serve but also financial reporting needs of their donors [9]. These all summed together call for the revision of managerial aspects of NGOs in Central Division-Fort Portal City. Authors relatedly argue in this paper that strong financial position is crucial for the long-term viability and sustainability of NGOs and this gives prominence to financial performance concept.

This study refers to financial performance as the degree to which financial objectives of a firm have been accomplished [10]. It has equally been used to reflect on organizational established processes for financial risk management which measures a firm's results, policies and operations in monetary terms over time. Financial performance as a subject has received significant attention from scholars in the various areas of business and strategic management especially in the current Uganda [11] considering the financial management failures NGOs have continued to exhibit. Moreover, scholarly evidence on sustainability of NGOs has shown that sustainable funding has remained, and will remain one of the major challenges that NGOs in Africa are facing and will continue to face related challenges in the next decade [12]. This apparently seem to put lives of underserved population at stake, which would be resolved if NGOs have good financial health. This study tends to suggest that financial performance of NGOs if improved can improve donor trust, thus continued funding, which altogether has ripple effects to such communities served by NGOs.

On the other hand Managerial competences refer to “bundles of behavior patterns an employee needs to bring to occupied position so as to perform tasks and functions well” [13]. It equally relate to a collection of attributes managers need to provide the highest organizational effectiveness and efficiency. Since management competence in any organization relate to the managerial ability to do something to an acceptable level, a firm whose managers have critical competencies, will better utilize its resources, and make quality decisions, thus improvement in its performance. Some studies have tended to confirm that the performance differences visible across firms originate from the quality of management in terms of competences of incumbent managers [14]. This seems to suggest the connection that exists therein between one's competences and actions. Competency authority is what Martina [15] bases on to predict competitive advantage a firm may enjoy thanks to its managerial competences. They are usually not only forward looking but also a description of skills and attitudes mix staff need to meet future work challenges. They help clarify one's expectations and provide a rational ground for objective and consistent performance standard definition which creates a shared language about what is expected and what needs to be done in an organization. According to Emmanuel and colleagues [16], managerial competencies are essential characteristics a person has or uses to solve problems eminent at a work place. Relatedly Wolff and colleagues [17] earlier alone postulate that managerial competencies embed emotional intelligence stance especially at corporate level since it exhibit one's ability to not only speak but also perform in public, which beyond that portray the potential to persuade others to accept one's point of view, motivate them into action, make decisions and or also amend the very decisions in a way that fit organizational current realities or vision. This study seem to suggest therefore that managerial competencies in form of employee skills, knowledge and attitude affects financial performance of NGOs in form of return on assets, operating cash flow and fundraising return on investment.

Competency Theory as initially put forward by Harter, [18] is one of the competency management explanations which is premised on the assumption that competencies possessed by an individual in form of skills, knowledge and attitudes, differentiate effective performers from ineffective ones. One of the contenders of the theory (see Jörg, [19]) believes that specific underlying characteristics or behavior enables an individual employee to not only gather data or process it into useful information but also empowers him or her to arrive at a useful and appropriate decision, leading to initiation of actions necessary to work out an assigned task in a timely and acceptable manner. It's an explanation of not only what the manager knows but also what he/she thinks can actually do. Despite the fact that the theory cannot fully render explanation to all performance differentials, it's so far one of the clear and logical competency explanation theories that has stood a taste of time.

Quite a number of studies into managerial competences and financial performance have reported positive relationship but others have reported to the contrary. For example, in a study conducted among savings and credit cooperatives in Uganda by Ssekakubo and colleagues [20], a positive and significant relationship was reported. Similar finding was reported by Mwenda, Ngollo and Mwasota [21], while studying same relationships among firms listed on Dar es Salaam stock exchange. Also related results were equally found out by Apreku-Djan [22] and Yahaya & Segbenya [23]. A critical review on all these studies reveal context differences and none was conducted on NGOs, besides Wijaya and Irianto [24], reporting negative effects in their study on Managerial Competence, Technical Competence, and Strategic Competence on Firm Performance in Electrical Engineering Company in Bandung, Indonesia. Additionally negative results were also reported by Torres Rivera and Pedraza Melo [25], while studying same relationships among Small and Medium-Sized Family Businesses in México. Such contradicting results seem to suggest that the debate on Managerial Competence and performance at a firm level is non-exhaustive. This study set to address such gaps in literature by investigating the relationship between managerial competences and financial performance among NGOs in Fort Portal tourism city. We contribute to financial management literature by unveiling the connection that exists between the study variables. It explains the ability of the competence theory to articulate the relationship between firm's managerial competence, the quality of decisions taken and financial performance. Studying managerial competencies and financial performance in the context of NGOs in Central Division City, Fort Portal City is critical for ensuring efficient resource management, sustainability, transparency, and overall effectiveness in achieving their mission and objectives. This paper organization is as follows: After introduction, come literature review and hypothesis development, methods, results, discussion, conclusion, implications, limitations and areas for future research.

2. Review of Literature and Hypothesis Development

Managerial competences and financial performance

In line with the argument by Ngumo [26], one's competences connect him or her to actions and portray the individual capacity to constructively get in touch with the environment. Such competence-based outcomes at a personal level have always been associated with managerial success, since it exhibits general ability to do a task to an acceptable level which in the words of Inam Bhutta and colleagues [27], has workplace predictive validity in terms of improved job performance. This is not far from the assumptions of the competency theory that tend to largely justify employee performance differences from the point of view of skills,

knowledge and attitudes mix that individuals possess and manifest through managerial decisions and actions. Whereas managerial competences are envisaged differently by authors, they generally agree that effective and efficient managers have specific leadership skills, are innovative and have authority, power and influence [28]. Financial performance has been an area of interest to quite a number of financial management scholars [29], however this has not alleviated fully the financial management challenges. This shows the need for more research in this area.

Literature is replete with many managerial competences-financial performance relationship studies; however these studies have always yielded differing results. For example, Ssekakubo, Ndiwalana and Lwanga, (2014) in their study on savings and credit cooperatives in Uganda report a positive and significant relationship between managerial competencies and financial performance. Similar findings are reported by Yahaya & Segbenya, [23] and Apreku-Djan [22]. Conversely, Torres Rivera and Pedraza Melo [25], and Wijaya and Irianto [24], while studying same relationship found non-significant effects. These studies were moreover not conducted in the NGO sector and used different methodologies besides the fact that studies reviewed here have yielded inconsistent results. This study based on such mixed views to draw a hypothesis, thus;

H1: There is a positive relationship between managerial competencies and financial performance of NGOs in Fort Portal Tourism City.

3. Methods

Quantitative research approach was used to collect data at one point in time from 10 Non-Government organizations listed on the Uganda NGO directory staff operating in Fort Portal City i. e Kyaninga child Development Centre (KCDC), Rwenzori Information centres Network, Save the Child, Red Cross Uganda, DSSD-Caritas Fort Portal, Rwenzori Centre for Research and Advocacy (RCRA), Baylor Foundation, Joint Efforts to Save the Environment (JESE), Kabarole Research and Resource Centre (KRC), Association of Human Rights Organisation (AHURIO), Rwenzori Information Centers Network (RIC-NET). The unit of inquiry for this study were 320 employees working in NGOs and used a combination of simple and stratified random sampling techniques to arrive at 183 respondents. The major reason for the choice of these sampling techniques among others was that they are associated with the minimum sampling bias moreover the sample size was big. A structured questionnaire was used to gather opinions from managers, accountants, field officers, office assistants and secretaries. Apparently, however, only 173 questionnaires were returned properly filled constituting an acceptable response rate of 94.50% which according to Bryman and Bell (2015) articulate a predictive validity for not only correct findings but also conclusions and generalisation. The study employed both nominal and ordinal

scales specifically using nominal scale for gender and age group among others whereas ordinal scale were used to measure numerical values using likert statements in line with the five-point likert scale based on the research objectives where 1 stood for Strongly Disagree and 5 stood for Strongly Agree. Construct and content validity were adopted and the reliability co-efficient of the items in the instrument ranged between 0.70 to 0.79 as shown in the table 2 below. This indicates the internal consistency of the questionnaire for the current study. Descriptive and inferential statistics (simple and multiple linear regression analyses) were used to analyze data. Efforts were made by the researchers to define the regression model as presented below;

$$FP = \beta_0 + \beta_1MC + e$$

Where, FP= Financial Performance, β_0 constant, β_1MC coefficient for Managerial Competence and e is the error term.

The final study data was also subjected to different parametric tests i. e multi-collinearity (see table 1 below), linearity (see figure 1 below) and normality (see figure 2 below) to guide researchers on the choice of which methods to use for

data analysis [30]. The study conceptualized managerial competence which is the independent variable as knowledge, skills and abilities [13]. Financial performance on the other hand which is the dependent variable was measured by return on assets, operating cash flow and fundraising return on investment [31, 32].

Table 1. Multicollinearity Assessment.

Collinearity Statistics		
Model	Tolerance	VIF
Knowledge	0.519	1.925
Skills	0.446	2.243
Ability	0.614	1.629
Return on Assets	0.580	1.725
Operating Cash Flow	0.473	2.114
Fundraising ROI	0.558	1.793

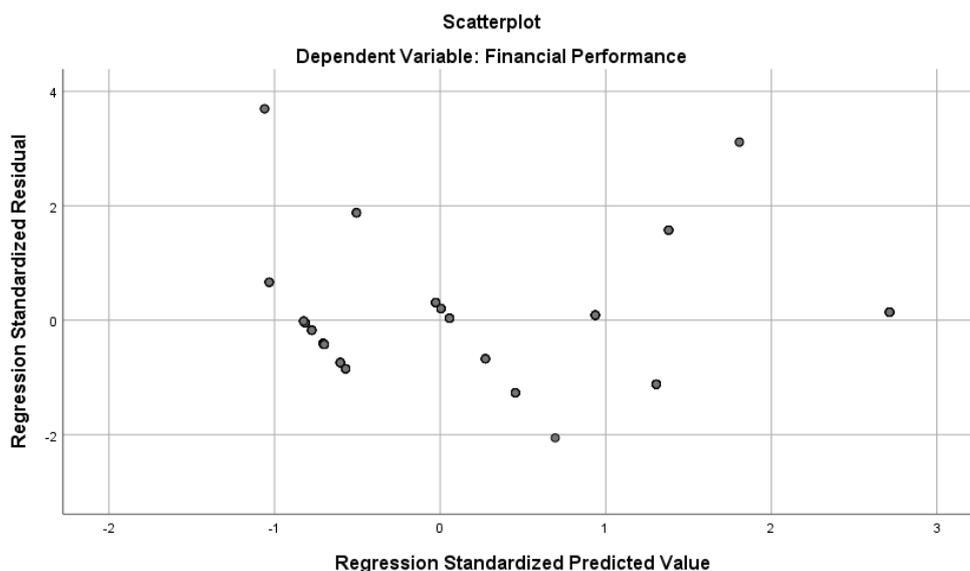


Figure 1. Linearity Test.

Table 2. Validity and Reliability Results.

Variable Name	No. of Items	Reliability Results (Cronbach’s Alpha)	Content Validity Index
Knowledge	5	.703	.751
Skills	6	.746	.735
Abilities	5	.722	.728
Financial Performance	15	.793	.702

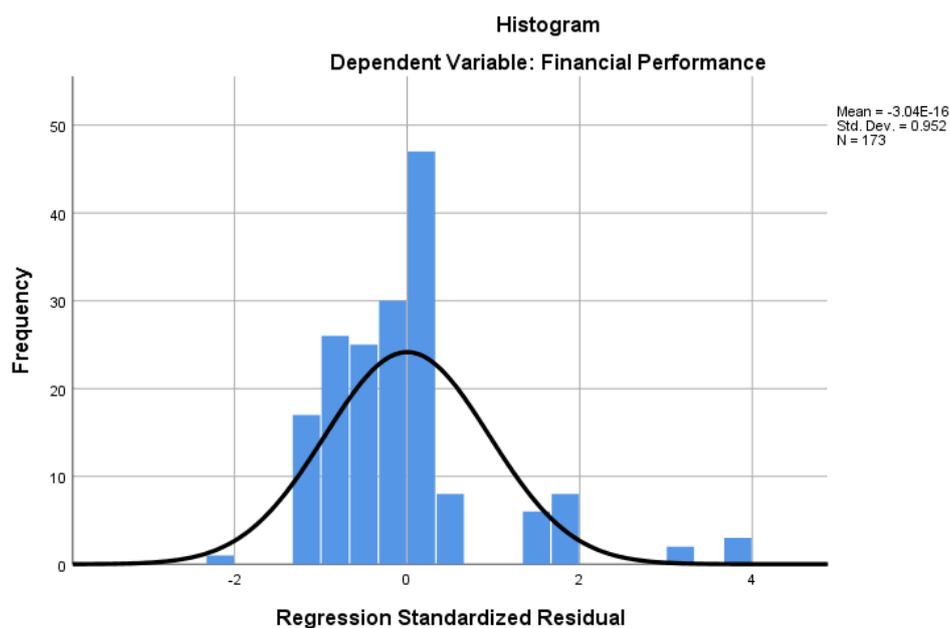


Figure 2. Normality Test.

4. Results

4.1. Demographic Profile of Respondents

Results of the study as shown in [table 3](#) exhibit frequency distributions in terms of gender, age, education and job tenure, respectively.

Table 3. Demographic Profile of Respondents.

Profile Categories	Frequency	Percent	
Male	90	51.8	
Gender Female	83	48.2	
Below 25Years	8	5.8	
Age 25-35 Years	57	41.0	
36-45 Years	35	25.2	
46-55 Years	33	23.7	
Over 55 Years	6	4.3	
Diploma	46	33.1	
Bachelor's Degree	43	30.9	
Education	Master's Degree	35	25.2
	PhD Degree	15	10.8
Years at Organization	Below 1 Year	111	64.0
	1 –5 Years	27	15.8
	Over 5 Years	35	20.1

The employee profile of the 173 respondents shows that there are more male employees (51.8%) than females (48.2%).

In terms of age, (41.0%) of the total respondents are aged 25–35 years, followed by (25.2%) aged 36–45 years, (23.7%) aged 46–55 years, (5.8%) aged below 25 years and (4.3%) above 55 years. The majority of the respondents (33.1%) are Diploma holders, (30.9%) are Bachelor Degree holders,

(25.2%) are Master's Degree holders and (10.8%) are PhD holders. In terms of years spent at the organization, (64.0%) of the total respondents have spent less than one year in the present organization, the other years spent groups are distributed as follows: 1–5 years (15.8%), over 5 years (20.1%).

4.2. Level of Managerial Competencies in Terms of Knowledge, Skills, Ability, Affects Return on Assets

Table 4. ANOVA (Managerial competencies and RA).

			Sum of Squares	df	Mean Square	F	Sig.	Remarks
RA* Knowledge	Between Groups	(Combined)	135.855	13	10.450	48.224	0.000	significant
		Linearity	94.898	1	94.898	437.913	0.000	
		Deviation from Linearity	40.958	12	3.413	15.750	0.000	
	Within Groups	34.456	159	0.217				
	Total	170.311	172					
RA * Skill	Between Groups	(Combined)	147.161	13	11.320	77.747	0.000	significant
		Linearity	130.782	1	130.782	898.214	0.000	
		Deviation from Linearity	16.379	12	1.365	9.374	0.000	
	Within Groups	23.151	159	0.146				
	Total	170.311	172					
RA * Ability	Between Groups	(Combined)	156.847	10	15.685	188.722	0.000	significant
		Linearity	133.065	1	133.065	1601.064	0.000	
		Deviation from Linearity	23.782	9	2.642	31.795	0.000	
	Within Groups	13.464	162	0.083				
	Total	170.311	172					

Note; KN = Knowledge, S = Skill, A = Ability

From the table $p = 0.000$, less than 0.05, therefore, managerial competences influence financial performance.

As evidenced from the [table 4](#), the R values show existence of a strong positive relationship between Managerial Com-

petencies in terms of Knowledge, Skills, Ability and Return on Assets and R squared indicates how much change in return on assets is explained by Managerial Competencies, however less was explained by Knowledge.

Table 5. Measures of Association.

	R	R Squared	Eta	Eta Squared
RA * Knowledge	0.746	0.557	0.893	0.798
RA * Skill	0.876	0.768	0.930	0.864
RA * Ability	0.884	0.781	0.960	0.921

4.3. Level of Managerial Competencies in Terms of Knowledge, Skills, Ability, Affect Operating Cash Flow

Table 6. ANOVA (Managerial competencies and operating cash flow).

			Sum of Squares	df	Mean Square	F	Sig.	Remark
OPF * Knowledge	Between Groups	(Combined)	136.507	13	10.501	35.005	0.000	
		Linearity	59.511	1	59.511	198.388	0.000	Significant
		Deviation from Linearity	76.997	12	6.416	21.390	0.000	
	Within Groups		47.696	159	0.300			
	Total		184.203	172				
OPF * Skill	Between Groups	(Combined)	165.123	13	12.702	105.848	0.000	Significant
		Linearity	120.592	1	120.592	1004.938	0.000	
		Deviation from Linearity	44.531	12	3.711	30.924	0.000	
	Within Groups		19.080	159	0.120			
	Total		184.203	172				
OPF * Ability	Between Groups	(Combined)	169.525	10	16.952	187.102	0.000	Significant
		Linearity	118.716	1	118.716	1310.250	0.000	
		Deviation from Linearity	50.809	9	5.645	62.308	0.000	
	Within Groups		14.678	162	0.091			
	Total		184.203	172				

Note; KN = Knowledge, S = Skill, A = Ability.

Apparently $p = 0.000$, less than 0.05, signifying that managerial competences influence financial performance.

From table 6 above the values of R are positive and significant which shows a positive connection between Managerial Competencies in terms of Knowledge, Skills, Ability

and Operational Cash Flow and R squared indicates how much change in operational cash flow is explained by Managerial Competencies, however less was explained by Knowledge also.

Table 7. Measures of Association.

	R	R Squared	Eta	Eta Squared	Remark
OPF * Knowledge	0.568	0.323	0.861	0.741	Significant
OPF * Skill	0.809	0.655	0.947	0.896	Significant
OPF * Ability	0.803	0.644	0.959	0.920	

Note; KN = Knowledge, S = Skill, A = Ability

4.4. Level of Managerial Competencies in Terms of Knowledge, Skills, Ability, Affects Fundraising ROI (Return on Investments)

Table 8. ANOVA (Managerial Competencies Fundraising and ROI).

			Sum of Squares	df	Mean Square	F	Sig.	Remarks
ROI * Knowledge	Between Groups	(Combined)	112.974	13	8.690	41.431	0.000	Significant
		Linearity	36.257	1	36.257	172.854	0.000	
		Deviation from Linearity	76.717	12	6.393	30.479	0.000	
	Within Groups		33.351	159	0.210			
	Total		146.325	172				
ROI * Skill	Between Groups	(Combined)	128.645	13	9.896	88.992	0.000	Significant
		Linearity	89.203	1	89.203	802.197	0.000	
		Deviation from Linearity	39.442	12	3.287	29.558	0.000	
	Within Groups		17.680	159	0.111			
	Total		146.325	172				
ROI * Ability	Between Groups	(Combined)	134.356	10	13.436	181.844	0.000	Significant
		Linearity	84.826	1	84.826	1148.086	0.000	
		Deviation from Linearity	49.529	9	5.503	74.484	0.000	
	Within Groups		11.969	162	0.074			
	Total		146.325	172				

Note; KN = Knowledge, S = Skill, A = Ability

Just like results above $p = 0.000$, less than 0.05 , showing that managerial competences influence financial performance.

From the [table 8](#) also the values of R indicate a strong positive relationship between Managerial Competencies in

terms of Knowledge, Skills, Ability and Fundraising ROI (Return on investments) and R squared indicates how much change in fundraising return on Investments is explained by Managerial Competencies, however less was explained by Knowledge.

Table 9. Measures of Association.

	R	R Squared	Eta	Eta Squared
ROI * Knowledge	0.498	0.248	0.879	0.772
ROI * Skill	0.781	0.610	0.938	0.879
ROI * Ability	0.761	0.580	0.958	0.918

Note; KN = Knowledge, S = Skill, A = Ability

Table 10. Multiple Regression Results for the Combined Effect of Managerial Competences and Financial Performance of NGOs in Fort Portal City.

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	20.345	3.703		5.258	.000
Skills	1.304	.112	.063	1.821	.000
Knowledge	-.322	.174	.280	7.591	.070
Attitude	1.078	.134	.284	8.048	.000

R = 0.593; R² = 0.380; Adj. R² = 0.375; F (4, 427) = 61.906, p<0.05

a. Dependent Variable: Financial Performance
Source: Field Result (2023)

5. Discussion

A review of the respondents' profile shows that the majority of respondents were males, with age range between 25 and 35, holding diplomas, with job tenure of less than one year. Results from the analysis of the hypothesis test in this study reveals that managerial competence has a positive and significant influence on financial performance of NGOs in Fort Portal Tourism City. This finding finds support from a number of studies including one carried out by Ssekakubo, Ndiwalana and Lwanga [20], among savings and credit cooperatives in Uganda. Another support is drawn from a study by Mwenda, Ngollo and Mwasota [21], in their study on managerial competence and financial performance among firms listed on Dar es Salaam stock exchange. Additional consistency is found between findings of this study and findings by Yahaya and Segbenya [23], who investigated same variables in the banking sector in Ghana. This study finding equally agrees with a study by Kamukama [14] while interrogating the mediating role of managerial competences in the relationship between competitive advantage and financial performance of commercial banks in Uganda.

To anchor the interaction between managerial competence and financial performance, competence management theory was embraced by the researchers. The first basis of the relevance of this theory to our study was the fact that managerial competences and perceptions of managers have a big implication to the kind and quality of strategic choices managers make. Secondly, there is a strong reason to believe that firms with competent staff are positioned to easily attain a better fit between leadership style, structure, resources, strategy, and goals. It therefore seems to suggest that personal competences have the potential to directly or indirectly influence multiple out-

comes at organizational level. The findings from the analysis carried out support the fact that managerial competences of NGO staff have a predictive power on the level of their financial performance. This logic agrees with the traditional wisdom that an individual's success or failure at work is dependent on not only his or her knowledge and skills but also the ethos, or the mindset, attitudes and beliefs that he or she brings to the job. There is a general belief system to the effect that even a highly skilled employee who refuses to interact with other team members can turn out to be more of liability than an asset in spite of his or her technical skills. It's indeed logical to believe that the extent of management quality in terms of decision making prowess cannot in anyway be divorced from the prevailing financial performance position of a firm. If managers have the needed knowledge, skills and values, financial performance of NGOs in terms of return on assets, operating cash flow and fundraising return on investment would undoubtedly be good (Le Thi Kim et al., 2021).

6. Conclusion and Implication

This study empirically provides evidence in the financial performance of NGOs studied specifically in the areas of return on assets, operating cash flow and fundraising return on investment [31]. The study equally views managerial competences as knowledge, skills and abilities [13] which imply that managers of NGOs ought to have required competences to make sound financial decisions that positively affect financial performance. This study has confirmed that managerial competences have a predictive power on financial performance. In view of elevating the financial health of NGOs, this finding expresses the imperative for recruiting employee with skills, knowledge and attitude potential to improve the financial management and

achieve their performance targets. In this study the relevancy of competence theory has been proven as a powerful explanation to what competences held by an incumbent can do in terms of quality of financial management decisions and overall ripple effects on financial health of NGOs in Fort Portal Tourism City.

7. Limitations and Areas for Future Research

Despite the contribution this study makes to the existing body of knowledge by focusing on NGOs sector examining the relationship between managerial competence and financial performance relationship, the study has certain limitations which form a ground for future research. Firstly, the study used only competence framework to explain financial performance of NGOs leaving out other financial performance predictors. Apparently there are many influencers to financial performance of any firm. Future research can look at other variables that have a big bearing on financial performance. Moreover different NGOs operate under different context, serving different clusters of population with different needs. Secondly, the study assumed fixed reality by using only quantitative approaches in due course of collecting evidence which tend to ignore situated experiences of research participants which future researchers on same relationships can address. Thirdly, the study acted on a limited scale to measure variables using only three constructs according to specific sources which could be non-exhaustive itself. Future studies can use multiple sources of construct and measures that are both objective and subjective.

Abbreviations

NGO	Non-Governmental Organization
KCDC	Kyanyinga Child Development Centre
JESE	Joint Efforts to Save the Environment
KRC	Kabarole Research and Resource Centre
RA	Return on Assets
ROI	Return on Investment

Conflicts of Interest

The authors declare no conflicts of interest.

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