THE RELATIONSHIP BETWEEN COST MANAGEMENT AND ORGANIZATIONAL PERFROMANCE, A CASE STUDY OF NATIONAL WATER AND SEWERAGE CORPORATION

BY

KYAZIKE MARY

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A RESEARCH DISSERTATION SUBMITTED TO THE FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT IN PARTIAL FULFILMENT FOR THE AWARD OF A BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION AND MANAGEMENT OF UGANDA MARTYRS UNIVERSITY

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DEDICATION

I would like to dedicate this dissertation to my beloved parents and family who have made it possible for me to reach this level of education. My sincere thanks go to my beloved brother Fr. Joseph Isanga who supported me timelessly throughout my education career, my lecturers for their guidance, friends and course mates who have stood by me in times of great need during the course of my study.

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List of Abbreviations

NWSC: National Water and Sewerage Corporation

SPSS: Statistical Package for Social Sciences

WCM: Working Capital Management

CCC: Cash Conversion Cycle

APC: Area Performance Contracts

SOE: State Owned Enterprise

IDA: International Development Agency

IMF: International Monetary Fund

ICT: Information and Communication Technology

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ABSTRACT

The purpose of the study was to find out the relationship between cost management and organizational performance and the case study was National Water and Sewerage Corporation Kisenyi branch.

The study was guided by the following objectives of the study were; explore the relationship between technological innovation and organizational performance, to investigate how working capital management influences organizational performance, and to find out how budgetary control influences organizational performance.

Data was collected with use of questionnaires and an interview guide. The researcher used both qualitative and quantitative methods during collection of data and the questionnaires administered were both open and close ended. The information was analyzed using the Statistical Package for Social Sciences (SPSS) and presented in form of tables, graphs, frequencies, percentages, correlation coefficients and also analyzed in line with the objectives of the study.

Several findings were made in regard to the study but notable of these were that; there is a positive and significant relationship between technological innovation and organizational performance, there is a positive and significant relationship between working capital management and organizational performance and there is also a positive and significant relationship between budgetary control and organizational performance.

Conclusions were generated from the research objectives; the researcher observed that technological innovation, working capital management and budgetary control have a positive and significant relationship with organizational performance. This implied that cost management has a positive and significant relationship with organizational performance.

The researcher recommends that management of NWSC should invest considerable funds in research and development in order to discover new technological innovations, working capital techniques and budgetary controls so as to improve on her performance levels.

CHAPTER ONE
INTRODUCTION

1.0 Introduction

The study was to investigate the relationship between Cost Management and Organizational Performance. The case study was National Water and Sewerage Corporation (NWSC) Kisenyi Branch.

A number of short-term initiatives to improve performance of National Water and Sewerage Corporation have been undertaken since 1998, including a 100-days program (Feb.–May 1999) and the Service and Revenue Improvement Program (August 1999–August 2000). To consolidate and improve performance further, the NWSC headquarters later entered into Area Performance Contracts (APCs) with its subsidiary utilities to increase managerial autonomy, introduce performance incentives and hold the subsidiary operators more accountable. These contracts with NWSC were one-year renewable contracts and have been in effect for three consecutive years (2000-2003).

In addition, NWSC has promoted some private sector participation, mainly in the form of management contracts in the Kampala Water Supply Area. As the capital city of Uganda, Kampala accounts for about 70 percent of NWSC operations in terms of revenue, water production and infrastructure. Kampala's first management contract, called KRIP for Kampala Revenue Improvement Project, was for three years and ran 1997-2001 under JBG Gaulf, a German consulting firm based in Uganda. The second management contract was for two years, 2002-04, and has been under ONDEO Services Uganda Limited (OSUL), a French water firm registered in Uganda.

According to Dr. Muhairwe, Managing Director, National Water and Sewerage Corporation (NWSC) in March 2003, analyzed and indicated that the major baseline problem in National Water and Sewerage Corporation was more institutionally related with most staff not performing as expected. The poor financial and operational performance was therefore a result of this primary problem. The external problems did not seem to be the main impediment to performance at that time but deficient in software and management strategies was the main problem. During the implementation of the above internal reforms, a "stretch out" program was introduced and afterwards it was realized that there were still some operational constraints that required improvements if contract objectives were to be achieved.

This chapter covered the introduction, the background, the background to the case study, the statement of the problem, research objectives, questions and hypotheses, scope of the study, justification of the study, significance of the study, the conceptual framework and definition of terms and concepts.

1.1 Background to the Study

Globally competitive pressures, deregulation, growth in the service industry, and advances in information and manufacturing and technology have changed the nature of our economy and caused many manufacturing and service industries to dramatically change the way they operate (R. Hansen and M. Mowen 2006). These changes in turn, have prompted the development of innovative and relevant cost management practices. For example, activity based accounting systems have been developed and implemented in many organizations. This new competitive environment has increased the demand not only for more cost information but also for more accurate cost information. Cost information plays a vital role in reducing costs, improving productivity, and assessing product-line profitability. Cost management is defined as the process of establishing and maintaining control of the expenditure of an organization (Labue 2003)

The main objective of all firms worldwide is to maximize profits by minimizing the costs of production through effective cost management practices. Therefore, the biggest move towards the globalization of capital begun in the late 19th century with the expansion of capital inflows from the leading capitalist states into their colonial territories. This new era of modern imperialism, Marx explained was part of the need of capitalism in the leading capitalist states to maintain the rate of capital that was falling or under pressure.

The move to solve this was through massive foreign investment and trade because this would cheapen the costs of production through purchase of cheap raw materials and labor force especially in African countries according to (AHE Conference 2010) discovery.

Most firms in East Africa, report that the cost of and access to finance are major or severe constraints to business development. Professor Peter Kasenene was quoted as saying that loans alone cannot fight poverty and rather than borrowing to invest, an improved attitude to saving and investing own savings, leads to improvement in performance (The New Vision, Tuesday, July 19, 2005).

The commercialization policy of 1990's introduced commercial objectives in the operations of state owned enterprises (SOE's). Cost management is applicable to all costs; service costs inclusive. Cost management affects performance levels directly through its effect on reduction and control of costs (service costs). It directly affects the cost recovery of the product and the revenue/cost indices, which are crucial in determining the performance of any organization including National Water and Sewerage Corporation (NWSC).

Organizational Performance is one of the most popular terms in today's public sector management (S. Hanine 2003). The idea of managing organizational performance is being widely accepted and adopted all over the world. It spread rapidly from the private sector to the public sector in the developed world and has recently found its way in many developing countries. New initiatives and legislations continue to being issued as a sign of governments' insistence on following the new focus on performance orientation.

Performance is referred to as being about doing the work, as well as being about the results achieved (S. Hanine 2003). It can be defined as the outcomes of work because it provides the strongest linkage to the strategic goals of an organization, customer satisfaction and economic contributions. In the business world, performance evaluations are used for assessing an employee's productivity, behavior, ethical conduct and job related skills (Vuokko Niiranen 2008).

Most firms in East Africa, report that the cost of and access to finance are major or severe constraints to business development and the performance. Professor Peter Kasenene was quoted as saying that loans alone cannot fight poverty and rather than borrowing to invest, an improved attitude to saving and investing own savings, leads to improvement in performance (The New Vision, Tuesday, July 19, 2005). These are divergent views advanced about whether borrowing improves the performance of businesses or whether it is the use of own funds that does. The businesses in the East African Region, specifically Uganda and Kenya, are always on the look out to increase the debt finance in their capital structure, in anticipation of improving their performance.

1.1.1 Background to the case study

National Water and Sewerage Corporation (NWSC) was initially established by Decree No. 34 of 1972 with the primary objective of providing water and sewerage services in the key towns of Kampala, Jinja and Entebbe. By 1986, and following a continuous state of turmoil in the country, most of the country's infrastructure authorities, including NWSC, suffered extensive decline. Water production in the key towns run by the Corporation declined, while the sewerage service was characterized by spills and breakdowns. Between 1987 and 1995, the Corporation embarked on the rehabilitation of its entire infrastructure using loans acquired by the Government from the International Development Agency (IDA) and other Donors. Among other developments, new water works were constructed, water and sewer mains rehabilitated and another eight towns added to the portfolio of the Corporation's services (Ministry of Planning and Economic Development, 1988). From 1992, the Government of Uganda subscribed to the International Monetary Fund's (IMF) Structural Adjustment Program (SAP) as a means of addressing the macro-economic problems of the country. Among the new policies introduced under the SAP, was the liberalization of the economy, privatization of some government owned organizations. Even though various policies and reforms have been put in place, the Corporation's performance has failed to improve. The researcher chose National Water and Sewerage Corporation as a case study because this Corporation has tried to come up with cost management strategies to improve performance but has not improved. This therefore, inspired the researcher to investigate whether a relationship exists between cost management and performance.

1.2 Statement of the problem

The performance of National Water and Sewerage Corporation has been declining over the years. For instance, there was a decline in access to safe water, in urban areas with people accessing safe water from 67% in the financial year 2009/10 to 66% in the financial year 2010/11. There was also a decline in the functionality of valley tanks and dams from 26% in the financial year 2009/10 to 24% in the financial year 2010/11. The report for the financial year 2013/14 addressed that the Corporation faces a number of constraints which include: Increased unit costs for service delivery at the district level, low functionality of urban water and sanitation/ sewerage facilities as a result of old age, energy problems and management issues, low functionality of water facilities mainly boreholes, springs and gravity flow scheme, among others.

The corporation has in place a number of strategies that it has laid out to manage its costs and among these are technological innovations for example the shift from lining up in the bank to using mobile money to settle bills, managing its working capital management as well as ensuring budgetary control. However despite all these cost management techniques, National Water and Sewerage Corporation has failed to improve on her performance. The study therefore, investigated whether any relationship exists between these cost management techniques and how the corporation performs.

1.3 General Objective

The general objective of the study was to establish the relationship between Cost management and Organizational performance

1.3.1 Specific Objectives

The study was guided by the following specific objectives

1. To explore the relationship between technological innovation and organizational performance
2. To investigate how working capital management influences organizational performance
3. To find out how budgetary control influences organizational performance.

1.4 Research questions

1. What is the relationship between technological innovation and organizational performance?
2. How does working capital management influence organizational performance?
3. How does budgetary control influence organizational performance?

1.5 Hypotheses

Cost management has a positive and significant relationship with organizational performance

1.6 Scope of the study

The scope of the study addressed three aspects in the course of the research. They included the following;

1.6.1 Content scope

The study focused on establishing the relationship between Cost management and organizational performance. Cost management was the independent variable and its dimensions were technological innovation, working capital management and budgetary control. Performance on the other hand was the dependent variable and the dimensions were profitability, efficiency in operations and quality of service delivery.

1.6.2 Time scope

The study covered a period ranging between 2008 - 2013. This is because it was during this period that National Water and Sewerage Corporation faced problems of poor performance due to poor cost management practices.

1.6.3 Geographical Scope

The study was carried out at National Water and Sewerage Corporation, Kisenyi Branch Central Division Kampala District.

1.7 Justification of the Study

Despite the good cost management practices National Water and Sewerage Corporation uses, the organization has failed to improve on her performance. The researcher chose National Water Kisenyi Branch because the corporation has in place a number of strategies that it has laid out to improve her performance for example the shift from lining up in the bank to using mobile money to settle bills, prepaid meters among others but her performance has failed to improve. This gap made the researcher to investigate whether a relationship exists between cost management and organizational performance.

1.8 The Significance of the Study

The findings of the study will be of importance in many different ways and to many different persons as observed below;

The findings of this study will be virtually important for the operations manager which will assist to highlight cost management on performance.

The study will act as future reference for more research work that will act as secondary data for their literature reviews. This is true as a copy of this study will be kept in the University archives for future reference from other scholars on a similar topic.

The study will be instrumental to the researcher as it is a partial fulfillment of an award for a bachelor's degree from her University.

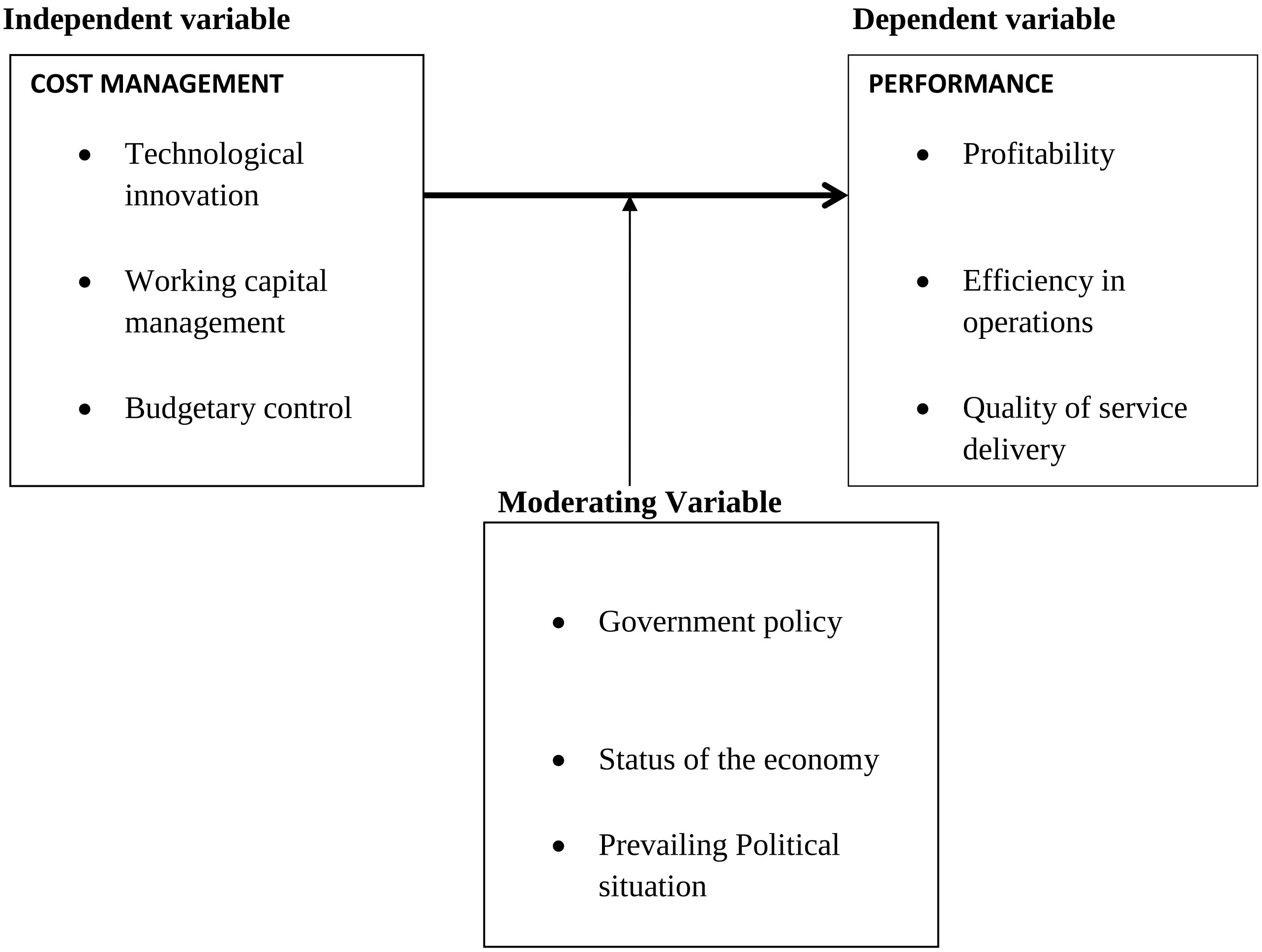
This study is hoped to enable policy makers like the government to adjust on the techniques of cost management being used to improve performance.

1.9 Conceptual framework

Advances in information, manufacturing and technology have changed the nature of our economy and caused many manufacturing and service industries to dramatically change the way they operate (R. Hansen and M. Mowen 2006). These changes in turn, have prompted the development of innovative and relevant cost management practices that play a vital role in reducing costs and improving on the performance.

Cooper and Slagmulder (1997) notes that an organization should focus on cost centers where managers have the responsibility to reduce costs and they should be conversant with the techniques and processes used to manage costs in the product or service design stages so as to improve on the performance.

Fig 1: Conceptual framework



Adapted from: R. Hansen and M. Mowen (2006) and Cooper and Slagmulder (1997)

In order to investigate the research questions, the following conceptual framework was adopted. The independent variable is cost management measured by technological innovation, working capital management, and budgetary control as having an impact on organizational performance which is the dependent variable measured by profitability, efficiency in operations and quality of service delivery among others. However, other factors may have an indirect impact on organizational performance. These are presented as the moderating variables; they may include Government policy, Status of the economy and the Prevailing political situation among others.

1.10 Definition of terms and concepts

Cost management

This is defined as the process of establishing and maintaining control of expenditure of an organization.

Performance

This is defined as achievement of organizational objectives, regardless of their nature and diversity.

Technological innovation

This refers to the use of new ideas, methods and equipment.

Working capital management

This refers to the planning of current assets and liabilities in a manner to strike a balance between liquidity and profitability.

Profitability

The ability of a company to make a profit after costs, over heads among others.

Quality service

This refers to a clearly defined customer-based business model that offers a reliable and readily accessible system.

Efficiency in operations

This is the capability of an enterprise to deliver products and services to its customers in the most cost-effective manner possible while still ensuring the high quality of its products, services and support.

CHARPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter presents work of different authors and scholars and how they relate cost management to performance of organizations. Literature will be obtained from journals, textbooks, newspapers and internet sources in correspondence to the study objectives which are to; explore the relationship between technological innovation and organizational performance, investigate how working capital management influences organizational performance, find out how budgetary control influences organizational performance. It helped the researcher to get a full understanding of the variables before actually going into the field to carry out the study and this gave a basis to the study.

2.1 Theoretical Framework

Over the years, there have emerged many theories seeking to explain the relationship between Cost management and organizational performance. One of them is Total Quality Management (TQM) which is a systematic quality improvement approach for firm-wide management for the purpose of improving performance in terms of quality productivity, customer satisfaction, and profitability. Since TQM practices have been embraced by many firms around the world for decades, they have earned the attention of many researchers from diverse areas.

QTM philosophy is intended to empower every member of the organization to promote continuous, sustained, and long term improvement in quality and productivity and to eliminate employees' fear of change. Its basic principle is that the cost of prevention is less than the cost of correction. Gharakhani.D. (2013)**.**

2.2 Cost Management

Labue (2003) defines cost management as the process of establishing and maintaining control of expenditure of an organization. Labue goes ahead to say that cost management involves the identification and classification of costs, planning the cost structure, drawing accounts information system, costing inputs, operations outputs, overheads and controlling the incidence of expenditure. Cost management is a tool of management that provides a detailed record of the costs relating to the products, services, operations or activities (Johnston 2000). Horgren (2002) looked at cost management as the control of all items of expenditure by regular and frequent comparisons of actual expenditure with pre-determined standards. Horgren also added on that the aim of this management is to detect and correct any undesirable trend from the standards. According to Arora (2000), cost management is the application of accounting and costing principles, methods and techniques in the ascertainment of costs and the analysis of savings and an access as compared with the previous experience.

Managers make decisions about real resource provision to maximize the value of the firm. At least in the short term, these decisions take demand, technology, capabilities and some constraints as exogenous. We refer to decisions about resource provision collectively as "cost management." We focus on real resources, because these are the factors of production that managers control.

Understanding the theory and practice of cost management is important for accounting academics, because both managers and investors rely on accounting systems to make decisions. The financial accountant develops accounting models that allow external investors to assess profitability and efficiency of the organization. Similarly, the management accountant develops accounting models that help internal managers to make decisions about resource provision and understand better the impact of those decisions on cost and profitability. Cost accounting models represent relations among the activities of the firm, the inputs consumed in enacting these activities, and the cost of providing these inputs. Authors of cost accounting texts routinely note that the information from financial accounting systems id often inadequate and inappropriate for managerial decision making.

In the traditional model of cost behavior depicted in text books, cost are characterized as either fixed or variable with respect to activity, thus changes in cost depend only on the change (magnitude) in activity, not on the direction of the change (whether activity is increasing or decreasing). However, many researchers argue that this characterization of cost behavior is inconsistent with the way that managers actually manage costs for example Cooper and Kaplan (1998); Noreen and Soderstrom (1997). A central component of cost management is managers' response to exogenous shocks to output demand. Exogenous shocks are posted to cause managers to revisit the relations between activity and input levels and between revenues and costs and to evaluate costly adjustments as compared to the status quo. Adjustment costs are typically ignored in traditional cost accounting. Cooper and Kaplan (1998) argue that cost management renders obsolete the traditional model of fixed and variable cost behavior.

Anderson, Banker and Janakiraman (2003) (ABJ) provide the first large sample evidence that changes in costs depend not only on the magnitude, but also on the direction of the change in activity. Using abroad sample of forms over a twenty year period ABJ document that Selling, General and Administrative (SGA) costs exhibit a phenomenon they describe as "stickiness." Specifically, they find that on average, SGA costs fall less in response to given decline in sales revenue in the previous year that they increase in response to equivalent increase in revenue. This is inconsistent with costs being either fixed or variable when, as it is typically assumed in managerial accounting, unit variable costs are constant over arrange of activity. Consequently ABJ conclude that their finding of a wide spread, time invariant, asymmetric relation between changes in the SGA costs and changes in sales levels provides evidence of active cost management. They argue that this evidence is sufficient to discriminate between costs that move mechanistically with carnages in volume and costs that are determined by resources committed by managers (p.48). Combined with evidence that stickiness reverses over a longer time period and that the degree of stickiness is positively associated with adjustment cost that influence managers' calculus of cost management, they conclude that their results will allow us to reject the traditional theory of cost behavior. Thus ABJ do more than simply document sticky cost behavior, they interpret the existence of sticky costs as evidence of active cost management.

Cost management practices such as technological innovation, working capital management and budgetary control that would help to increase the performance of organizations are looked at by various scholars as explained below:

2.2.1 Technological innovation

Porter (1990) identifies innovation as a new way of doing things termed as invention by some authors that is commercialized. Freeman and Soete (1997) state that an innovation in the economic sense is accomplished only with the first commercial transaction involving the new product, process, system or device, although the word is used also to describe the whole process.

Of course, further inventions often take place during the innovation process and still more inventions and innovations may be made during the diffusion process.

Edquist (1997) quotes Schumpeter's definition of innovation identifying it as one of the broadest definition in literature. Nelson and Rosenberg (1993) argue that often an innovation is successfully marketed by a different firm from the inventor and it may happen a long time after the invention of the first appeared. Thus the successful diffusion of the new product or process is required in order to be characterized as an innovation.

These definitions regard the economic results of innovation. But its manifestation and its essence are still not fully understood. The heterogeneity in innovation concepts and the definitions presented in literature does not help to comprehend this complex phenomenon (Coombs et al; 1996, Becheich et al; 2006). To address the problem of inconsistent results, innovation researchers have developed contingency theories of innovation types. With the aim to clarify the theory surrounding the innovation concept, the classification proposed by Rosanna and Roger (2001) is seen as very appealing; the latter tries to investigate and classify different typologies of innovation, based on its manifestation. For example; Utterback (1994) defined four different innovation typologies according to the object that is product, service or process and its impact on the market.

The traditional distinction between incremental and radical innovations is to not suitable for describing the manifold and variegated cases of innovation manifestations that can be found in the reality of the entrepreneurial world. Researchers have enriched such classification by adding other distinctions of innovation based for example on modular innovation and architectural innovation Baldwin, Clark and Schilling (2000). A further distinction is between the competence enhancing innovations Tushman and Anderson (1986). On the bases of the technological evolution observed in the recent years, especially in the Information and Communication Technology (ICT) sector, a new innovation category has been conceptualized; disruptive innovation or killer application Christensen (1997).

Although there are many definitions and typologies on the innovation topic, there are two of them that are widely recognized due to their importance yet common characteristics at the base of the innovation concept: the "novelty" and the possibility to manage it. The first newness is a property presented in all definitions of innovation and it is a relative concept. An innovation can be considered new to the individual adapter, most people in the unit of adoption and to the organization as a whole.

The second characteristic embedded in the innovation definition is the notion that innovated can be managed. For example; Drucker (1994) argues that innovation is a core process for a firm. He suggests that, “ in a period of rapid change the best perhaps the only way a business can hope to prosper.

The last section dealt with the key concepts underpinning the notion of innovation. As stated in the introduction, the ability to innovate has a direct impact on the competitiveness of a firm and thus its performance. In this section, the literature review focused on the impact of innovation on business performance.

2.2.2 Working capital Management

Researchers in the field of corporate finance have traditionally focused on long-term financial decisions. Pioneering and widely accepted research has been conducted in areas such as Investment decisions, firms' capital structure and business valuations. At the same time, however, academic literature has neglected the management of current assets and liabilities, a concept subsumed under the term working capital management (WCM). There are various reasons why WCM attracts only peripheral interest.

The concept of working capital was originally to ensure that obligations could be met in case the firm went into liquidation. Holding sufficient short-term assets guaranteed that the firm would be able to satisfy short-term creditors in the event of liquidation. Thus, the main objective was to control business in a way that short-term assets matched short-term liabilities. In practice, a one-year period was used to distinguish between the short and long terms.

In the mid-20th century, the focus shifted towards a going-concern view of the firm. By consequence, the immediate liquidation of the firm was no longer of concern. This strategic shift in the basic view of the firm had material consequences for the concept of working capital. Since then, the new paradigm of working capital management has been to maintain the firm's operating cycle while seeking to maximize its profitability. The operating cycle consists of the whole sequence of cash flows generated by the physical activities of the firm's operations.

Many researchers have studied working capital from different views and in different environments. The following are very useful for this research.

Abbasall and Milda (2012) with a view to finding the empirical evidence about the impact of working capital management on profitability and market evaluations studied a sample of companies listed on the Tenran stock exchange for a period from 2006 to 2010.Return on assets and return on invested capital ratio were used to measure the capital of the firms, and to measure the market value of companies. The variables of cash conversion cycle as working capital management criteria, current ratio, current assets to total assets ratio, current liabilities to total assets ratio and total debt to total assets ratio were used. Their result indicates that there is a significant relationship between working capital and performance.

Melita, Maria and Petros (2010) empirically investigated the effect of working capital management on firm's financial performance in an emerging market. They hypothesized that working capital management leads to improved performance. Their data set consists of firms listed on the Cyprus stock exchange for the period of 1998 to 2007.Using multivariate regression analysis; their results specifically indicate that cash conversion cycle and its major components namely days of inventory, days of sales outstanding and creditors' payment period are associated with the firm's profitability and hence its performance.

Efficient working capital management involves planning of current assets and current liabilities in a manner to strike a balance between liquidity and profitability. Harris (2005) pointed out that working capital management is a simple and straight forward concept of ensuring the ability of the firm to find the difference between short term assets and short term liabilities. The ultimate objective of any firm is to maximize shareholders wealth and maximizing shareholders wealth can be achieved by a firm maximizing its profits and improve on its performance. A firm that wishes to maximize profits must strike a balance between current assets and current liabilities and hence keeping abreast of the liquidity and profitability trade off. Preserving liquidity and profitability of the firm is an important objective as increasing profit at the expense of liquidity can bring serious problems to the firm and vice versa. Working capital management is considered to be a very important element to analyze the firm's performance by conducting day to day operations. There are chances of imbalance of current assets and current liabilities during the life cycle of firms and profitability will be affected if this occurs.

Hassan, Hallil, Arzu and Satin (2011) studied panel data of companies in the Istanbul stock exchange for the period of 2005-2009 to shed light on the empirical relationship between efficiency of working capital management and corporate profit. The findings revealed that reducing the Cash Conversion Cycle (CCC) a measure of working capital management positively affects return on assets (ROA) a measure of profitability.

Van Horne and Wachowicz, (2000).As a result, working capital management is a very important component of micro finance as it directly affects the liquidity of a firm. It centers on current assets and current liabilities of a firm. For one thing, the current assets of a typical manufacturing firm accounts for over half of its assets (Abdul and Mohamed, 2007).

One reason why managers spend considerable time on day to day management of capital is that current assets are short lived investments that are continually being converted into other asset types (Rao, 1989). Liquidity for the on-going firm is not reliant on the liquidation value of its assets, but rather on the operating cash flows generated by those assets (Soenen, 1993).

Vida, Seyed and Rezvan (2011) studied the relationship between working capital management and corporate profitability of 101 listed companies on Tehran Stock Exchange (TSE) during the period of 2004-2008.Multivariate regression and Pearson correlation were used to test hypothesis. Finding revealed that cash conversion cycle, a key measure of working capital management, has a relation with corporate profitability. Findings also show that a positive significant relationship exists between logarithm of sales and profitability, and a negative significant relationship exists between financial debt ratio and profitability.

2.2.3 Budgetary Control

Budgetary Control is the process of comparing actual results with planned results and reporting on the variations (Lucy, 1989). Control compares actual performance and budgeted and helps expenditure to be kept within agreed limits. The most important managerial problem in Budgetary Control is the interpretation of budget variance. Deviations should be noted and corrective action taken. Budgetary Control is constituted of Budgeting, monitoring and control, analyzing and feedback.

Budgeting is the process of preparing and using budgets to achieve management objectives. A budget represents management's plans of action for future periods of an organization (Drury, 2000; Pandey, 1994). Extensive use of budgeting has been documented in studies of Scarborough et al., (1991). They have largely highlighted the significant emphasis, which diverse types of organizations in various countries, put on budgeting systems, as key elements of management control. Increasingly, however, there appears to be a paradigm shift in the management accounting literature, while there are still advocates of budgeting, critics argue that the traditional budget is no longer appropriate given changes in technology and the rapidly changing business environment (Kaplan, 1988, 1990; Johnson and Kaplan, 1987). Proponents of budgeting argue that budgets have 19 several important roles. Blocher, (2002), for instance argued that budgets help to allocate resources, coordinate operations and provide a means for performance measurement. Hilton (2000) agrees with this view and claim that the budget is most widely used technique for planning and control purposes.

The Institute of Cost and Management Accounts defines a budget as a plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain given objectives (Mordi, 2000). Budgeting involves the preparation of an itemized financial statement showing what the expenditures are going to be over a given period, usually a year. The budget may also show what income the institution is likely to generate during the same period.

Cole (1996) noted that fundamental to the success of any organization, is drawing a budget plan and putting it in operation. Further, notes that creating a budget is important as it enforces an organization to carefully consider the expected demand for its products, services and the resources required to meet that demand. It also translates the higher priorities for the organization into the appropriate resources required to achieve those priorities, as it would be difficult to allocate resources due to scarcity without a budget plan. It creates the baseline against which actual results can be compared, budgets act as a basis for measuring performance in organizations and help in directing the activities of the organization hence giving earlier signals on variances in sufficient time to take corrective actions. Clarke and Toal (1999) too are of the opinion that budgets are still essential and can for example, be incorporated as part of the financial component of the balanced scorecard. Pierce and O'Dea (1998), also subscribe to the view that budgets are still relevant to today's business environment.

Performance budgeting is an integrated annual performance plan and annual budgeting that shows the relationship between program funding levels and expected results. It shows that a goal or set of goals should be achieved at a given level of spending. Performance budgeting identifies the relationships between money and results, as well as explaining how those relationships are created. A program performance budget defines all activities, direct and indirect required by a program for support in addition to estimating activity costs (Kydland and Prescott, 1977).

Improving the performance of an organization is a central concern of management researchers, and speculation about the factors related to organizational effectiveness is abundant in the literature and elsewhere. Unfortunately, little effort has been made to verify these factors empirically. One reason is that organizational performance is a difficult concept to define and measure. Stakeholders often disagree about which elements of performance are most important and some elements are difficult to measure because they are preventive in nature (Brewer, 1993). Performance as a concept suffers from the problem of conceptual clarity in a number of ways. First in terms of definition, performance is often used indiscriminatingly to mean everything from efficiency to effectiveness (Stannack, 1996).

Organizational performance has been defined as the measure of how well the organization does its job (Stoner, 1995). Pettigrew, 1992, says it is the extent to which an organization achieves its intended outcomes. Research on organizational performance reveals definition ranging from social performance or contribution to charity (Casio, 1998) to company profits (Huselid, 1995), and organizational effectiveness Zahra and Pearce, 1989). Inadequate definition has often led to problems in measurement and practitioners seem to use the term performance to describe a range of measurements including input efficiency, output efficiency, and in some cases, transactions efficiency (Heffernan and Flood, 2000).

Performance as defined by McGill (2001), and Bestbreur and Henk (2003), is the agency outputs, with an agency's program structure linking outputs to long-term objectives, which then creates a performance budget. This process helps to annually track and report program results and provide reasons for performance not meeting expectations (Thor et al., 1999).

2.3 Organizational performance

Organizational performance (OP) has been taught with many conflicting definitions and it is not a new phenomenon among the academics and the industrialists as well as public institutions. OP has been a source of influence to the actions taking by companies and the degree to which an Organization realizes its goals as well as the stated objectives of the organization through the strategies and policies of the organization Folan & Browne, 2005; Etzioni, (1964). The idea of OP is hanged on the position or premise that it is a combination of productive assets made up of human, physical, and capital resources, for the major reason of fulfilling a dream, vision or accomplishing a shared purpose Barney, (2002); Carton & Hofer, (2006). OP is also viewed as the measure of how a manager utilizes the resources of the organization efficiently and effectively to accomplish the goals of the organization as well as satisfying all the stakeholders Jones & George, (2009). In their own contribution, Richard et al. (2009) described OP as the real output measured against the intended or expected output.

Many consultants maintain that various initiatives and programs improve the performance of organizations. Nevertheless, many of these assertions have not been assessed. Indeed, even the optimal definitions or measures of performance remain controversial. Fortunately, when these propositions are assessed, the results are often encouraging. That is, practices that improve the commitment and attitudes of employees do indeed enhance many financial indicators of workplace performance Gong, Law, Chang, & Xin, (2009).

Performance is a contextual concept associated with the phenomenon being studied Hofer, (1983). In the context of organizational financial performance, performance is a measure of the change of the financial state of an organization, or the financial outcomes that results from management decisions and the execution of those decisions by members of the organization. Since the perception of these outcomes is contextual, the measures used to represent performance are selected based upon the circumstances of the organizations being observed. The measures selected represent the outcomes achieved, either good or bad.

Many researchers utilize traditional accounting measures of profit. One the most common indices, for example, is return on assets Staw & Epstein, 2000; Wan & Hoskisson, (2003). Roughly, return on assets is the annual profit or net income divided by the average assets over the year. More precisely, to compute the numerator, researchers usually subtract the interest expense and the interest tax savings from the annual profit. As van Dyck, Frese, Baer, and Sonnentag (2005) highlight, return on assets is a measure of operating efficiency, reflecting the long term financial strength of organizations.

Selden & Sowa (2004) looked at OP as what is designed to assume that organizations are to accomplish certain goals that are both specified intrinsically and implicitly. Perrow (1961) distinguishes between two kinds of organizational goals, official goals which are the general purposes of the organization's founders and leaders, while the operative goals designates the end sought through the actual operating policies, the modifications and subversions of these ends by personnel in decision making positions and by the forces of pressure from the external environment.

Kast & Rosenzwig (1985) argued that performance is a function of ability, effort and opportunity. Ability is dependent upon knowledge and skills and technological capabilities that provide an indication of range of possible performance. Effort is a function of needs, goal-expectation and rewards and it depends on the degree to which individuals and/or groups are motivated to aspirant effort. Opportunity must be provided by the managers for individual's ability and effort to be used in ways that will result in the achievement of goals. OP can be summarized to be an approach used in assessing the progress made toward goals, identifying and adjusting factors that limit the progress of the organization in a competitive environment.

2.3.1 Profitability as a measure of organizational performance

Profitability is a state of organizational performance where turnover is greater than input cost (Nyanga, 2000). Profitability is the state or condition of yielding a financial profit or again. It is often measured by price to earnings ratio. It can also be de defined as the efficiency of a Company at generating earnings (Bird, 1992).

Profitability is the ability of an organization to make a profit after cost and overhead (Malcolm, 2003). Brayshaw et.al (2001) argued that profitability is comprised of level of Assets, Business growth, market share, business expansion, dividend distributor, diversification of business level of sales.

One of the elements of profitability is business growth. This is the expansion of the business for example starting small and then growing year by year. This does not just happen; it can be achieved through strategic planning, acquisitions and merging of companies, diversification of your product range. Stotsky (2006) argued that the business expansion scheme allows individual investors to obtain income tax relief on investments in each tax year. There is no tax advantage for the company in receipt of business but securing this funding may enhance their ability to attract other external findings. Enterprise Ireland has responsibility for certifying certain clients. Companies are qualifying traders in respect of business expansion schemes and seed capital schemes.

(Alm, 2000) argues that expansion drives diversity and diversity protects and strengthens our craft. None the less money is only used for two things that is, it is to make you conformable and more comfortable. Uganda is now globally recognized as a nation on the move and takes its place amongst the successful economies in the region and the future potential is enormous. The time is now to move from small increments to bold large initiatives. The time has come to stretch the envelopes and set goals which were earlier not seen as possible. The time has come for performance to be measured and for allocated funds of the government to reach the people for whom they were intended (Malcolm and Ritra, 2001).

Market share is another element of profitability. This is where a company expands its activities by occupying a large position of the existing market. Market share is the best way to grow a business. This can be done in 3 ways; to increase the number of customers, increase the frequency of purchase and increase the average expenditure, increasing market share means that demand will grow. In fact it might even boom. Ensure that the internal system possesses and customer support infrastructure can cope with the increased demand.

Market share in strategic market management, is the percentage or proportion of the total available market or market segment that is being serviced by a company. It can be expressed as a company's sales revenue (from the market) divided by total sales revenue available in the market. It is generally necessary to commission market research, generally desk or secondary research; although sometimes primary research is used to estimate the total market size and the company's market share (Brealey et.al, 2005).

Increasing market share is one of the greatest or most important objectives used in business. The main advantage of using market share is that it obstructs from industry wide macro environmental variables such as the state of the economy. According to national environment the respective share of different companies changes and this causes change in the market share values, the reason can be political instability (tensions), any natural disaster though there are other objectives of doing business say sales maximization, return on investment, return on assets, target rate of profits, social responsibilities, downs and disaster (Brealey et al, 2005).

There are several ways suggested for a company to gain a greater market share in respect to its competitors. You can look at the 5Ps that is price, place, promotion, product, and packaging. One can choose to lower the price for the product in a way of luring customers; a product can be promoted through offering incentives in line with after sales services, discounts and so on. Advertising is also another aspect of widening the market base by going through the media. The way a product is packaged will also determine its demand. All these coupled together will increase the way a product is packaged will also determine its demand. All these coupled together will increase market share. (Alm, 2000) With those issues there is no way a company can achieve increased market share without a disbursement of retained profits in line with new technology (investment),this however in situations where there are lower costs of widening marketing share, this enhances profitability. It is therefore very necessary for any business to consider this aspect of business management so as to enhance its performance.

Capital Invested is another element of profitability. Abu-Hammour (1997) argued that invested capital represents the total cash investment that shareholders and debt holders have made in a company. There are two different but completely equivalent methods for calculating invested capital.

Level of Assets is also an element that determines profitability of an organization. In business and accounting, assets are everything of value that is owned by a person or company. It is a claim on the property or income of the borrower. The balance sheet of a firm records the monetary value of the assets owned by a firm. It is money and other valuables belonging to an individual or business, assets are divided into two major classes' tangible assets and intangible assets. It is very necessary to note in the accounting sense that possession of assets doesn't necessary imply ownership but are meant o mean equity plus liabilities (Gibson, 2008). Tangible Assets are subdivided into several sub classes which include current and fixed assets, current assets include inventory, cash and cash equivalents, bank, accounts receivable while fixed assets include items such plant , equipment, building and others. Intangible assets include goodwill, patents and others (Lambert, 2003).

According to Bailey and David (1984), it is important to ensure proper management of organizational materials. Managers do not just manage materials; they also manage the people who deal with materials. It is therefore important to ensure that all organizational resources are put into use in the most efficient way if the firm is to increase its profitability levels so as to improve on the performance.

2.3.2 Efficiency in operations as a measure of organizational performance

Performance is the act of completing or accomplishing a task. If a firm is not improving its level of performance, it will likely be surpassed by competition; or it may be on its way out of business. Management must clearly understand the definition of performance in the process, and how to measure it, in order to improve the performance of the activity Triantis (1990).

Technical efficiency was the primary criterion used to measure performance in this study. Technical efficiency measures how effectively the inputs of a process are transformed into outputs. This translates into a measure that that can be used by management to identify the factors and conditions positively or negatively affecting performance. Performance measured by efficiency is very important since efficiency is a prerequisite of profitability. Also a procurement organization cannot be expected to pay for the inefficiency unless it's the source of inefficiencies.

Literature has recommended a number of different ways to analyze performance over the years, but the Date Envelopment Analysis (DEA) has become the standard. DEA calculates performance indicators based on multiple inputs and distinguishes between the types of efficiency such as scale, technical and allocative efficiency Drake and Simper (2000), Sun (2002), Ouellette and Vierstraete (2005), Williams (2005), Woodbury et al (2003) Chalus and Cherian (1995) Moore et al (2005).Woodbury states; ".the present reliance on partial measures of performance is in adequate and should be heavily augmented by date envelopment analysis" and "the obvious analytical route seems to be an industry wide adoption of the DEA methodologies.

Indirect data can distort performance and the estimates of efficiency resulting from them. In a study of health care, it appeared there was distortion in the estimates of inefficiency and the comparisons of hospital units because of the manipulation of this indirect data Barretta (2008). This study breaks the total costs into sub categories in an analysis of the variations found in efficiency, concluding that accounting differences are masking the real rates of efficiency. It suggests removing the costs allocated from internal sub units in the hospital because hospitals manipulated them in order to increase the perceived efficiency.

Comparison of performance data with targets is the key step in assessing performance. A long standing debate about standards seems to be concluding the notion bench marking Palmer (1995). Comparison of one's performance on a timeline has been criticized as not capable of raising the bar, thus not encouraging significant improvement by changing performance compared to prior achievements.

Comparison to a standard or target determined by management is easy to implement and is not fraught with comparability issues. It requires strong management to work well. The management derived targets can be set with an eye on past performance, or on other jurisdictions, or on where you want to be. The disadvantage is that it is inherently a management perspective and an internal one, because of the lack of firm footing in anything outside the government unit. When the effective manager sets managerially determined goals, he or she encourages improvement but keeps the goals attainable, periodically evaluating the performance measure and the goals. To be truly effective, standards should be set at a level of performance well above average, but within the bounds of what has been achieved with current best practices and technologies. That is, they should require that agencies and contractors strive for excellence without setting a goal that cannot be achieved Ritcher (2004).

Organizational efficiency essentially denotes how well a company uses money. Nonprofit assessment organization Charity Navigator measures efficiency based on the relationship between the effectiveness of fundraisers and organizational expenditure. In publicly traded corporations, organizational efficiency lies in a company's ability to maximize profits based on capital acquired through equity and debt. Writing in Philanthropy Journal, analyst Chris Harris notes that return on investment (ROI) constitutes a good measure of organizational efficiency. For instance, if you sell company stock for $10 per share and one year later your stock holds a value of $20 per share; your company exhibits a high degree of inefficiency. Regularly monitoring organizational efficiency can help small businesses prevent money loss.

The operational efficiency of organizations is often plagued by variance in performance. Organizations typically look to materials, machinery, and work methods to limit the variance. If that fails, they form teams to tweak and re-tweak their processes. While process refinement certainly can help, more often than not organizations overlook reducing variance in human performance. All processes, work methods, and procedures rely on the behavior of people to implement or support desired outcomes. Assessing variance in human performance is critical to making and sustaining gains in operational efficiency.

When you earn the discretionary effort of the men and women in your organization, you will reduce the variance in human performance and elevate your organization's overall performance level Effectiveness and efficiency are fundamentally different

Companies employ a wide range of methods when assessing their performance. These methods measure everything from financial development in relation to capital structure to the relationship between labor and productivity. Organizational effectiveness and organizational efficiency constitute two such methods of performance assessment. Though sometimes confused for one another, the two measure very different things. These measurements may prove especially important to a small business operating with a limited budget and resources.

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Performance measurement and the general attempt to measure efficiency of local government is an increasingly important concern. Both internally and with increasing frequency, local governments are implementing performance measurement systems to improve efficiency and outcomes. Overall, the literature points to promising tools or approaches.

2.3.3 Quality of service delivery as a measure of organizational performance

Research has indicated that service quality has been increasingly recognized as a critical factor in the success of any business (Parasuraman et at., 1988). Service quality has been widely used to evaluate the performance of service firms (Cowling and New man, 1995).

Defining service quality and its components in a form that is actionable in the work place is an important endeavor that any company cannot take lightly. Moreover many scholars agree that service quality can be decomposed into two major dimensions (Gronrous, 1984; Lehtinen, 1982). The first is referred to by Zeithaml et al (1985) as “outcome quality” and the second by Gronrous (1984) as “technical quality.” However, the first dimension is concerned with what the service delivers and on the other hand, the second dimension is concerned with how the service is delivered, process that you go through to get the outcome of the service.

The topic of measuring service quality has been studied extensively in the past 15 years. Both the service management and the marketing literatures suggest that there is strong theoretical underpinning among customer satisfaction, customer loyalty, and profitability (Hollowell, 1996).

Lewis and Booms (1983) propose that service quality resides in the ability of the service firm to satisfy its customer needs that is to say customer satisfaction. Fisk et al (1993) in tracking the extensive literature on service quality stated that “the single most researched area in service marketing to date is service quality. The interest in service quality parallels the focus on quality, total quality management and satisfaction in business.” Fisk et al., 1993, p.77). This concept has attracted a lot of interest and further triggered a series of debates, especially in the area of marketing research literature due to the difficulties both in defining and measuring it, and further with no overall consensus emerging on either (Wisniewski, 2001).

Research on services and service delivery has grown considerably (Bateson, 1995; Henkoff, 1994; Koepp, 1987). Academicians and practitioners have demonstrated interest in issues that surround the measurement of service quality and the conceptualization of the relationship between service quality and customer satisfaction (Fisk et al., 1993). Bateson (1995) states that quality is generally conceptualized as an attitude, the customer’s comprehensive evaluation of the service offered. It is built up from a series of evaluated experiences and hence less fluctuating than attitudes built from the emotions of satisfaction.

The service industry plays an increasingly important role in the economy of many countries. In today’s global competitive environment, delivering quality service is considered as an essential strategy for success and survival (Parasuraman et al., 1985, Reinheld and Sasser, 1990; Zeithaml et al., 1990). Even the public sector organizations have come under increasing pressure to deliver quality services (Randall and Senior, 1994) and improve efficiencies (Robinson 2003). Customer needs and expectations are changing when it comes to governmental services and their quality requirements. However, service quality practices in public sector is slow and is further exacerbated by difficulties in measuring outcomes, greater scrutiny from the public and press, a lack of freedom to act on arbitrary fashion and a requirement for decisions to be based in law (Teicher et al., 2002).

According to (Parasuraman et al 1988), service quality can be defined as an overall judgment similar to attitude towards the service and generally accepted as an antecedent of overall customer satisfaction (Zeithaml and Bitner 1996). (Prasuraman et al 1988) have defined service quality as the ability of the organization to meet or exceed customer expectations. It is the difference between customer expectation of the service and perceived service (Zeithaml et al., 1990). Perceived service quality results from comparisons by customers of expectations with their perceptions of services delivered by suppliers (Zeithaml et al., 1990). If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1895; Lewis and Mitchell, 1990).

Services unlike tangible products are produced and consumed at the same time in the presence of the customer and the service producer. The presence of the human element during the service delivery process greatly increases the probability of error on the part of employees and customers. This error is due to intangible behavioral processes that cannot be easily monitored or controlled (Bowen 1986). However, although a substantial amount of service quality research has focused on customers' perceived service quality (Parasuram et al., 1988, Caman, 1990; Parasuraman et al., 1991; Babakus & Boller, 1992; Cronin & Taylor, 1992; Babakus & Boller, 1992; Cronin & Taylor, 1992; Babakus and Mangold, 1992), relatively little attention has been paid to exploring the factors that impact on service employees behavior with regard to delivering service quality.

More than two decades ago (Suprenant & Solomon 1987), stated that service encounters are human interactions. They suggested that customers and service providers have roles to play during and possibly after service encounters and that these roles are based on "interpersonal interactions” between organizations and customers. Because service delivery occurs during the interaction between contact employees and customers attitudes and behaviors of the contact employees can influence customers’ perception of service quality (Schneider et al 2008) found that perceived employee commitment and employee loyalty had a sizeable impact on perceived product quality and on perceived service quality.

Customers largely establish their impressions of the organization’s level of provision based on their encounters. Therefore, employees involved in delivery frontline services can provide valuable information for improving the service. The frontline employees are knowledgeable about the strength and the weaknesses of the service through their contact with customers and this is an important form of feedback that can be used by organizations in decision making to serve the customers.

The SERVQUAL model proposes that customers evaluate the quality of a service on five distinct dimensions; reliability, responsiveness, assurance, empathy, and tangibles. SERVQUAL had been designed to be applicable across “a broad spectrum of services” and format could be adapted to fit specific needs, and that it would be most valuable when used to track service quality trends periodically. They proposed that the SERVQUAL model could be extended to measure gaps in quality and demand therefore, be used as a diagnostic tool to enable management to identify service quality shortfalls. The gap score is calculated by the perception statements being deducted from the expectation statements. If any gap scores through out to be positive then this implies that expectations are actually being exceeded. This allows service managers to review whether they need to redeploy level of service quality based on the five key dimensions in to evaluate the performance of their organizations.

2.4 Actual review

In this section of literature review, the study looks at specifically what different scholars have written about how the different dimensions of cost management affect the way the organization performs at the end of the day. Literature is reviewed objective by objective as laid down in chapter one of this study.

2.4.1 Effect of technological innovations on organizational performance

Anecdotal evidence suggests that innovation is closely linked to business performance. But how is innovation associated with superior performance? Geroski (1994:130) suggests that there are two alternative views. The first view holds that the production of new products or processes strengthens a firm's competitive position in relation to its rivals. But the profits and growth will be transitory and only last as long as the innovating firm can defend its position against rivals. The second view argues that the process of innovation transforms a firm fundamentally by enhancing its internal capabilities, making it more flexible and adaptable to market pressures than non-innovating firms hence innovation enhances business performance because the product innovative activities makes a firm more competitive and the process of innovation transforms a firm's internal capabilities.

An empirical survey carried out by the Cambridge Small Business Research Centre (SBRC) provides useful insights in Small and Medium Enterprises (SMEs) innovative behavior in the UK SDRC (1992). During the study data were collected from more than 2000 SMEs on a range of issues relating to technology and innovation. This is by far the largest and most authoritative empirical survey. The research found that 60% of the sample had initiated the major product or service innovation in the last five years. The result suggests that SMEs are highly innovative across sectors.

The survey did not measure inputs, such as innovation cost, proportion of resources consumed and efficiency in resource usage, and out puts such as impact on firm performance market share and profitability. Therefore, it was not possible to quantify the relationship between innovative effort and innovations so this has tempted the researcher to find out how innovative ideas can lead to improved performance in service organizations.

This is not surprising given the difficulties of quantifying a multi-dimensional phenomenon like innovation. Its common that clear paths of causation are not easily mapped. However, the results of the survey do suggest a broad correlation between innovation and business performance. The survey in particular draws out some salient differences between innovating and non-innovating firms.

In 1997 the survey shows that 80% of the company who initiated innovations in the last 3years improved their business performance in terms of profits, market share and new markets penetration (CBI/NATWEST, 1997:17). The results have been persistent for the last three years.

This survey collects data not only on technical innovations in manufacturing sector, but also pulls the non manufacturing sectors. The key characteristics of innovation in UK companies are measured from a broad range of innovation like innovation inputs, external links, innovation outputs, influence on innovation and innovation resources. The survey suggests that innovations have led to improved business performance.

Others studies such are franko (1989) demonstrate the link between research and development and subsequent sales revenue of a firm. It was shown by Geroski et al (1992) that innovating firms are able to achieve larger market share and higher growth rates and profit. A major research project developed by the National Bureau of Economic research Griliches (1990), focusing on the relationship between technological factors measured by research and development and patents and economic indicators such as productivity and stock market value as shown that the technological performance of the firm is positively associated to its market value. Similarly a number of studies (Acs and Audrestch, 1992) using innovation counts. Simonetti (1994) using patent indicators have confirmed that technology and performance are associated; they also emphasized the fact that it's not easy to establish causal link from the former to the latter variable (Archibugi et al 1994:13).

Many studies have looked at the linkage between innovation and business performance, either directly or as part of a larger study. The results of these studies seem to suggest that there is a close link between innovation and business performance. In general there is clear evidence that innovations play a crucial role to long term profitability and growth in firms (Geroski et al. 1992; Cosh and Hughes 1996)

In discussing the link between innovation and business performance, one should consider the process of innovation in its totality. The innovative capacity of affirm determines its level of innovativeness which has an impact on its competiveness against its competitors. A tangible result of increased competiveness is enhanced business performance. In theory, good business performance feeds back into increasing the innovative capacity of the firm which then enhances competitiveness resulting in better business performance.

In practice, a whole host of interrelated factors are involved in the innovation process. For instance, the environment of the firm plays a crucial part in determining whether its innovative capacity is high. This environment is in turn shaped by factors such as the macroeconomic frame work and the support mechanisms available in the vicinity of the firm. Other factors that come in to play include the internal processes of the firm and the culture embedded within the firm. The dynamics of all these factors are poorly understood and beg for further research to establish the robustness of the model distilled from the literature.

Given that innovation has a positive impact on business performance, the nest question is how can the impact be quantified? Innovation research has been subjected to rigorous empirical inquiry since the 1960s. However, the measurement of innovation is still clouded with statistical and conceptual problems. The literature reviewed suggests that most of the research carried out in the areas of innovation performance measurement is technically biased. This is not surprising given the fact that most studies look at innovation from research and development perspective. Studies into measurement of innovation performance in the service sector are still relatively rare. Therefore, to this fact the researcher has been inspired to investigate whether technological innovation impacts on performance of service firms in Uganda specifically.

2.4.2 Effect of working capital management on organizational performance

Many researchers have studied working capital from different views and in different environments. The following are very useful for this research.

Abbasall and Milda (2012) with a view to finding the empirical evidence about the impact of working capital management on profitability and market evaluations studied a sample of companies listed on the Tenran stock exchange for a period from 2006 to 2010.Return on assets and return on return on invested capital ratio were used to measure the capital of the firms, and Tobin Q ratio to measure the market value of companies. The variables of cash conversion cycle as working capital management criteria, current ration, current assets to total assets ratio, current liabilities to total assets ratio and total debt to total assets ratio were used. Their result indicates that there is a significant relationship between working capital and profitability.

Melita, Maria and Petros (2010) empirically investigated the effect of working capital management on firms financial performance in an emerging market. They hypothesized that working capital management leads to improved profitability. Their data set consists of firms listed on the Cyprus stock exchange for the period of 1998 to 2007.Using multivariate regression analysis; their results specifically indicate that cash conversion cycle and its major components namely days of inventory, days of sales outstanding and creditors' payment period are associated with the firm's profitability.

Efficient working capital management involves planning of current assets and current liabilities in a manner to strike a balance between liquidity and profitability. Harris (2005) pointed out that working capital management is a simple and straight forward concept of ensuring the ability of the firm to find the difference between short term assets and short term liabilities. The ultimate objective of any firm is to maximize shareholders wealth and maximizing shareholders wealth can be achieved by a firm maximizing its profits. A firm that wishes to maximize profits must strike a balance between current assets and current liabilities and hence keeping abreast of the liquidity and profitability trade off. Preserving liquidity and profitability of the firm is an important objective as increasing profit at the expense of liquidity can bring serious problems to the firm and vice versa. Working capital management is considered to a very important element to analyze the firm's performance conducting day to day operations. There are chances of imbalance of current assets and current liability during the life cycle of affirms and profitability will be affected if this occurs.

Hassan, Liaqat, Cn.Abdul and Muhammad (2011) set out to examine the impact of working capital management on profitability of the firm without compromising the liquidity of the firm. Using data for sixty five companies randomly selected from Karachi stock exchange and a set of variables Tobin Q's proxy, used for determining the market value of the firm, return on Assets and return on invested capital, were used to measure financial performance of the firm. Five financial ratios, cash conversion cycle, current ratio, current asset to total asset ratio, current liabilities to total asset ratio and debt to asset ratio, were used as variables against which changes in dependent variables were measured by applying correlation and multiple regression techniques. Their findings revealed that significant correlations exist between working capital components with firm's market value and firm's profitability.

Mary, John and Laurie (2010) examined the effect of inventory on firm's profitability before and after two catastrophic supply chain disruptions of the September, 11, 2001 terrorist attacks and Hurricane Katrina, with the objective of determining whether there is evidence that inventory has been used as a means of developing supply chain resiliency and the stability of any such relationship. Using separate 3- year periods surrounding the disruptions, they applied univariate analysis to examine the macro-level effects on firm's profitability, selected growth measures, and inventory levels across manufacturers, wholesalers and retailers. Utilizing balance sheet and income statement data regression models were applied to isolate the effect of inventory and profitability and also to test whether a change in the relationship between inventory and firm's profitability can be detected. The findings indicate the effect of inventory on firm's profitability and show a significant decline for manufacturing firms in the past September 11 period with no significant change in the past Katrina period.

Hassan, Hallil, Arzu and Satin (2011) studied panel data of companies in the Istanbul stock exchange for the period of 2005-2009 to shed light on the empirical relationship between efficiency of working capital management and corporate profit. The findings revealed that reducing the Cash Conversion Cycle (CCC) a measure of working capital management positively affects return on assets (ROA) a measure of profitability.

Van Horne and Wachowicz, (2000).As a result, working capital management is a very important component of micro finance as it directly affects the liquidity of a firm. It centers on current assets and current liabilities of a firm. For one thing, the current assets of a typical manufacturing firm accounts for over half of its assets (Abdul and Mohamed, 2007).

One reason why managers spend considerable time on day to day management of capital is that current assets are short lived investments that are continually being converted into other asset types (Rao, 1989).Liquidity for the on-going firm is not reliant on the liquidation value of its assets, but rather on the operating cash flows generated by those assets (Soenen, 1993).

Vida, Seyed and Rezvan (2011) studied the relationship between working capital management and corporate profitability of 101 listed companies on Tehran Stock Exchange (TSE) during the period of 2004-2008.Multivariate regression and Pearson correlation were used to test hypothesis. Finding revealed that cash conversion cycle, a key measure of working capital management, has a relation with corporate profitability. Findings also show that a positive significant relationship exists between logarithm of sales and profitability, and a negative significant relationship exists between financial debt ratio and profitability. Basing on the various findings of the researchers above there is still a gap being left out on how working capital management affects performance that has inspired the researcher to find out why this gap still exists.

2.4.3 Effect of budgetary control on organizational performance

Planning is essential as a function of managers to accomplish goals. Stoner (2000) argues that planning reduces uncertainty and provides direction to employees by determining the course of action in advance. The argument is further emphasized by Pandey (2000), that budgeting compels management to think ahead and plan in a comprehensive and coherent way. By determining well in advance what should be done, what individuals or units are to assume responsibility and be held accountable, budgeting provides an orderly way to proceed in attaining organizational goals (Grace, 1966).In support of this, Drury (2000) argues that budgets prevent management from relying on ad hoc or uncoordinated planning that may be detrimental to the performance of the organisation.

Maher and Deakin (1994), suggest that companies should provide incentives for people to report truthfully, which means the company must reward both for honest estimate and good performance. But reality is that, many companies put considerable pressure on employees to achieve increasingly difficult targets.

Cherrington, Hubbard and Luthy (1988) explained that, the long-range goals identify the direction of the company over a five to ten years period. The goals are stated in general terms, but they deal with specific areas in which the company intends to be successful. Areas often covered include sales, research and development, capital expenditure, personal policies and financial position.

Cherrington et al. (1988) continued to explain intermediate objectives and short-term plan where they stated that, intermediate objectives identify the specific steps that will lead to accomplishing the long-term goals. They provide a link between short-term plan and long-term objectives. The long and short-term plans are merged and integrated into specific plan by the intermediate objectives. This function ensures that actual performance is measured against expected performances.

Control and performance evaluation help to take corrective measures to any adverse variances which were revealed during the evaluation period. Participation: By actively involving managers at all stages of the hierarchy, the process of budgeting brings the different levels closer together. The junior members feel that they have a say in the running of the organization this lead to increased job satisfaction and consequently productivity. It has therefore been said that, the actual process of budgeting is as beneficial as the budget itself.

Hilton, Maher and Selto (2000) explain that most people will perform better and make greater attempts to achieve a goal if they have been consulted in setting the goal. The idea of participative budgeting is to involve employees throughout an organization in the budgetary process. Such participation can give employees the feeling that „‟this is our budget‟‟ rather than the all too common feeling that „‟this is the budget you impose on us‟‟. While participative can be very effective, it can also have shortcomings. Too much participation and discussion can lead to vacillations and delay. Also when those involved in the budgetary process disagree in significant and irreconcilable ways, the process of participation can accentuate those differences.

Analysis is the process of examining variances by sub-dividing the total variance into smaller parts in such a way that management can assign responsibility for any off budget performance. An aspect of variance analysis is the need to separate controllable from uncontrollable variances. A detailed analysis of controllable variances will help the management to identify the persons responsible for its occurrence so that corrective action can be taken. Through variance analysis it is established whether over expenditure is caused by deliberate actions or inadequate controls by management (Arora, 1995). It's imperative that staff learns that their adverse variances are be analyzed, that unjustified expenditure will not pass without punishment. This will increase staff care as to the use of resources in performance of tasks and in so doing control costs and the associated variances.

According to Glautier, (1997) and Fang, (1998), a budget variance requires analysis, investigation and correction. The analysis of the budget variance necessitates splitting up the variance into two components of standard costs that is to say quality standard and the price standard. The variances could be corrected through strict enforcement of use of the budget whenever expenditure is incurred. This is preventive control. This means that previous over expenditure attributed to the use of resources without particular reference to the budget as a control tool, are eliminated. Items on which money is spent are budgeted for and any expenditure incurred is only after reference to the budget (Mathis, 1996).

The primary function of evaluation-reward aspect of budgetary control is to provide the ex-ante motivation to achieve the budget and the ex-post reinforcement necessary to ensure future motivation (Kerr, 1979). This is what makes variances to be perceived as extremely important and valid measures of performance. Performance evaluation of budgets should be based on comparison of actual performance with an adjusted budget to reflect the circumstances of the environment under which managers actually operate. A budget assists managers in managing and controlling the activities for which they are responsible by comparing the actual results against the budgeted amounts for different categories of expenses, managers can ascertain which costs do not conform to the original plan and thus require their attention.

According to Kreitner (1989) corrective action is necessary when the final results deviate from plans. The gaps are addressed through punishment of those staff that spends more than the budget without good reason. In situations where gaps were not anticipated and they occurred, it is necessary to redraw the budget so as to have the objectives match the cost incurred and this is feedback control.

2.5 Conclusion

Cost management techniques have a significant relationship on the performance of organizations.. For cost management to have relevancy on organizational performance, the cost management techniques of technological innovation, working capital management and budgetary control should be emphasized.

Profitability is the best measure of organizational performance when firms implement cost management techniques as elaborated by the different authors. Firm's profitability will be improved in terms of reduced operation costs (Sim, 1998). According to Hejat et el (2006), the most stretching elements in the performance of organizations are the increased costs which are normally incurred in the process of measuring, evaluating, purchase and delivery of products and services. According to Drury (2003) to ensure performance, organizations need to reduce these costs. For any meaningful development therefore, organizations in developing countries must endeavor continuous adoption of cost management techniques to improve productivity, performance in order to increase profitability.

CHAPTER THREE
METHODOLOGY

3.0 Introduction

This chapter covered the research methodology that was employed in the study; the chapter presented how the study was conducted. It brought out and discussed aspects of research design, study population, area of study, sample size and selection, sampling techniques, methods of data collection, data management and analysis, reliability and validity, ethical consideration and the limitations of the study.

3.1 Research Design

A research design describes the pattern that the researcher intends to follow, Oso and Onen, (2009). The research took the form of case study and the reason for this was because organizational performance is widely spread and important to organizations country wide. Since it was very hard, costly and time consuming to study the whole country the study of National Water and Sewerage Corporation was intended to provide information that was treated as a representative of the entire country.

The researcher used a triangulation research approach where both quantitative and qualitative research methods were involved. This research approach is advantageous because it estimates the proportion of the population that has the same characteristics and description of something associated with the study. The qualitative method was used to obtain adequate information from the respondents. Frankel and Wallen (2000) explain that, a descriptive survey involves asking the same set of questions often prepared in a written questionnaire to a large number of individuals. The questionnaires which were administered were both open and close ended.

3.2 Area of study

The study area was National Water and Sewerage Corporation Kisenyi branch which is located in Central Division Kampala District. This branch was selected because the corporation has in place a number of strategies that it has laid out to improve her performance for example the shift from lining up in the bank to using mobile money to settle bills, prepaid meters among others but the corporation performance has failed to improve and also because this branch was easily accessed by the researcher.

3.3 Population of the study

A population refers to the total number of respondents, (Oso and Onen, 2009). Sekeran (2000) defines a population as any group of people, events or things that are of interest to researchers and that they wish to investigate. He further describes a sample as a subset of the population in question and consists of a selection of members from the particular population.

The target population in this study comprised of 40 employees of National Water and Sewerage Corporation Kisenyi branch from the different departments of accounting and finance, stores, procurement, operations, technical department, and top management. This was according to the manager of Kisenyi branch.

3.4 Sample size and selection

Oson and Onen (2009) defines a sample as part of the target population that has been procedurally selected to represent it. Amin (2005) defines a sample as a collection of some elements of a population. It is often impossible to study the whole target population; therefore, the researcher selected a representative sample of the entire collection.

Due to time and financial limitations, the researcher was not be able to get information from all the relevant people in the study. Therefore, a sample was used which consisted of 35 respondents according to Krejcie and Morgan (1970) Sample Determination Table from selected members of management and employees of National Water and Sewerage Corporation Kisenyi branch.

3.5 Sampling techniques

This is a description of the strategies which the researchers use to select representative elements from the target (Oso and Onen, 2009). It’s from these selected elements that the generalizations of the findings are to be made by the researcher. The researcher used simple random technique in the study to select the respondents. Simple random sampling technique is a technique that selects a sample without bias from the target population (Oso and Onen, 2009). The researcher also used simple random sampling technique because it ensures that each member of the target population has an equal and independent chance of being included in the sample. The researcher also used purposive sampling where respondents are sought to be reliable or having the needed information for the study. The researcher selected samples based on her experience of knowledge of the group to be sampled and considered the respondents who availed the required information at different times.

3.6 Data collection sources and tools

3.6.1 Data collection sources

During the study, the researcher used both primary and secondary sources of data while collecting the data. These included:

Primary sources

The data here was obtained directly from the respondents who were selected randomly. This information was obtained by the researcher directly by interviewing the respondents and through administering of questionnaires to the respondents.

Secondary sources

The researcher used secondary data collection methods which included records at the branch which provided a lot of information about cost management of the corporation. The researcher also used published material, newspapers, journals, magazines about the effect of cost management on the performance of an organization. The researcher also used the internet to collect more data using search engines like Google chrome and Yahoo.

3.6.2 Data collection tools

These are the methods the researcher used in gathering raw data from the field of study.

Questionnaire

Oso and Onen (2009) define a questionnaire as a collection of items to which a respondent is expected to react usually in writing. The researcher formulated and distributed both open and close ended questionnaires. The questionnaires were formulated using English language. The reason for using a questionnaire was because it would cover bigger number of employees of National Water and Sewerage Corporation in a relatively shorter time and it was cost effective. The questionnaire method was also used because it allowed the employees of National Water to answer the questions at their own convenient time and also provided room for them to include their own views. In addition, questionnaires made it possible for the employees of National Water to maintain anonymity so that there were high chances of revealing accurate information.

Interviews

An interview is a person to person verbal communication in which one person asks the others question intended to elicit information (Oso and Onen, 2009). The researcher also collected the necessary data by interviewing the employees of National Water and Sewerage Corporation where the researcher used an interview guide that helped in collecting the necessary information. This was be used because it provided room for clarification of some questions that were not provided for in the questionnaire. In addition, interviews were used because they increased the response rates and also helped in collection of first-hand information from the employees of National Water and Sewerage Corporation Kisenyi Branch.

3.7 Procedure for data collection

The researcher begun by picking a letter of introduction from the research co-coordinator for which the researcher presented to the management of National Water and Sewerage Corporation Kisenyi branch to allow the researcher carry out a purely educative research.

3.8 Data analysis

Data was collected was first edited with the view of checking for completeness and accuracy.

The study mainly used quantitative methods of data analysis to link cost management and organizational performance. This analysis was used where data was coded and put into the statistical package for social sciences for analysis (SPSS). SPSS was used to generate simple descriptive statistics, frequency tables, percentages and Pearson correlation coefficient. This helped in the discussion of findings and establishing the relationship between cost management and organizational performance.

Editing

This is a process of organizing data to ensure that its error -free. Editing is advantageous in that it helps to eliminate errors, ensures consistence in presentations and elimination of irrelevant data. The researcher used editing by passing through the work before presenting it to the supervisor.

Coding

This refers to a process of assigning numerals or other symbols to responses given by respondents. Data was coded and put into the statistical package for social sciences for analysis. SPSS was used to generate descriptive statistics, frequencies tables and Pearson correction coefficient. This helped to generate accurate tables within a minimum time.

3.9 Reliability and validity

Onen and Oso (2009) define validity as the extent to which the research instruments measure what they are intended to measure. Content validity which is about making sure that all the key concepts under investigation are included in the tool will be used by the researcher. Amin (2005) expresses reliability as a degree which a set of variables is consistent with what it is intended to measure. An instrument is said to be reliable if it produces the same results whenever it is repeatedly used to measure the concept for the same respondents even by other researchers.

A reliability analysis of the dependent and independent variable carried out to check whether the adopted measures yielded similar results at all times for each test. The intention was to establish the consistency of the data under use and to build confidence that the data was appropriate to produce good results and Cronbachs’ Alpha, which tests internal consistency, was considered.

3.10 Ethical considerations

A letter of introduction from the Dean of Faculty of Business Administration and Management granting permission to carry out research was received and permission from the relevant authorities was acquired to conduct researcher from National Water and Sewerage Corporation (NWSC). The researcher also ensured a high degree of confidentiality with regard to information that was acquired from the field and the respondents from whom data was collected in the study were regarded as anonymous where their names and any forms of identifications were withheld by the researcher for purposes of confidentiality. Also the information got as a result of the research was kept with high levels of privacy especially from those who would use it for malicious purposes and no information was to be released to any person without the permission of the respondents.

The researcher also ensured that the respondents participated in the study out of their will. No respondent was forced to participate in the study without their consent. The researcher conducted the research in a fair, honest and respectful manner to all the respondents and there was truthfulness in the presentation of the information that was acquired from the respondents of the target study population.

3.11 Limitations of the study and their solutions.

Respondents were not willing to avail the researcher with required information due to defensive attitude, lack of enough time and suspicions. In this case the researcher sought and highlighted the importance of the study.

The time allocated for conducting research was not enough for the researcher to cover the areas of study due to academic obligations. Therefore, the schedule was prioritized according to deadlines in order to utilize the given time effectively.

The researcher also encountered financial constraints since the study involved such costs as typing, printing, travel and telephone costs. To address this problem, the researcher saved up some money for the study and also raised some more from parents just in time prior to conducting the research.

Errors and omissions in the field coupled with giving of wrong information intentionally. The researcher ensured that the research instruments were accurate before going to the field and data collected was verified by considering the relationships between different responses.

Communication inefficiency due to language barrier was a major obstacle, most respondents failed to read and interpret the questions. The researcher therefore, where necessary adjusted to simpler informal English.

3.12 Conclusion

In conclusion, the methodology was of great importance to the research. This was because it enabled the use of various instruments which were used to gather the necessary information from the field which was later analyzed and interpreted in chapter four of the study for purposes of getting meaning and making conclusions out of the research. Therefore this chapter helped to lay out a ground for presentation of the findings and analysis in the next chapter.

CHAPTER FOUR

DATA PRESENTATION, DISCUSSION AND ANALYSIS

4.0 Introduction

This chapter discusses the presentation, analysis, interpretation and discussion of findings collected from the field in an attempt to find out the relationship between cost management and organizational performance. It is against this analysis that the researcher made conclusions and recommendations.

4.1 Response rate

Out of the 35 respondents, only 30 responded resulting in to a response rate of 87.5% which was good enough to represent the expected number of views from respondents.

4.2 Background information of respondents

The biographical information of the participating respondents and employees at NWSC was obtained including gender, age group, highest level of education and length of service in the corporation. The purpose of the background information was to enable the researcher to describe the characteristics of the target population and capture the relevant aspects considered useful for a later elaborate discussion of findings.

4.2.1 Gender of the respondents

Employees of National Water and Sewerage Corporation were asked about the state of their gender and below were the responses.

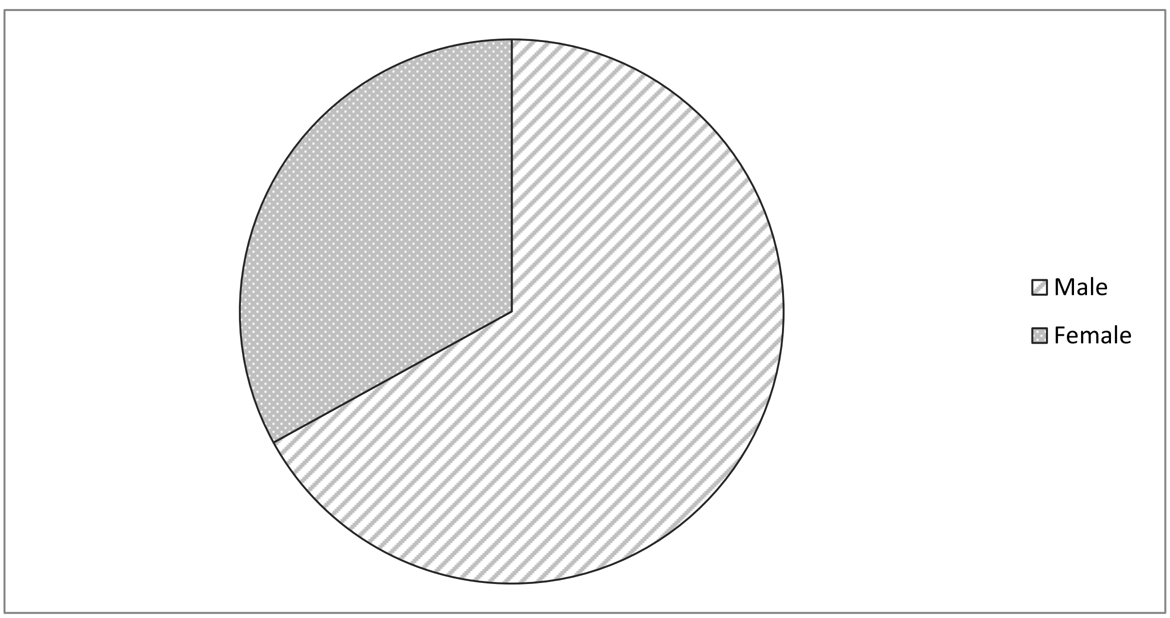
Table 4.1: Gender of the respondents

Gender	**Frequency**	**Percentage**
Male	20	66.7
Female	10	33.3
Total	**30**	**100.0**

Source: Primary data (2015)

Table 4.1 above indicates that 66.7 %(20) of the respondents were male and 33.3 %(10) were female. This implies that NWSC employees both the male and the female persons. It also indicates that NWSC is not biased in employing its employees since both sex are employed.

Fig 2: Gender of the respondents



4.2.2 Department of the respondents

The researcher availed the question of department to the respondents to know which one they belong to and the following results below were obtained;

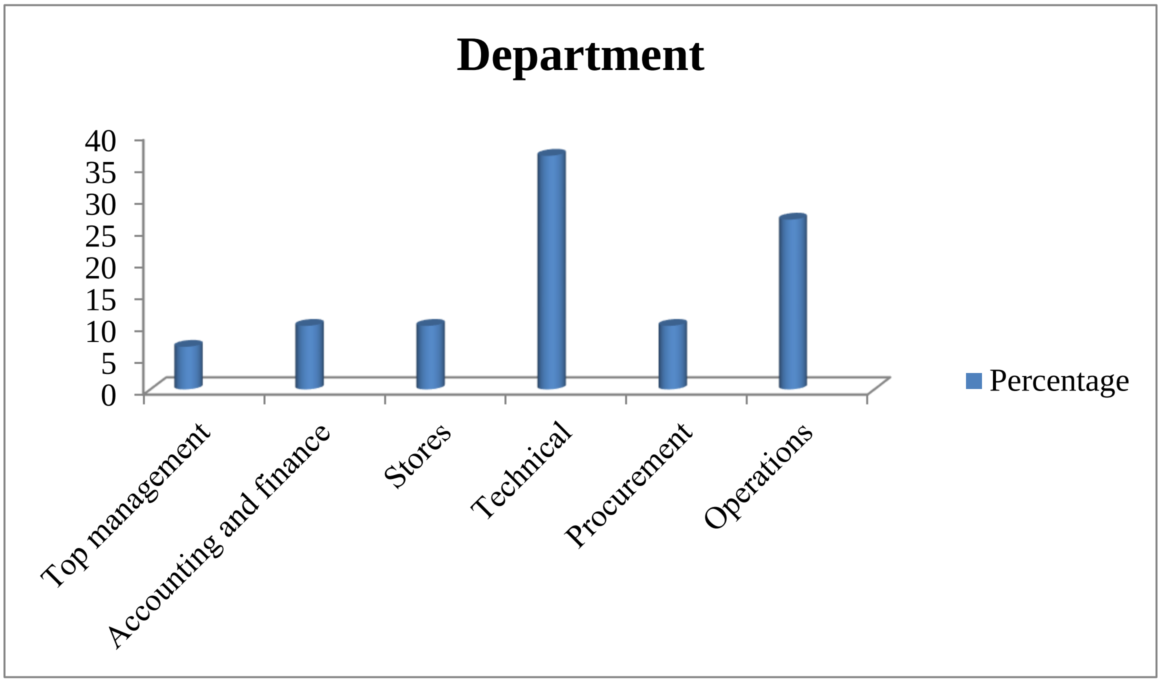
Table 4.2: Department of the respondents

Department	Frequency	Percentage
Top management	2	6.7
Accounting and finance	3	10.0
Stores	3	10.0
Technical	11	36.7
Procurement	3	10.0
Operations	8	26.7
Total	**30**	**100.0**

Source: Primary data (2015)

Table 4.2 shows that, 6.7% (2) of the respondents were from the top management, 10%(3) were from the accounting and finance, 10%(3) were from the stores section, 36.7%(11) were from the technical department, 10%(3) were from the procurement department and 26.7%(8) came from the operations department. Using the above results, it implies that NWSC employees more persons in the technical department as compared to other departments. It also shows that the technical department is the most functioning department within the organization dictating bigger number of employees. Management should ensure that the technical department is well equipped with both skills and inputs so as to increase their efficiency at work.

Fig 3: Department of the respondents



4.2.3 Academic qualifications of the respondents

Employees of NWSC were asked about their academic qualifications and they responded as below;

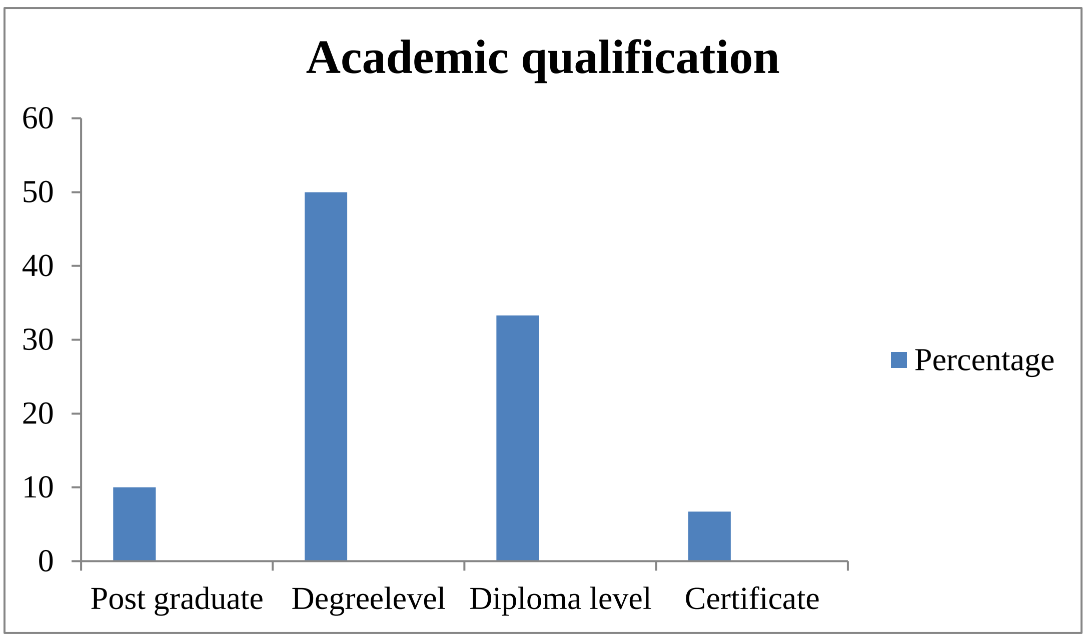
Table 4.3: Academic qualifications of the respondents

Academic Qualification	Frequency	Percentage
Post Graduate level	3	10.0
Degree level	15	50.0
Diploma level	10	33.3
Certificate level	2	6.7
Total	**30**	**100.0**

Source: Primary data (2015)

Table 4.3 shows that, 10 %(3) of the respondents were master's degree holders, 50 %(15) were degree holders, 33.3 %(10) were diploma holders, 6.7 %(2) were certificate holders. This implies that degree holders are the most employees employed by the corporation. It also further indicates that the success and progress of the corporation is mainly attributed to the professionals employed by the corporation due to their expertise. Management should aim at recruiting fresh graduates in order to improve on the efficiency and effectiveness of activities dealt with in the corporation.

Fig 4: Academic qualification of the respondents



4.2.4 Length of service in the corporation

Employees of NWSC were asked about the period they had worked with the corporation and they responded as below;

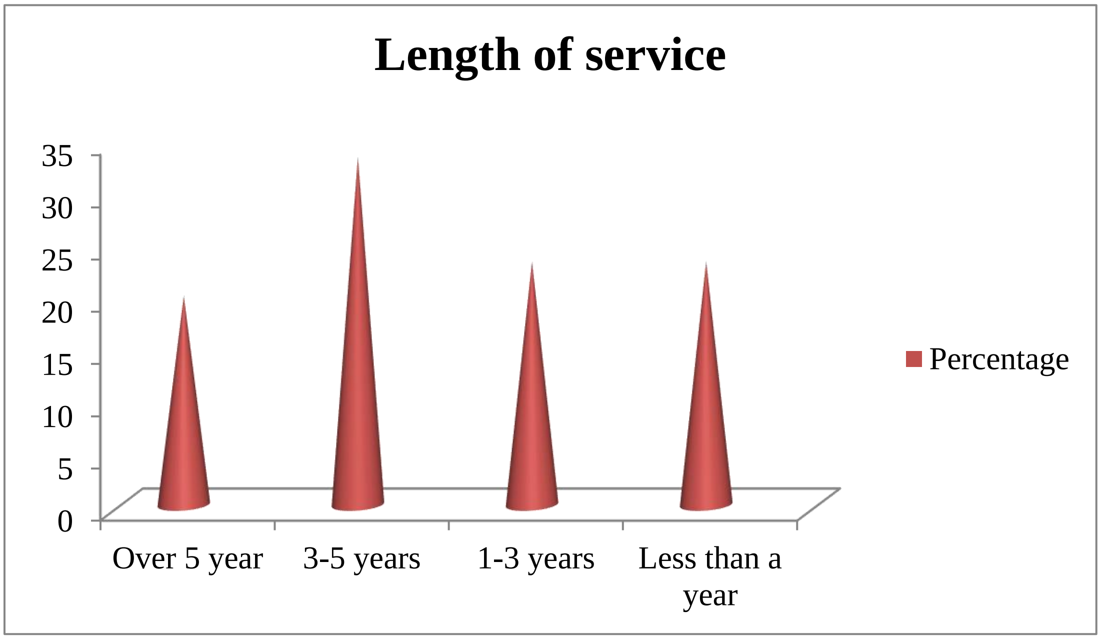
Table 4.4: Length of service in the corporation

Number of years	**Frequency**	**Percentage**
Over 5 years	6	20.0
3-5 years	10	33.3
1-3 years	**7**	23.3
Less than a year	**7**	23.3
Total	**30**	**100.0**

Source: Primary data (2015)

Table 4.4 indicates that, 20%(6) of the respondents had served the Corporation for a period of more than 5 years, 33.3%(10) had served between 3-5 years, 23.3%(7) had served for a period between 1-3 years and 23.3%(7) had served for a period of less than one year. This implies that NWSC is served by employees of 3 years and above. It indicates that employees of NWSC are willing to offer their service to the Corporation and the information obtained during data collection was from a reliable source.

Fig 5: Length of service



4.2.5 Age bracket of the respondents

The employees of NWSC were asked a question about their age and they responded as below

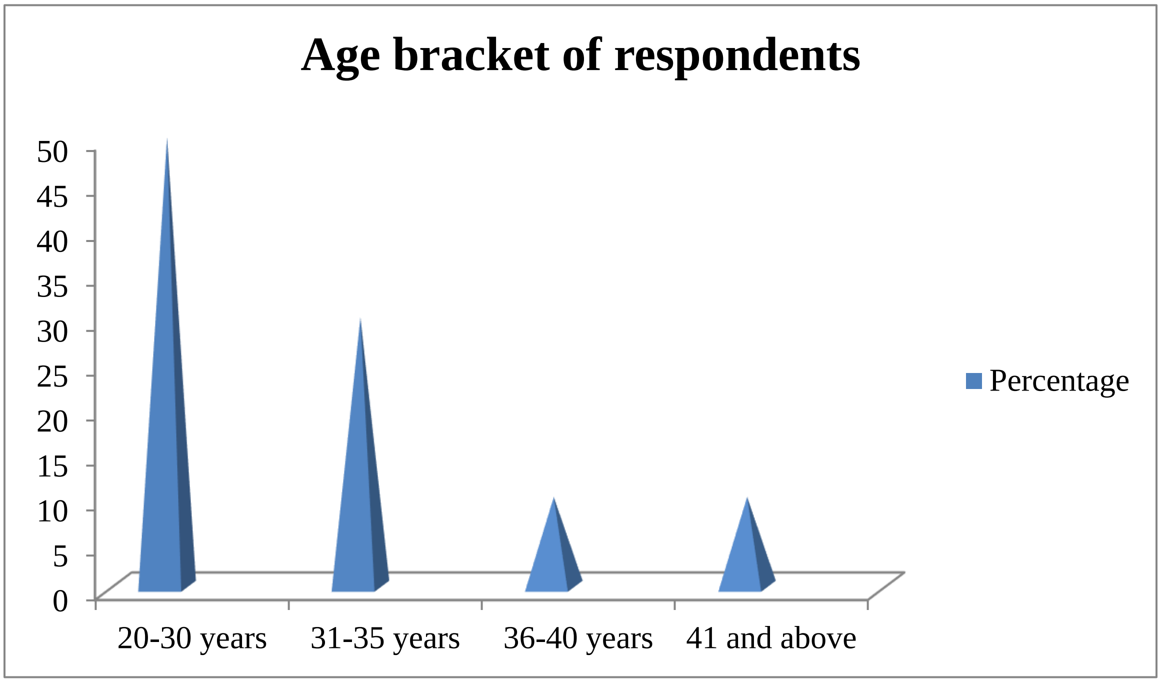
Table 4.5: Age bracket of the respondents

Age bracket	Frequency	Percentage
20-30 years	15	50.0
31-35 years	9	30.0
36-40 years	3	10.0
41 and above	3	10.0
Total	**30**	**100.0**

Source: Primary data (2015)

Table 4.5 above indicates that 50% (15) of the respondents are in the age range of 20-30, 30% (9) of the respondents in the age range of 31-35, 10% (3) of the respondents were in the age range of 36-40, 10% (3) of the respondents were in the age range of 41 and above. This indicates that the majority of the employees at NWSC Kisenyi branch are considerably younger employees.

Fig 6: Age bracket of the respondents



4.3 Descriptive statistics on technological innovation

The respondents of NWSC were asked whether the corporation applied technological innovation, the researcher was interested in finding out the technological innovations that were in put place by the corporation and below were the findings;

Table 4.6: Descriptive statistics on technological innovation

Technological innovation	Minimum	Maximum	Mean	Standard deviation
NWSC is continuously innovating on ways to improve its operations	2	5	4.37	0.718
E-payments have been well received by customers	2	5	3.93	0.740
Management of NWSC emphasises the use of technological innovations instead of manual systems	1	5	3.90	1.062
NWSC takes imparting innovative skills in employees as a major goal	2	5	3.80	0.805
Innovation has highly impacted NWSC performance levels	3	5	4.23	0.626
Technological innovation assists NWSC achieve her objectives	3	5	4.43	0.679

Source: Primary data (2015)

Table 4.6 above indicates that the respondents agreed to NWSC continuously innovating on the ways to improve its operations reflected by a mean of 4.37. The standard deviation was 0.718 which implied that respondents had varying views on this aspect. Geroski et al (1992) from the literature reviewed was in support with this agreement where he suggested that innovating firms are able to achieve larger market share and higher growth rates and profits.

The respondents were asked whether E-payments have been well received by the customers and the responses were neutral with a mean of 3.93. The standard deviation was 0.74 which implied that respondents had varying views on this aspect.

Respondents were asked whether management of NWSC emphasises use of technological innovations other than the manual systems and the responses were neutral with a mean 3.90. The Standard deviation was 1.061 which was wide and it implied that the respondents had varying views on this aspect.

The respondents were asked whether NWSC takes imparting innovative skills in employees as a major goal and the responses were neutral with a mean of 3.80 and Standard deviation of 0.805 which implied that the respondents had varying views on this aspect.

The respondents were asked a question on whether innovation has highly impacted NWSC performance levels and they agreed with a mean of 4.23 and standard deviation of 0.626 which implied that respondents had varying views on this aspect. This finding was in agreement with Simonetti (1994) who used patent indicators and confirmed that technology and performance are associated.

Respondents were asked by the researcher a question as to whether technological innovation assists NWSC achieve her objectives and they agreed with a mean 4.43 and Standard deviation of 0.679 which implied that they respondents had varying views. Therefore NWSC's management should focus mainly on coming up with new innovations because innovations can help an organisation to achieve her objectives this was according to the findings from the interview guide.

4.4 Descriptive statistics on working Capital Management

The respondents of NWSC were asked whether working capital management is practiced, the researcher was interested in finding out how working capital management influences organisational performance and their responses were as below;

Table 4.7: Descriptive statistics on working Capital Management

Working Capital Management	Minimum	Maximum	Mean	Standard deviation
Management of current assets and current liabilities is highly emphasized by NWSC	1	5	3.70	1.022
NWSC allows employees to hold sufficient short term assets guaranteed by the corporation	1	5	3.40	0.855
NWSC carries out day to day management of capital of the corporation	2	5	3.90	0.802
There is an imbalance of current assets and current liabilities at NWSC	1	5	3.27	0.907
NWSC has put up various ways to manage her creditors	1	5	3.97	0.928
NWSC monitors her performance by ascertaining its assets well	1	5	4.00	0.871

Source: Primary data (2015)

Table 4.7 above indicates that the respondents of were asked whether management of current assets and current liabilities is highly emphasized by NWSC and their views were neutral on the aspect that with a mean 3.70 and Standard deviation 1.022 which is wide and this implied that the respondents had varying views on this aspect. This finding agreed with Abbasall and Milda (2012) who indicated that there is a significant relationship between working capital management and performance of a firm.

The respondents were asked whether NWSC allows employees to hold sufficient short term assets guaranteed to the corporation and their responses were neutral with a mean 3.40 and Standard deviation of 0.855 which implied that they had varying views on this aspect.

Respondents were asked whether NWSC carries out day to day management of capital of the organization and their responses were neutral with a mean of 3.90 and standard deviation of 0.802 with implied that they had varying views on this aspect. This was in agreement with Van Horne and Wachowicz (2000), who indicated that working capital management is a very important component of micro finance as it directly affects liquidity of a firm.

The respondents were asked whether there is an imbalance of current assets and current liabilities at NWSC and their responses were neutral with a mean 3.27 and Standard deviation of 0.907 which was wide and it implied that this aspect had varying views from the respondents.

Respondents of NWSC were asked whether the corporation has put up various ways to manage her creditors and their responses were neutral with a mean of 3.97 and standard deviation of 0.928 which was a wide variation and this implied that the respondent had varying views on this aspect. This finding was in agreement with Abdul and Mohamed (2007) who suggested that current assets of a firm account for over half of its assets.

The respondents were asked whether NWSC monitors her performance by ascertaining its assets well and they agreed reflected with mean 4.00 and Standard deviation 0.871 which implied that the respondents had varying on this aspect. This finding agreed with Hassan, Hallil, Arzu and Satin (2011) who studied panel data of companies and their findings revealed that reducing the cash conversion cycle a measure of working capital management positively affects return on assets a measure of profitability.

4.5 Descriptive statistics on budgetary control

The employees of NWSC were asked a question of whether the corporation carries out budgeting, the researcher was interested in finding out how budgetary control influences organizational performance and the following below were the responses;

Table 4.8: Descriptive statistics on budgetary control

Budgetary control	Minimum	Maximum	Mean	Standard deviation
My corporation always prepares budgets	1	5	4.43	0.898
Decisions made in the corporation are based on plans and programs in the budget	2	5	4.23	0.817
Performance indicators are normally included in the budgets of the corporation	3	5	4.03	0.718
All activities undertaken in the corporation are budgeted and planned for	3	5	4.17	0.747
We spend in accordance to the planned activities	2	5	4.03	0.765
Planning of the budget activities is done by the different departments of the corporation	3	5	4.70	0.740

Source: Primary data (2015)

Table 4.8 indicates that the respondents agreed to NWSC always preparing budgets reflected with a mean of 4.43. The standard deviation was 0.898 which implied that the respondents had varying views on this aspect.

Respondents were asked whether decisions made in the corporation are based on the plans and programs in the budget and they agreed reflected with a mean of 4.23. The standard deviation is 0.817 which implied that the respondents had varying views on this aspect. This agreed with Pandey (2000) who suggested that budgeting compels management to think a head and plan in a comprehensive and coherent way.

The respondents were asked whether performance indicators are normally included in the budgets of the corporation and they agreed with a mean of 4.03. The standard deviation was 0.718 which implied that the respondents had varying views on this aspect.

Respondents were asked whether all activities undertaken in the corporation are budgeted and planned for and they agreed reflected with a mean of 4.17. The standard deviation was 0.747 which is a less variation which implied that the respondents had varying views on this aspect. This was in agreement with Mathis (1996) who suggested that items on which money is spent are budgeted for and any expenditure incurred is only after reference to the budget.

The respondents were asked whether NWSC spends in accordance to planned activities and they agreed reflected with a mean of 4.03. The standard deviation was 0.765 which implied that the respondents had varying views on this aspect. Stoner (2000) was in agreement with this view where he argued that planning reduces uncertainty and provides direction to employees by determining the course of action in advance.

Respondents were asked whether planning of the budget activities is done by the different departments of the corporation and they agreed with a mean of 4.70. The standard deviation was 0.740 which implied that the respondents had varying views on this aspect.

4.6 Descriptive statistics on Organizational performance

The employees of NWSC were asked on organizational performance and their responses were as follows;

Table 4.9 Descriptive statistics on organizational performance

Organizational performance	Minimum	Maximum	Mean	Standard deviation
Profitability is an important measure in the improvement of NWSC's performance	1	5	3.83	1.35
NWSC profits are increasing over the years	1	5	4.03	0.999
NWSC allocates her resources efficiently to increase its profitability	1	5	3.77	0.898
NWSC is continuously developing new ways of improving its operations in the field	3	5	4.20	0.610
Use of E-payments, prepaid meters has greatly improved efficiency in operations of NWSC	1	5	4.00	1.017
NWSC regularly monitors her efficiency to enhance performance	1	5	4.03	0.928
Service quality is increasingly recognized as a critical factor in the success of NWSC	2	5	4.10	0.712
NWSC is able to satisfy her customers through provision of quality services	3	5	4.07	0.583
NWSC is continuously improving the quality of services rendered to its customers	3	5	4.27	0.583

Source: Primary data (2015)

Table 4.9 above indicates that the respondents were asked whether profitability is an important measure in the improvement of NWSC's performance and the response was neutral reflected with a mean of 3.83. The standard deviation was 1.35 which was wide and this implied that this aspect had varying responses.

The respondents were asked whether NWSC profits were increasing over the years and they agreed with a mean of 4.03. The standard deviation was 0.999 which implied that this aspect had varying views.

Respondents were asked whether NWSC allocates her resources efficiently to increase its profitability and their response was neutral reflected with a mean of 3.77. The standard deviation was 0.898 which implied that this aspect had varying responses.

The respondents were asked whether NWSC is continuously developing new ways of improving its operations in the field and they agreed with a mean of 4.20. The standard deviation was 0.610 which implied that this aspect had varying views.

Respondents were asked whether use of E-payments, prepaid meters has greatly improved efficiency in operations of NWSC and they agreed with a mean of 4.00 which was further emphasized from the interview guide were respondents traced that E-payments have helped in the reduction of long queues at the corporation branches. The standard deviation was 1.017 which wide and this implied that the respondents had varying views on this aspect.

The respondents were asked whether NWSC regularly monitors her efficiency to enhance performance and they agreed with a mean of 4.03. The standard deviation was 0.928 which is wide and it implied that the respondents had varying views on this aspect. This was evidenced in the interview guide whereby it was emphasized that performance measured by efficiency is very important since efficiency is a prerequisite of profitability.

Respondents were asked whether service quality is increasingly recognized as a critical factor in the success of NWSC and they agreed with a mean of 4.10. The standard deviation was 0.712 which implied that the respondents had varying views on this aspect. This was in agreement with Parasuraman et al (1988) who indicated that service quality has been increasingly recognized as a critical factor in the success of any business

The respondents were asked whether NWSC is able to satisfy her customers through provision of quality services and they agreed with a mean of 4.07. The standard deviation was 0.583 which implied that this aspect had varying views. This finding was in agreement with Lewis and Booms (1983) who proposed that service quality resides in the ability of the service firm to satisfy its customer needs that is to say customer satisfaction.

Respondents were asked whether NWSC is continuously improving the quality of services rendered to its customers and they agreed with a mean of 4.27. The standard deviation was 0.583 which implied that this aspect had varying views. This finding was in agreement with Bateson (1995) who stated that quality is generally conceptualized as an attitude and customer's comprehensive evaluation of the service offered. The interview guide emphasized management of NWSC to establish a strong relationship with her customers so as to enable the corporation to be in good position to bargain with its customers on issues concerning provision of the service to them.

4.7 Correlation Analysis

In order to determine the effect of the different dimensions of the independent variable on the dependent variable, correlation analysis was conducted and the following were the results.

4.7.1 Effect of technological innovation on organizational performance

The correlation between technological innovation and performance of NWSC was as follows;

Table 4.10 Correlation on technological innovation and performance

		Technological innovation	Organizational performance
Technological innovation	Pearson Correlation	1	.615**
	Sig. (2-tailed)		.000
	N	30	30
Organizational performance	Pearson Correlation	.615**	1
	Sig. (2-tailed)	.000	
	N	30	30

**Correlation is significant at the 0.01 level (2-tailed)

Table 4.10 above indicates that the Pearson correlation coefficient is (r = 0.615**, p< 0.01). The Pearson correlation coefficient obtained in the above table indicates that there is a positive and significant relationship of 61.5% between technological innovation and performance of NWSC. . This was in agreement with Cosh and Hughes (1996) who emphasized that innovation plays a crucial role to long term business performance.

4.7.2 Correlation between Working capital management and organizational performance

The correlation between working capital management and performance of NWSC was as below;

Table 4.11Correlation between working capital management and performance

		Working capital management	Organizational performance
Working capital management	Pearson Correlation	1	.506**
	Sig. (2-tailed)		.004
	N	30	30
Organizational performance	Pearson Correlation	.506**	1
	Sig. (2-tailed)	.004	
	N	30	30

** Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2015)

Table 4.11 above indicates that the Pearson correlation coefficient is (r = 0.506**, p< 0.01). The Pearson correlation coefficient obtained in the above table indicates that there is a positive and significant relationship of 50.6% between working capital management and performance of NWSC. This finding was in agreement with Vida, Seyed and Rezvan (2011) whose findings revealed that cash conversion cycle, a key measure of working capital management has a relationship with organizational performance.

4.7.3 Effect of Budgetary control on organizational performance

The correlation between budgetary control and performance of NWSC was as follows;

Table 4.12 correlation between budgetary control and performance

		Budgetary control	Organizational performance
Budgetary control	Pearson Correlation	1	.728**
	Sig. (2-tailed)		.000
	N	30	30
Organizational performance	Pearson Correlation	.728**	1
	Sig. (2-tailed)	.000	
	N	30	30

**Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2015)

Table 4.12 above indicates that the Pearson correlation coefficient is ($r = 0.728^{**}$, $p < 0.01$). The Pearson correlation coefficient obtained in the above table indicates that there is a positive and significant relationship of 72.8% between budgetary control and performance of NWSC. This was in agreement with Drury (2000) who argued that budgets prevent management from relying on uncoordinated planning that may be detrimental to the performance of an organization.

4.8 Conclusion

This chapter presented, analyzed and interpreted the research findings.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of findings of the study, conclusions and recommendations as guided by the research objectives and areas that need further studies.

5.1 Summary of the findings and conclusions

From the findings presented and the interpretation made, the following were observed considering the research objectives.

5.1.1 Technological innovation and organizational performance

Findings from the study revealed that there is a positive and significant relationship between technological innovation and organizational performance indicated by Pearson correlation of ($r = 0.615^{**}$, $p < 0.01$). This meant that the development of new technological innovations greatly affects the performance of the Corporation.

Since research study indicated that technological innovation has a positive and significant relationship with organizational performance, technological innovations should be highly emphasized by the corporation if the performance is to be improved.

5.1.2 Working capital management and organizational performance

Analysis of the findings revealed that there is a positive and significant relationship between working capital management and organizational performance indicated by Pearson correlation of ($r = 0.506^{**}$, $p < 0.01$). This meant that the development of working capital techniques greatly affects the performance of the Corporation. This therefore implies that if organizations need to improve their performance, they should ensure that proper working capital management is practiced.

The findings from the interview guide showed that NWSC needed to come up with various strategies of working capital management for instance, a team of engineers to be responsible for the maintenance of the corporation's machinery so that it lasts longer before the corporation procures others.

The findings from the interview guide still reflected that the corporation should put up control mechanisms in all its departments to monitor and evaluate performance of the different departments as regards management of current assets and current liabilities of the corporation.

5.1.3 Budgetary control and organizational performance

Analysis of the findings also revealed that there is a positive and significant relationship budgetary control and organizational performance indicated by Pearson correlation of ($r = 0.728^{**}$, $p < 0.01$). This meant that the development of budgetary control techniques greatly affects the performance of the Corporation. Organizations have to ensure that they don't stop at preparing budgets but also ensure monitoring and control of these budgets as a way of enhancing their organizational performance.

5.2 Conclusion

Conclusions were obtained from the research objectives of the study and they were as explained below;

From the research study, it has been found out that technological innovation like E-payments, prepaid meters, all have a positive relationship with organizational performance.

The findings from the interview guide emphasized that, employees of NWSC should always be trained to develop their skills further so that they may be in position to come up with new innovations that can lead to improved performance of the corporation.

Study findings also revealed that, technological innovations such as E-payments and prepaid meters have highly impacted on NWSC performance levels.

The research findings revealed that working capital management has a significant and positive relationship with organizational performance. This implies that NWSC's management should come up with various working capital management techniques that are geared at improving the performance of the corporation.

From the research study, it has been found out that budgetary control has a positive and significant relationship with organizational performance. Therefore, if there are effective budgetary control techniques, higher levels of performance will be realized. Management of NWSC should aim at introducing various budgetary control measures so as to improve on performance.

The research findings above indicated that technological innovation, working capital management and budgetary control have a positive and significant relationship with performance. This implied that cost management has a positive and significant relationship with organizational performance.

5.3 Recommendations

The study suggests the following recommendations

According to the study carried out, the researcher recommends that management of NWSC should invest considerable funds in research and development in order to discover new technological innovations and ever changing market trends.

Furthermore, the researcher recommends that management of NWSC should ensure that it increases on the number of skilled employees and should also train the existing employees on new technological innovations that are introduced in the corporation like on how to fix the prepaid meters. This should aim at improving service delivery and improvement in its performance levels.

The researcher recommends NWSC to introduce strict internal controls suitable for streamlining efficiency in its functions and better management of current assets and current liabilities.

The researcher recommends management of NWSC to employ well experienced and qualified employees who can effectively use working capital management techniques to manage current assets and current liabilities of the corporation.

The researcher recommends service organizations like NWSC for this case to involve employees in the making decisions. This will help them to know what actually the organization's objective is either profit maximization or attaining a fair return on investment. This should be emphasized since employees so as to encourage employees to achieve the organizational objectives.

Management of NWSC should ensure that there is introduction of cost management techniques with in the corporation so as to improve on its performance.

5.4 Areas for further research

Having carried out research on cost management and organizational performance, the researcher found it necessary to carry out research in the following areas

1. Payments as a means of enhancing performance
2. Inventory management and organizational performance
3. Product costing and organizational performance
4. Budgetary controls and organizational performance

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APPENDICES

APPENDIX I

RESEARCH QUESTIONNAIRE

Dear Respondent,

My name is **Kyazike Mary**, a student of Uganda Martyrs University Nkozi. I am pursuing a Bachelor's degree in Business Administration and Management. I am conducting a research about, "**the relationship between cost managem ent and performance of an organization"** and my case study is National Water and Sewerage Corporation. The research is being carried out as a partial fulfillment of the requirements for the award of Bachelors of Business Administration and management. I kindly request you to answer the questions in the questionnaire to the best of your knowledge. The information received will be treated with utmost confidentiality and used only for academic purposes.

Thank you so much for your cooperation.

SECTION A: Background information

Please fill in the space provided or tick the answer you think is most appropriate for the given Section.

1. State your gender

a) Male ☐

b) Female ☐

2. Which department do you belong to?

a) Top management ☐

b) Accounting and finance ☐
c) Stores ☐
d) Technical ☐
e) Procurement ☐
f) Operations ☐

3. State your academic qualification

a) Post graduate level ☐
b) Degree level ☐
c) Diploma level ☐
d) Certificate level ☐
e) Below certificate level ☐

4. For how long have you been working with NWSC?

a) Over 5 years ☐
b) 3-5 years ☐
c) 1-3 years ☐
d) Less than a year ☐

5. In which age bracket do you belong to?

a) 20-30 ☐

b) 31-35 ☐

c) 36-40 ☐

d) 41 and above ☐

SECTION B: Technological innovation

For the following please tick in the space provided to you using ranks from 1 to 5 whereby 1 represents Strongly Disagree, 2 represents Disagree, 3 represents Not sure/Neutral, 4 represents Agree and 5 represents Strongly Agree.

		1	**2**	**3**	**4**	**5**
T1	NWSC is continuously innovating on ways of improving its operations.					
T2	E-payments have been well received by customers.					
T3	Management of NWSC emphasizes the use of technological innovations instead of the manual systems.					
T4	NWSC takes imparting innovative skills in employees as a major goal.					
T5	Innovation has highly impacted NWSC performance levels.					
T6	Technological innovation assists NWSC achieve her objectives					

(7) How has NWSC encouraged innovation so as to improve performance? (Please use the space provided)

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………………………………………………………………………………………………………

(8) What challenges has NWSC faced in encouraging innovation as away to improve performance and how are these challenges being minimized. (Please use the space provided)

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………………………………………………………………………………………………………

SECTION C: Working capital management

For the following please tick in the space provided to you using ranks from 1 to 5 whereby 1 represents Strongly Disagree, 2 represents Disagree, 3 represents Not sure/Neutral, 4 represents Agree and 5 represents Strongly Agree.

		1	**2**	**3**	**4**	**5**
W1	Management of current assets and current liabilities is highly emphasized by NWSC					
W2	NWSC allows employees to hold sufficient short term assets guaranteed to the corporation					
W3	NWSC carries out day to day management of capital of the corporation.					
W4	There is an imbalance of current assets and current liabilities at NWSC					
W5	NWSC has put up various ways to manage her creditors					
W6	NWSC monitors her performance by ascertaining its assets well					

(7) In what ways has National Water and Sewerage Corporation encouraged working capital management so as to improve performance? (Please use the space provided)

………………………………………………………………………………………………

………………………………………………………………………………………………

(8) Which measures has NWSC come up with to keep her customers satisfied in the market? (Please use the space provided)

………………………………………………………………………………………………

………………………………………………………………………………………………

SECTION D: Budgetary control

For the following please tick in the space provided to you using ranks from 1 to 5 whereby 1 represents Strongly Disagree, 2 represents Disagree, 3 represents Not sure/Neutral, 4 represents Agree and 5 represents Strongly Agree.

		1	**2**	**3**	**4**	**5**
B1	My corporation always prepares budgets					
B2	Decisions made in the corporation are based on plans and programs in the budget					
B3	Performance indicators are normally included in the budgets of the corporation					
B4	All activities undertaken in the corporation are budgeted and planned for					
B5	We spend in accordance to the planned activities					
B6	Planning of the budget activities is done by the different departments of the corporation					

(7) What measures have been taken by NWSC to ensure that it spends what it budgets for?

…………………………………………………………………………………………………....

…………………………………………………………………………………………………

(8) What challenges has NWSC faced in implementing her budgets as a way to improve performance?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

SECTION E: Organizational performance.

For the following please tick in the space provided to you using ranks from 1 to 5 whereby 1 represents Strongly Disagree, 2 represents Disagree, 3 represents Not sure/Neutral, 4 represents Agree and 5 represents Strongly Agree.

		1	**2**	**3**	**4**	**5**
P1	Profitability is an important measure in the improvement of National Water and Sewerage Corporation's performance					
P2	NWSC profits are increasing over the years					
P3	NWSC allocates her resources efficiently to increase its profitability					
P4	NWSC is continuously developing new ways of improving its operations in the field.					
P5	Use of E-payments, prepaid meters has greatly improved efficiency in operations of NWSC.					
P6	NWSC regularly monitors her efficiency to enhance performance?					
P7	Service quality is increasingly recognized as a critical factor in the success of NWSC					
P8	NWSC is able to satisfy her customers through provision of quality services.					
P9	NWSC is continuously improving the quality of services rendered to its customers.					

THANK YOU

END

APPENDIX II
INTERVIEW GUIDE

(Topic: Cost management and organizational performance)

An interview to be answered by employees of National Water and Sewerage Corporation. The following are questions to be answered.

1) In your opinion sir/ madam, what are the cost management techniques used by your Corporation?

2) Basing on your knowledge of Corporation, do you think the NWSC is meeting its objectives? If yes, how is it ensuring that they are met?

3) Is efficiency in operations a prerequisite for performance of National Water and Sewerage Corporation? If yes, how is efficiency ensured?

4) What strategies should management of National Water and Sewerage Corporation come up with so as to improve on her service delivery?

5) What challenges has National Water and Sewerage Corporation faced in trying to improve on her performance

APPENDIX III
INTRODUCTORY LETTER

Uganda
Martyrs
University

making a difference

Office of the Dean
Faculty of Business Administration and Management

Your ref.:
Our ref.:

Nkozi, 24th February, 2015

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you Kyazike Mary who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a dissertation which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,

UGANDA MARTYRS UNIVERSITY
OFFICE OF THE DEAN
25 FEB 2015
FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT
SIGN:..........

Moses Kibrai
Dean

Uganda Martyrs University P.O. Box 5498 - Kampala - Uganda
Tel: (+256)038-410603 Fax: (+256) 038-410100 E-mail: bam@umu.ac.ug

END