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# Corporate Image and Organizational Performance of State Owned Enterprises Monitored by Privatization Unit (PU) Uganda

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## Abstract

This study was carried out to establish whether corporate image has any influence on organizational performance in state-owned enterprises in Uganda. This was considered relevant as a study area after a realization that state-owned enterprises operate with huge backing from the state unlike the privately owned enterprises. This prompted to ask the big question of whether corporate image has any impact on the overall performance of these entities. A cross sectional research design was adopted for the study. The unit of analysis considered was an entity. The entities were divided into four groups in relation to the industry. Out of a population of 140 firms, 104 were selected to form a sample. All the 103 firms successfully responded representing 100% response rate. In the analysis phase, Correlation and Regression Analyses were used. Findings indicated that Corporate Image of state-owned enterprises has a significant influence on the organizational performance (Sig=0.000; Sig < 0.01;  $\beta = 0.337$ ). Basing on this finding, it has been recommended that the state-owned companies stop counting on the backing of the state and start working on their image so that they can get a wider acceptance in the Ugandan Market.

**Keywords:** *Corporate image, Organizational performance, State-owned enterprises*

## 1. Introduction

The concept of Corporate Image has been in the market area in Uganda though mainly in the private sector. The public sector including the state-owned enterprises did not have to worry about their image since they had a backing of the government. Of recent though, the state owned enterprises are no longer monopolies as they used to be such as the case of the telecom sector as well as the insurance sector and the NSSF which is about to be open to the public (Rwathungeyo, 2014). All these changes targeting the state owned enterprises prompted the carrying out of this research to establish whether the changes in the market place could have prompted the state owned enterprises to re-think the concept of corporate image in their operations. This brief background was the genesis of the area of the study; '*Corporate image and organizational performance of state-owned enterprises*'.

## 2. Theoretical review

Corporate image refers to a state of mind that stakeholders have about a company or business or an entity. This state is further referred to be the mental picture that the stakeholders have in relation to the way they perceive a company (Bouchet, 2014). This therefore means that the image is never constant. It keeps changing depending on the way a business performs, comments of other major stakeholders like the tax authority as well as comments given by the media. All these circumstances are reported to have an impact on the overall image of a business. This affects all types of entities existing in a particular state (both private and state owned entities) (Balmer & Greyser, 2006).

Organizational performance on the other hand refers to the aggregate performance level of all departments and business units of an entity. This means that the performance of an entity is a sum total of the performance of all its sub units as well as its sub-components (Rulangeranga, Ntayi, & Muhwezi, 2013). This is a wide view of performance at an entity level disclosing the actual performance of entities (Andrews, Boyne, & Walker, 2006). Entities are considered to be performing well basing on the ratings they get from both internal and external stakeholders (Al-Khouri, 2010). Though the internal stakeholders are fond of concentrating on the profitability levels as well as the welfare of the employees, this is not enough to constitute the overall performance of an entity. In looking at this performance, it is not possible to isolate an entity from the environment in which it is operating. This therefore means that the environment where an entity operates in forms an integral part of its existence (Tandon, Murray, Lauer, & Evans, 1997).

Considering the environment as an integral part of existence of a business is as a result of the benefits that can accrue to a business as a result of the environment. It is argued that without the environment, a business cannot trade since the customers are located and actually based in the environment (Virvilaite & Daubaraitė, 2011).

Further to that, there are high chances that a business may not compete favourably if its management does not pay attention to the competitive advantage provided by the environment. This is mainly the case when there is a cut-throat competition of very closely related entities in the way they offer their services and goods to the actual and prospective customers. All these instances make environment become very important to the success of a business (Abdullah, 2009).

The environment is however not that important in some of the instances in the business world. For instance, in situations when a business is more of a monopoly or when a corporation is a state owned with assured customers. Whereas this is the case, there are times when even with monopoly, the environment can become important (Virvilaite & Daubaraite, 2011). This is mainly in situations when the monopoly starts violating the rights of the intended customers. This is likely to be costly even though the business is state owned or state protected (Hatch & Schultz, 2007).

Environmental consideration enshrines an important concept in business referred to as the corporate image. This is considered to be the situation in which the people (or potential and actual customers) start building mental pictures of what the company is all about. This is an important concept since these mental pictures build up gradually to create an attitude which leads to people acting either in favour or against a said entity. This is something that companies need to monitor closely since the sales for their existence come from these very people (Heslin, VandeWalle, & Latham, 2005). This therefore means that corporate image is an important consideration in ensuring that a business manages to realize its goal of increased profitability and market share (MacCarthaigh, 2009).

Though the concept of corporate image has not been considered as important in state owned companies, they are of late considered to be important. This is as a result of increased awareness of personal rights as customers. There are sectors that have been under state control such as electricity and water in most of these developing countries. Despite being under state control (Christiansen, 2013), the need to improve their public image was necessary since the citizens in most of these countries have a choice to make either to be included in the national grid or to find their way out to realize the same or closely equivalent product or service (OECD, 2005). This is not healthy for the development of these state owned companies necessitating improvement in their corporate image.

Basing on the reviewed literature, it is evident that the corporate image is indeed important (OECD, 2005) in ensuring that a company gets perceived well in the eyes of the public eventually boosting its sales levels and overall performance. Though the same trends seem to be existent in developing countries, it is not evident whether the same is applicable for state owned entities in Uganda. This particular reason made it necessary to carry out this study.

### 3. Methodology

The study was conducted following a cross-sectional research design. This was as a result of a need to obtain a snapshot view of the responses in relation to the study. A total of 140 state owned entities were considered to form the study population out of which only 103 were selected as the sample study using the Krejcie and Morgan (1970) Sampling table. Since the study was focused on corporate image and organizational performance, the state owned entities were considered to be the unit of analysis. Five (5) respondents were selected from each entity. At a later stage the 5 responses were aggregated into one response per entity using the statistical mean function in the SPSS.

The study was conducted using self administered questionnaires. The questionnaires were tested for reliability and validity before being issued out to respondents. Results of these tests are displayed in table 1.

**Table 1: Reliability and Validity test results**

Research construct	CAC	CVI
Corporate Image	0.743	0.800
Organizational performance	0.750	0.762

**Key**

*CAC – Cronbach’s Alpha Coefficient*

*CVI – Content Validity Index*

### 4. Data analysis, results and discussion

A review of the questionnaires that were returned from the field was conducted to establish whether the In the actual analysis, the SPSS software was employed. The first part of the analysis carried out was to compute mean responses for every 5 responses obtained from one entity. This was done in order to obtain mean response per entity that was involved in the study. This was necessary since the unit of analysis was actually the entities and not the people who responded (unit of inquiry).

The second part of the analysis involved the carrying out of factor analysis, correlation and regression analyses

of the data collected basing on the entities as the unit of analysis. These analyses are further displayed in the subsections that follow.

#### 4.1 Factor analysis

Prior to correlation and regression analyses, there was need to carry out factor analysis. This was carried out in order to ensure that the level of bias (noise) in the data findings is reduced significantly. Basing on this analysis, some of the question items were removed from the final findings before incorporating them into the correlation and regression analyses. Factor analysis results for the variables considered are indicated in Tables 2 and 3 below.

**Table 2: Results of factor analysis - Corporate Image**

Items	Factor loadings
The company uses high caliber adverts aimed at creating awareness	.843
The company sponsors many activities	.739
The employees of the company are well trained	.826
For its size, the company secures good profits	.772

Source: Primary data

**Table 3: Results of factor analysis - Organizational performance**

Items	Factor loadings
The Corporation is committed to fulfilling the mission	.716
The Corporation is efficient and accountable for public funds	.817
We offer satisfaction to customers/clients as we realize our mission	.719
We perceive an improved level of profitability over the years	.849
We have worked at a higher stock-value over the past years of the company's existence	.735
Our customers have perceived value advantage services over the years	.733
We are surrounded by a more pleased society	.714
Our company and those in the industry ensure less environmental effects.	.751
We consistently provide our services on time, accurately and dependably	.784
Our staff members have the necessary skill, knowledge and information to perform their service effectively	.800
We maintain the standard of the buildings, the environment, appearance of personnel and equipment.	.749

Source: Primary data

#### 4.2 Correlation results

Basing on the objective to establish the influence of corporate image on the level of performance of state owned entities in Uganda, the first step that was considered necessary was to establish the strength, significance and direction of association (relationship) between corporate image and performance levels in these state owned entities. This was through the correlation analysis. Results in relation to this analysis are displayed in table 4.

**Table 4: Correlation Results**

	Corporate Image	Organizational performance
Corporate Image	1	
Organizational performance	.393**	1

\*\*Correlation is significant at 0.01 level ~ 2 tailed.

Source: Primary data

The correlation results indicate that there is a strong correlation ( $r = 0.393$ ;  $p \leq 0.01$ ) between corporate image and performance of state owned entities in Uganda. This association is further reported to be a positive one and significant at 0.01 level (2-tailed). This means that improvement in corporate image in these state owned companies has a high chance of bringing about improvement in their performance levels in the different departments and areas of operation (*direct or positive relationship*).

#### 4.3 Regression results

The nature of association as displayed in table 2 indicated that there could be some degree of influence that corporate image tendencies could have onto performance levels of state owned entities in Uganda. To be able to ascertain this, a regression analysis was carried out. Results in relation to this analysis are displayed in table 5 below.

**Table 5: Results from Regression analysis**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.201	.168		19.005	.000
Corporate Image	.260	.043	.393	6.103	.000
<b>Dependent variable:</b>	Organizational performance				
<b>R:</b>	0.393				
<b>R-Square:</b>	0.154				
<b>Adjusted R-Square:</b>	0.150				
<b>F-Static:</b>	37.241				
<b>Sig:</b>	0.000				

**Source:** Primary data

Basing on the results in table 5 above, the influence of corporate image onto organizational performance is significant (Sig = 0.000) though its magnitude is low. The corporate image can influence between 15% (*Adjusted R-Square*) and 15.4% (*R-Square*) of the changes in organizational performance of state-owned companies in Uganda. This degree of influence is small though its presence in a developing country like Uganda is an indication that state-owned enterprises in Uganda are headed for the right direction to check their actual importance in the market area rather than operating as untouchables in the business arena.

The findings from the regression analysis as well as the correlation analysis indicate that corporate image is indeed an important ingredient in the performance of an entity. Comparing the findings to the literature, it indicates that the findings represent a confirmation of the literature. This further indicates that Uganda as a developing country is gradually advancing in its entrepreneurial capacity. The growing responsiveness of state-owned enterprises also points to the fact that the people in Uganda (the consumers of the services) are getting much more aware of what they are required to receive from the different state-owned enterprises. This is reported to be coupled with the fact that there is a growing competition from the private sector offering similar services making the consumers have an alternative to the services rendered by the state-owned enterprises. This is important since it helps in improving overall service delivery of the state-owned enterprises (Andrews, Boyne, & Walker, 2006).

Ideally, the issue of competition is most times good though the act of protectionism cannot be demonized in the business world either. The issue of timing needs to be considered so that the right strategy can be applied for the growth of both local and international industries. This gives chance to those countries and economies considering protectionism as the right strategy to continue practicing it (OECD, 2005). The practice of protectionism however needs to be practiced with limitations considering the issues of globalization that are currently considered to be the most appropriate way forward to companies of the world. All these ideas lead to one conclusion; image building for state owned enterprises and corporations is important and has to be done as objectively as possible (Balmer & Greyser, 2006).

#### 5. Conclusion

Building a corporate image is reported to be an integral part of state owned companies and firms in Uganda. This finding indicates that the state-owned companies in Uganda are in the right direction as far as ensuring that they are known for the right reasons and for ensuring quality services are availed to the intended consumers. Though not yet properly embraced by majority of the state owned companies, the findings reveal that the corporate image aspect is significant in influencing the overall performance of these entities. This level of significance need not to be considered lightly since it reflects what the consumers (the people) want. It is therefore recommended that the state owned entities operating in Uganda consider building their image in the public by critically performing what is expected of them and offering service beyond customer expectation.

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