UNDERSTANDING GOVERNANCE, ICT AND ORGANISATION SUSTAINABILITY: PERSPECTIVES FROM DONOR FUNDED SMALL AND MEDIUM ENTERPRISES (SMES) IN UGANDA.

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Abstract:
Lack of finances and inability by Small and Medium Enterprises (SMEs) to borrow capital funds from financial institutions because they do not have collateral security is normally attributed to their failure to survive for more than five years. SMEs which get capital from donors in terms of grants have continued looking for donor funds without being able to attain sustainability in terms of increasing the finance base and creation of new markets. Some of the governance structures of SMEs have incorporated the use of Information and Communication Technology (ICT) in their business management while others are still watching from a distance without embracing e-business. This paper examines the relationship between governance in terms of board of directors and top management and the sustainability of SMEs. Online desk review methodology was adopted where by 90 journal articles related to governance, IC and sustainability were downloaded from reliable search engine. The literature reviewed at international, regional and national level indicates that good governance increases finance base and helps top management to create new markets. The paper concludes by encouraging SMEs to invest more on governance as well as using ICT so as to be in position to increase the market share, finance base and overall sustainability.

Key words: Governance, ICT, Sustainability, Small and Medium Enterprises, Uganda
1. INTRODUCTION

Small and Medium Enterprises (SMEs) play a crucial role in employment creation and income generation worldwide and they can be established in rural settings and thus associated with more equitable distribution of income which is important as regards poverty alleviation (United Republic of Tanzania, 2003:8). SMEs have played an important role in Turkey by fuelling the economic growth, providing flexibility, engaging in bridge-building between Turkey and the European Union, and promoting employment (Napier, Serger & Hansson, 2004:7). SMEs have long been regarded as crucial for the achievement of broader development objectives, including poverty alleviation. In most cases the regional economy depends on SMEs as they are frequently seen to be key elements within regional development (Okello-Obura, 2011:8). Despite the global importance of SMEs, commercial banks and DFIs are reluctant to implement SME-related lending programmes initiated by government and aid donors; they also tend to concentrate their services on the most obviously creditworthy businesses and large-scale enterprises (Wattanapruttipaisan, 2003:15). Recognizing the role SMEs are playing in the economic development of various countries, however, donors have implemented lending programs directly to SMEs examples of such schemes are offered by USAID, DANIDA and GTZ (Mensah, 2004:5). This paper focuses on governance, ICT in relation to business sustainability in donor funded small and medium enterprises (SMEs) in Uganda, where governance is a system through which companies are managed and controlled (Kocmanova, Dočekalova, Němeček, & Šimberová, 2011:544)

In the Asia-Pacific Economic Cooperation (APEC) economy, SMEs make up over 98% of all enterprises; provide over 60% of the private sector jobs (and over 30% of total employment); generate about 50% of sales or value added; generate about 30% of direct exports; generate about 10% of Foreign Direct Investments (FDI) by value, and over 50% by cases Asia-Pacific Economic Cooperation Organization for Economic Cooperation and Development (OECD) (OECD, 2004:17), adds that SMEs play a key role in transition and developing countries. SMEs typically account for more than 90% of all firms outside the agricultural sector, constitute a major source of employment and generate significant domestic and export earnings. OECD economies from 2000-2002 found that the size of the informal sector amounted to an average of 16.7%, 29.2% and 44.8% of GDP in OECD, Central and Eastern Europe and the former Soviet Union economies, respectively. In other developed countries such as United
Kingdom, United states of America, New Zealand, Canada and Japan, the average contribution of SMEs to GDP is slightly over 51% (Wang, Walker & Redmond, 2007:2).

In the regional context, SMEs in Ghana, tend by their very nature to show a far more volatile pattern of growth and earnings, while in South Africa, the government realizes that SMEs are the logical “kick-start” mechanism to job creation and future prosperity in the Country, and Tanzania established SME Development Policy as a noble vehicle of facilitating the attainment of the objectives of the National Vision 2025 (United Republic of Tanzania, 2003:8 and Agboza & Yeboah, 2012:11). SMEs in Uganda are increasingly taking the role of the primary vehicles for the creation of employment and income generation through self-employment, and therefore, have been tools for poverty alleviation, they take a lion’s share of 90 percent of the private sector, employing over 90% and contributing slightly above 70 percent of the country’s GDP (Kasekende & Oondo, 2003:2; Eyaa & Ntayi, 2010; Badagawa, 2011 and Ankunda, 2010). The financing of SMEs worldwide has met challenges ranging from non-accessibility, exorbitant collaterals and high interest rates and 50% collapse between first and fifth year (Taiwo, Yewande, Edwin & Benson, 2016:2 and Badagawa, 2011).

In Uganda, donors such as USAID, DFID, GTZ and EU have played a key role in financing SMEs in form of grants, but the reviewed literature is silent about the numbers and which specific SMEs have received grants for their performance (Fiorillo, 2006:5; Tushabomwe-Kazooba, 2006:29; Stevenson & St-Onge, 2005:28). In a bid to improve SMEs, government of Uganda introduced schemes such as Entandikwa in 1996 and Bonabaggawale from 2006-7, the results of these scheme were not impressive as the beneficiaries misinterpreted the funds as political handouts (Kasirye, 2007:1). USAID funded projects such as RURAL SPEED, PRESTO, APEP, SUFFICE and LEAD so as to help SMEs improve on productivity and new market penetration (Jacbson, 1999:9; Wiseman, 1998:1; Ssewanyana, 2008:5). Agribusiness Initiative Trust (aBi Trust) program is continuing to give grants to SMEs in Uganda, the interesting issue is that the SMEs which received financing in form of grants from the projects which closed are the very ones applying and probably receiving more grants. The challenging question is as to whether these SMEs will be sustainable without any other grants from donors and what needs to be in place for them to attain sustainability.

Governance is defined as the pivot of the organisation that control and measure the relationships and interactions among the organization's subsidiary parts, individuals, groups, departments, profit centers and the organisation systems in totality (Corlett and Pearson, 2003:1). Organisation systems as an
integrated assembly of interacting elements and coordination between the organization and its external environment in closed systems inhibit the organization’s capacity to import sufficient energy from its environment for sustenance (Amagoh, 2008:2 and Lam & Lundvall, 2008:16). Sustainability itself is a contested concept and there is no consensus on this definition with worldviews which include; sustainable development, human sustainability, social sustainability, ecological sustainability, environmental sustainability, and corporate sustainability. Nevertheless, the dynamic capabilities theory endeavors to explain the concept of stability by indicating as SMEs which is capable of achieving new business/markets, (Stubbs & Cocklin, 2010:105; Davis & O'Halloran, 2013:11).

1.1 Theoretical analysis

Two theories; the systems theory and dynamic capabilities theory have been used to strengthen the ideology of this paper. Where systems theory provides a general analytical framework and perspective for viewing an organization, the dynamic capabilities theory views the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. According to Amagoh (2008:2) systems theory is a concept that originated from biology, economics, and engineering and was first advanced by Ludwig von Bertalanffy in 1940. Corlett and Pearson (2003:1) argue that systems theory originated in the natural sciences in efforts to understand sets of objects, the relationships between those objects, and the relationships. Systems arise whenever there are populations of interacting agents, objects, persons, organizations, or communities that act on their limited and local information, systems theory also enables uniform recruitment and data sharing in organizations by using ICT systems (Corlett & Pearson, 2003:1 and Amaral & Uzzi, 2007:1033). Systems theory however faced some criticisms in that that the organizational researchers have not been able to exploit the potential contributions of systems theory in empirical research and few researchers have the tools or the ability to take into account all the various components that must be included in even a relatively simple open systems model (Ashmos & Huber, 1987:611 and Chenhall, 2003:148).

Dynamic capability is defined as the firm’s ability to use governance, ICT and other systems to integrate, build and reconfigure internal and external competencies to address rapidly changing environments (Teece, Pisano & Shuen,
1997:5), this enable SMEs to produce goods and services as well as maximising economic returns from available internal resources (Kwaku & Adjei, 2012:25 and Willums, 2010:32). Kocmanová, Hřebíček and Dočekalová, (2011:543) note that governance is understood as a key element when reaching economic performance, growth and sustainability. Critics of dynamic capabilities theory argue that, dynamic capabilities are not in themselves a source of long-term competitive advantage because market opportunities emerge, collide, evolve and die; its concepts are difficult to measure empirically, it has implications for offering an actionable set of dynamic capabilities that decision-makers and there is need to first open the black box of dynamic capabilities to propose a measurable model (Kwaku & Adjei, 2012:24 and Pavlou & El Sawy, 2011:259)

2. METHODOLOGY

External desk research methodology was used by applying online desk research review where 90 journal articles related to governance, ICT and sustainability were downloaded from reliable search engine and the literature review was concentrated on 74 articles. Kwok, Xie and Tori (2017:1) points out that a number of scholarly articles are now based on online reviews. It is worth noting online articles provides a very wide range of reputational mechanisms and data, although it also sows the seeds of confusion, too many voices saying and meaning different things (Nicholas, Clark, & Herman, 2016:9). Online research has some challenges when it comes to credible information, but these can be solved by the researches using recommended research search engines to download reading materials (Metzger, 2007:3). Research undertaken by Willinsky (2003:12) showed a need for establishing an" open access" economy of scholarly communication that would make scholarship freely and available online by improving the online presence of research as part of knowledge’s public sphere.

3. RESULTS FROM LITERATURE REVIEW AND DISCUSSION

Governance is one of the emerging efforts to determine the meaning of ethical business (Castka, Balzarova, Bamber & Sharp, 2004:140). It is the center of decision making so as to maximize the value of the company and its sustainability (Denis & McConnell, 200:2; Adams & Mehran, 2003:123 and Aras & Crowther, 2008:441). Board size, board composition, management skill level, Chief Executive Officer (CEO) duality; inside ownership, family business, and foreign ownership
have significantly positive impacts on profitability and sustainability of SMEs (Abor & Biekpe, 2007:14). According to Denis and McConnell (2001:7) outside directors are associated with better decisions and sustainability of the organisation.

A number of studies have coiled sustainability into Corporate Social Responsibility (CSR) (Castka et al. 2004, Stubbs & Cocklin, 2010 and Willums, 2010). There is evidence that few small businesses introduce formal practices to manage their sustainability impacts and in order for sustainability in SMEs to be realized, the supplier of goods and services has to meet the commercial requirements or risk losing business (Walker & Preuss, 2008:4). Organisations that lack human and financial resources use the reactive approach in addressing sustainability issues (Taylor, Barker & Simpson, 2003:98).

Governance and Corporate Social Responsibility agenda is gaining its momentum among large corporations and there is a strong call, particularly from governmental bodies to further engage SMEs (Castka, Balzarova, Bamber, & Sharp, 2004:140)). The major reason for incorporating the activities of SMEs into SCR is because they account for the majority of business in the world and are often dynamic and longstanding players in local communities (CSR Magazine, 2002:16). In their study findings, Castka et al. (2004:148) argue that CSR is a concept to run organizations profitably yet in a socially and environmentally responsible way in order to achieve business sustainability and stakeholder satisfaction. This definition is advocated for use in promoting the CSR agenda among SMEs.

A number of studies have been undertaken to establish the relationship between corporate governance and performance of organisations (Lubatkin, Simsek, Ling & Veiga, 2011; Brunninge, Nordqvist & Wiklund, 2007; Abor & Ajasi, 2007; Brown & Caylor, 2004; Haniffa & Cooke, 2002; Klapper & Love, 2002; Huse, 2002; Shleifer & Vishny, 1997 and Kocmanova, Docekalova, Nemecek & Simberova, 2011), and have yielded mixed results. The studies taken in this area are more focused in performance and literature is scarce on sustainability with very limited information on donor funded SMEs. This may be explained by the traditional thinking where corporate governance has been associated with larger companies as separation between ownership and control of the firm had a thin layer within SMEs (Abor and Adjasi, 2007:113).

Lubatkin, Simsek, Ling and Veiga (2011:659) undertook a study to establish the role of top management team behavioral integration ambidexterity and performance in small-to medium-sized firms; the pivotal role of top
management team behavioral integration and out of the sampling frame of 154 firms that responded, 405 respondents were from Top Management Team (TMT). They measured collaborative behavior, information exchange, and joint decision making in TMT as an independent variable and performance as dependent variable. The findings gave growing importance of TMT behavioral integration as a salient influence on organizational outcomes and affects performance.

Another study undertaken by Haniffa & Cooke (2002:327) on Culture, Corporate Governance and Disclosure in Malaysian Corporations; with specific interest in examining the importance of various corporate governance and cultural characteristics, in addition to firm-specific factors, as possible determinants of voluntary disclosures in the annual reports of Malaysian listed corporations. The results indicate significant associations between two corporate governance variables (chair who is a non-executive director and domination of family members on boards) and the extent of voluntary disclosure and performance of the organisation.

With respect to SMEs, Abor and Adjasi (2007:119) undertook a study of corporate governance and the small and medium enterprises sector: theory and implications. The study purpose was to identify the extent to which the corporate governance framework can be applied to SMEs within the Ghanaian context. The results showed that corporate governance brings new strategic outlook through external independent directors and enhances firms’ corporate entrepreneurship and competitiveness. E-government and e-business initiatives are in their infancy in many developing countries. The success of these initiatives is dependent on government support as well as citizens’ adoption of e-government services. However there are challenges associated with the use of e-business which include technical issues, need for face to face interaction, costs associated with acquiring the technology, lack of trust in the internet and lack of awareness (AlAwadhi & Anne. 2009:585).

ICT is an umbrella term that includes any communication device or application, encompassing radio, television, cellular phones, computer and network hardware and software, satellite systems and so on, as well as the various services and applications associated with them, such as video-conferencing and distance learning (Kumar, 2008:556). Ozdemir and Efe (2013:68) emphasizes the need for Regional Development Agencies to precautions and keep up-to-date of information technologies in order to have the capacity of triggering local dynamics by bringing a systematic and disciplined approach to all local concerns and abilities which need to be interconnected and collaborated headed for framing
a vision for regional economic development that is desirable, digestible and endorsed by key actors.

Navarra and Cornford (2005:1) observed that Information and Communication Technology (ICT) are commonly understood to provide a great opportunity to innovate the business of government by fostering efficiency and reforming public management. The findings of their research indicate that ICT involves the creation, development and interlinking of a variety of social, institutional and technological ecologies to deliver services which are perceived as legitimate, innovative, and useful and welfare enhancing and benefitting the community by drawing together the public sector, civil society and international actors which quickens decision making.

In a study undertaken by Gatutis (2015:21) on the impact of ICT on Public and Private Sectors in Lithuania, the findings revealed that the much emphasis being applied to ensure efficiency of process management by traditional enterprises, their performance has increasingly worsened compared to enterprises which use e-business in their process. It was concluded that application of ICT by business entities leads to increased performance and efficiency. Bohari, Cheng and Fuad (2013:10) observed that because of its ability to provide basic tools and techniques for analyzing early warning signals, ICT revolution has enabled the business managers to cheaply and easily relate with internal and external customers hence improving its competitiveness. Eniola, Entebang and Sakariyau (2015:66) agrees that technology sophistication in terms of innovation can give SMEs a better opportunity to compete in the markets and soon this will be a competitive necessity for survival in all organizations. Adoption of innovations services by use of ICT stimulates customers’ intentions to buy due to improved brand image providers would hence improve their business competitive edge (Cimatti & Campana, 2015:149). The importance of ICT in business organisation was affirmed by Ogu, Achimba, Ayokunle, Aaron, & Ogbonna (2014:175) who stated the fact that in the coming years, businesses and organizations may be constrained to align with modern practices in ICTs or risk becoming less competitive within the business environment. It should also be noted that e-supply chain using ICTs to add value to SME and enable them to achieve competitive advantages and there is a need for SMEs to invest in the adoption and use of ICTs and to build up their organizational capabilities if they are to achieve differentiation from their competitors (Llach & Alonso-Almeida, 2015:393).

Since women in Africa own one-third of informal business, there is need to gender while using ICT services (Komunte, Rwashana & Nabukenya, 2012:71 and Ponge, 2016:329). According to Komunte (2015:68) study finding showed
that 54.6% of Uganda women entrepreneurs revealed that ICT in terms of mobile phone usage makes their business more profitable and makes them to secure better markets and prices, save time and money, negotiate for suitable prices and timely communicate business – related information. Deen-Swarray, Moyo & Stork (2013:64) reveal that although there is growing consensus that ICTs play a key role in economic development and the enhancement of business activities.

As the world including developing countries take the direction of digital revolution, the level of ICT adoption participation and operations, there is need to increasingly advocate for the adoption of ICT in both SMEs and large organisations to enable them compete globally (Ogu, Achimba, Ayokunle, Aaron, & Ogbonna, 2014:170). The key factors affecting the adoption of Electronic Customer Relationship Management (e-CRM) in Ugandan SMEs include limited knowledge, infrastructure, resources and resistance to change and there is need to involve training, sensitization and management support among others as important innovations for better adoption of e-CRM (Olupot, Kituyi, & Noguera, 2014:42). Nyeko, Kabaale, Moya, Amulen, & Mayoka (2013:75) recommend that government should regulate importation of ICT products, reduce taxes on new ICT SMEs in order to encourage investment in the sector, improve access to credit by ICT entrepreneurs since majority of them are young people with limited capital and properties that would act as collateral for securing credit from commercial banks. The lack of use of the different kinds of ICTs included issues around need, affordability, availability and access which are all somehow dependent on each other. Broader policy interventions would be required in order to facilitate access and address affordability (Deen-Swarray, Moyo & Stork, 2013:64).

4. CONCLUSION
Most of the literature related to the failure of SMEs to celebrate their 5th anniversary is due to difficulties in acquiring capital fund. This paper has reviewed literature and observed strong support for effective governance so that SMEs can attain sustainability through increased new markets and finance base. The other pertinent aspect revealed by the literature is the use of ICT because it creates a robust linkage between business stakeholders and speeds up business transactions, which is ideal for the current global village. Neither good governance nor ICT can on its own create sustainability in SMEs, for this to be achieved there needs to be a calculated mix to invest in both. Given the fact that e-business is at its infancy in many developing countries (AlAwadhi & Morris, 2009:584), there is need for increased creation of awareness about the benefits of
using ICT in business, building trust of the citizens regarding the security of ICT in the country, minimizing technical breakdowns in the internet and making ICT services affordable so as not to corrode the meager profits of SMEs.

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