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Foreign Direct Investment Legitimacy in Uganda: A Case Study of FDI in Neighbouring Communities in Kampala Metropolitan area

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Abstract: *Uganda has been a destination of foreign direct investment (FDI) since colonial days. Attracting FDI however, began to be prioritised as an accelerator of economic recovery, growth, and development from the 1980s. This prioritisation triggered a stream of research to analyse Uganda's ability to attract desired FDI as well as the performance and sustainability of the attracted FDI. This research stream has generated an appreciable and rising volume of scholarship over the years. A scrutiny of this scholarship reveals, nevertheless, that it has largely taken economic, political, regulatory, institutional, or environmental perspective. While these perspectives are essential in understanding FDI to Uganda in terms of its trend of inflow as well as realised gains and impact, they are not sufficient in guaranteeing the sustainability of the attracted businesses. The sociological legitimacy perspective has not attracted much scholarly attention. As such, not much is known about the sociological legitimacy of FDI in Uganda. Yet, conceived as the level of societal goodwill accorded to firms, including those established using FDI, this perspective is among the factors that influence their sustainability in business. Therefore, the objective of this article is to analyse the level of sociological legitimacy of the companies established in Uganda using FDI, and its influence of their sustainability. This objective was met based on cross-sectional survey data collected using a semi-structured questionnaire administered to a sample of 384 randomly selected heads of households located in local communities around 50 factories and installations established in Kampala Metropolitan area using FDI. Response rate was 89.6%. Data was analysed using descriptive and linear regression analysis. Findings indicate that these companies had low sociological legitimacy as most of the household heads (64.7%) did not accord societal goodwill to them. Similarly, these companies' sustainability was sociologically low as most of the household heads (63.5%) did not support their businesses by working for them, buying their products and supplying them with raw materials. This was because these companies discriminated against local employees by paying them much less than the salaries of foreigners even when the latter were at lower job ranks. These companies also practiced price discrimination by selling to local buyers at higher prices compared to foreigners. They too did not invest in social corporate responsibility. Fortunately, sociological legitimacy predicted their sustainability by a significant and positive 29.3%. Accordingly, this paper concludes that enhancing sociological legitimacy translates into significant improvement of the sustainability of companies established in Uganda using FDI. Consequently, the paper recommends to these companies to improve their business sustainability by strengthening their societal goodwill through remunerating their employees and selling their products without discriminating against locals and investing in corporate social responsibility to cultivate societal goodwill.*

Keywords: Legitimacy, Societal Goodwill, Business Sustainability, Foreign Direct Investment

I. Introduction

FDI in Uganda has taken different courses of action over the years. Politically, there has been a clear demonstration of strong political will and maintenance of political stability and favourable political climate (Wilkins & Vokes, 2023). Institutionally, Government established the Uganda Investment Authority in 1991 and mandated it to attract, license, regulate and ensure protection of all foreign investors attracted to Uganda (Jones, 2022). The Uganda Registration Service Bureau (URSB) was also established in 2004 and mandated to enhance the protection of intellectual property rights for all innovators and brands, including those attracted to Uganda (URSB, 2024). Legally, a regulatory framework for guiding UIA to protect and regulate FDI was enacted in 2019 in the form of the Investment Code, 2019. The investment policy provides for attractive incentives, including tax holidays and concessions as well as free access to a 5-year leasehold land for foreign investors whose initial capital is at least $250,000 (URA, 2022). Economic scholarship indicates that the result of these courses of action has been a significant rise in FDI flows to Uganda. World Bank (2024a) illustrates these flows by indicating that Uganda's FDI was $1.30 billion in 2019 having increased by 23.47% compared to the FDI of $1.05 billion realised in 2018. While FDI declined by 8.56% to $1.19 in 2020, it increased again by 38.33% to

$1.65 billion in 2021 and by 79.16% to $2.95 in 2022. FDI increased by 39% to $3.01 billion in 2023. This increase translated into FDI contributing 4% of Uganda's Gross Domestic Product (GDP) (Namuleme *et al.*, 2024).

Imperative to note is that while FDI's contribution to Uganda's GDP is laudable, it is still below the averages of 5.4% and 5.5% for low-income countries and the Sub-Saharan Africa, respectively (World Bank (2024b). In addition, a significant proportion of attracted FDI does not translate into sustainable business as a rising number of foreign-owned businesses such as Shoprite, Nakumatt, Uchumi and others have closed (Kato, 2021). This scenario suggests that Uganda needs to do more than what has been done to not only increase the contribution of FDI to its GDP but also ensure the sustainability of attracted foreign investors. Previous research has identified a range of remedial strategies, including strengthening governance, improving road infrastructure, traffic jam control, and reducing the cost of utilities (Namuleme *et al.*, 2024). Others include emphasising climate-smart and environment-friendly FDI, and ensuring a corruption-free FDI attraction, licensing, regulation, and supervision as well as a favourable monetary policy (Obuin, 2020; Jones, 2022).

A scrutiny of the foregoing remedial strategies reveals that they are suggested from a political, economic, regulatory, institutional, or environmental perspective. While the strategies are necessary, they are not sufficient because they do not include anything to do with the legitimacy of FDI from the sociological perspective. Yet the sociological perspective influences the sustainability of FDI by defining how society, particularly the local community supports foreign-owned businesses because of the extent to which their values, operations and activities resonate with its cherished values, rules, regulations, norms, needs, behaviours, and expectations (Chen *et al.*, 2021; Araújo, Pereira & Santos, 2023). The objective of this article is therefore to analyse the level of sociological legitimacy of FDI as assessed by local community acceptance of the values and activities of the companies established from it, and the effect of this legitimacy on the sustainability of these firms in Uganda based on local communities living near foreign-owned factories and installations in Kampala Metropolitan area.

This research contributes to the knowledge, policies, and practices of FDI in a number of ways. Results showed that corporate citizenship is essential to win the support of local stakeholders including product buyers, raw material suppliers, and labour suppliers. Manifestations of lack of acceptance of FDIs presence in local communities is manifested in community members' lack of interest to work for FDI enterprises, unwillingness to buyFDI products, and reluctance to supply raw materials. Such behaviour is an eloquent testimony of the limited sense of belonging to what FDI companies are doing, and a clear vote of no confidence in the contribution they make to local communities. To that end, results underscore the fact that failure to involve local communities in designing, formulating, implementing, and evaluating laws and regulations on FDI projects risks undermining their long-term survival. To be sustainable, FDIcompanies should be mandated to take into consideration values, norms, aspirations, interests, and expectations of local communities where FDI have their operations is crucial for the sustainability of their companies and operations.
Foreign direct investment (FDI) has been conceptually defined as the "ownership stake in a foreign company or project made by an investor, company, or government from another country" (Hayes, 2024, p.1). As a practice, FDI involves a foreign entity injecting a substantial amount of resources into establishing a new business, acquiring an existing firm, or buying shares of controlling interest in an enterprise expected to last for long in a host country (Nxazonke & van Wyk, 2019; Emako *et al.*, 2022; Guo *et al.*, 2024). OECD (2023) provides an almost similar conception by defining FDI as cross-border investment in which an investor resident in one economy establishes a lasting interest of a significant degree of influence in an enterprise located in another economy. These definitions suggest that FDI refers to the resources transferred by an entity (government or private investor) from one country into another country for the purpose of doing commercial business.

Understanding the nature, trend, and role of such resources as well as how they can be protected to minimise loss while optimising gains for both the investors and host countries has made FDI a subject of scholarly interest since the early days of cross-border business (Trakman & Ranieri, 2014). This interest translated into a stream of research in the 1960s, which gained impetus from the 1980s when attracting FDI became a prioritised strategy for increasing access to capital, technology and expertise required to boost business expansion as a vehicle for accelerating economic recovery, growth and development of host countries, especially those in the developing world (Ayenew, 2022; Jones, 2022; Burger *et al.*, 2023; OECD, 2023; Husain, 2024; Scalamonti, 2024). The scholarship that this research has generated so far indicates that FDI inflows have been globally increasing since the 1960s to the extent that they reached USD 462 billion in the first half of 2024, a value equivalent to 78% rise compared to FDI inflows recorded in the last quarter of 2023 (OECD, 2024).

Extant scholarship indicates that FDI to Uganda dates back to the last quarter of the 19th century when the British colonialists introduced it politically by investing in establishing a branch of the Imperial British East Africa Company (IBEA) in the Protectorate to commercialise this region (Oliver, 1951). FDI continued flowing from mainly Britain and World Bank into Uganda to finance the starting of foreign-owned factories to produce essential goods for the Ugandan locals and semi-processed raw materials for the metropole up to the 1970. It however, declined to negligible levels during 1971–1980 following Idi Amin's military coup d'état, expulsion of Asians, nationalisation of foreign-owned business as well as macroeconomic mismanagement and political instability that ensued thereafter (Sejjaaka, 2004). FDI was revitalized in the last quarter of the 1980s following the prioritisation of its attraction by the National Resistance Movement Government having envisioned as one of the accelerators of Uganda's economic recovery, growth, and development (Obuin, 2020).

II. Literature Review

2.1 Theoretical Framework

This study was grounded in the legitimacy theory. This theory was used to harness its ability to explain how companies (including those established using FDI) can guarantee their legitimacy by gaining, maintaining and/or repairing their acceptance in communities where they operate (Benvenuto, Aufiero & Viola, 2023). This theory was developed from the concept of organisational legitimacy, which was coined by Dowling and Pfeffer (1975). The concept of organisational legitimacy was coined to define a condition in which the value system and activities of any business entity are "congruent with the value system of the larger social system" in which it operates (Dawling & Pfeffer, 1975, p.122). The concept also refers to a condition in which any difference between the two value systems constitutes "a threat to the entity's" acceptance and endorsement by the community it seeks to serve (Dowling & Pfeffer, 1975, p.122). As this concept suggests, the legitimacy theory posits that an organisation has to align its business values and activities with the values, norms, rules, regulations, or generally institutions, needs and expectations of the community it seeks to serve if it is to avoid the threat of sanctions, which this community is capable of imposing on it by not supporting it to fulfil its mission (Suchman, 1995; Uzhegova, Torkkeli & Ivanova-Gongne, 2020).

This theory defines legitimacy as the extent to which members of a community in which an organisation operates accept and willingly support it by supplying it with human, material, and other resources as well as clientele it needs to succeed in business in a sustainable way (Crossley, Elmagrhi, & Ntim, 2021). The Theory asserts that an organisation can establish its legitimacy not only by ensuring that its business activities are not in contravention of the social, cultural, political, and religious values, beliefs, norms, rules, and expectations of the communities in which it operates (Patten, 2002). It can also do so by conducting responsible business through investing in initiatives that maintain or improve the social and environmental wellbeing of the communities (Deegan, Rankin & Tobin, 2002; Dyduch & Krasodomska, 2017; Gómez-Carrasco, Guillamón-Saorín & García Osma, 2020).

The theory states further that an organisation can build and sustain its legitimacy by publicly reporting and explaining the corporate social responsibility initiatives in which it invests to improve the environmental and social wellbeing to make the communities aware of them (Deegan *et al.*, 2002; Buallay, 2022). This awareness makes members of the communities appreciate the organisation as an entity that cares about them (Herbert & Graham, 2021). This appreciation translates into the members of the community accepting the organisation as their own instead of rejecting it (Deegan, 2002). The acceptance is demonstrated in the form of community members supporting the organisation by being willing to work for it as employees, invest in it as shareholders or buy its products as loyal clients (Patten 2002; Chen *et al.*, 2021; Araújo, Pereira & Santos, 2023). All these community legitimacy responses enable the organisation to achieve business sustainability (Meutia, Kartasari & Yaacob, 2022; Akhter *et al.*, 2023).

Generally, the legitimacy theory indicates that companies (such as those established by foreign investors) can gain legitimacy when their business values, operations and activities do not contravene but are aligned with the social, cultural, religious, work, environmental and other values, expectations, norms, and beliefs of the communities they seek to serve. Companies can also win legitimacy when they conduct responsible business by respecting and meeting the environmental protection concerns of the community while also investing in corporate social responsibility initiatives that improve the social wellbeing of the people. Community members appreciate, accept and support companies that conduct their businesses this way, and this support encourages the companies to operate sustainably.

Notwithstanding its relevance in this study, the legitimacy theory has been criticised in that it views an organisation's sustainable success in business in terms of community acceptance of what people expect it to do and how do it, rather

than in terms of what it expects to do for them to solve their problems (Martens & Bui 2023). Many organisations enter business to do what they want but not what people want them to do. In addition, this theory assumes that it is the threat of rejection by society that compels any organisation to align its business activities with community expectations (Guthri and Ward 2006). This assumption suggests that organisations that do not fear this threat due to the indispensability of their products to human life and survival (such as food, medicine, fuel and other essential goods and services) are at liberty to ignore aligning their business values and activities with community expectations (Olateju *et al.* 2021).

2.2 Literature Review

Research has shown that most countries the world over make effort to attract FDI to realise its positive socioeconomic and subsequent political outcomes (Obuin, 2020; Shafaq & Eryigit, 2020; Do & Park, 2021; Rathnayake *et al.*, 2023; Alharthi *et al.*, 2024). These outcomes include increased foreign exchange inflows, augmented business expansion and export promotion, enhanced job creation for local citizens, reduced poverty, improved access to not only more capital resources such as money, technology and expertise but also essential goods and services, and accelerated economic growth and development, which ultimately translates into better quality of life (Kurtishi-Kastrati, 2013; Godart, Görg & Hanley, 2020; Joo, Shawl & Makina, 2022; Sahoo & Dash, 2022). Different studies (such as Obuin, 2020; Shafaq & Eryigit, 2020; Do & Park, 2021; Rathnayake *et al.*, 2023; Alharthi *et al.*, 2024) indicate however, that realising these benefits in a sustainable way does not just happen. It is influenced by a range of factors, which include the host country's state of political stability, political will, investment policy, availability of business opportunities, environmental impact assessment, and more importantly for this paper, the legitimacy of FDI in the host country.

Legitimacy is a multifaceted concept whose conception depends on context. In politics, it describes popular acceptance that a given government, regime or system of governance has a right to exercise power with authority (Wiesner & Harfst, 2022). In economics, legitimacy refers to the acceptance that the business activities and products of a given enterprise are commercially appropriate regardless of their non-commercial impacts (B´en´etrix, Pallan & Panizza, 2024). In environmental science, legitimacy is the extent to which an action is ecologically friendly and therefore, acceptable (Tsoy & Heshmati, 2023; Van *et al.*, 2024). From the regulatory perspective, legitimacy refers to people's acceptance of the rule of law as the appropriate guide to acceptable behaviour (Schoon, 2022). The sociological perspective regards legitimacy as the appropriateness and acceptability of any entity's values, actions or behaviour that synchronises with the values, norms, practices and expectations of a social system or community (Dellmuth & Tallberg, 2015). An entity's value, action or behaviour is in line with those of a community if people appreciate it as appropriate, acceptable and can be supported to go on unabated (Dellmuth & Tallberg, 2015; Ignácz, 2024).

A scrutiny of the foregoing definitions suggests that legitimacy connotes political, economic, regulatory, institutional, environmental, and sociological acceptance of any entity's power, values, practices, actions, activities, behaviours, or outcomes thereof as right or appropriate in a given community. Taking the entity as any enterprise established using FDI, its legitimacy can be analysed using the political, regulatory, institutional, environmental, and sociological perspectives. Much of the research has however, focused on the economic, political, regulatory, institutional, regulatory, and environmental perspectives (B´en´etrix, 2024; Rommel, 2024; Van *et al.*, 2024). The sociological perspective has not attracted much research, ostensibly because most of the FDI decisions do not pay much attention to the non-economic concerns and expectations of local community members (Liu, Marshall & McColgan, 2023). Even the outcomes of the preliminary market surveys conducted to inform FDI decisions are considered only in the economic sense (Saurav & Kuo, 2020; Yavas & Malladi, 2020; Loncan, 2022).

Yet the sociological perspective is necessary to consider given its influence on the sustainability of any business, including that established using FDI (Chipalkatti, Le & Rishi, 2021; Wiessner *et al.*, 2024). Sustainability is differently conceived, but in this paper, it refers to the extent to which a company continues to thrive in business as a result of the societal goodwill it receives and cultivates from the local community in which it operates (Boiral *et al.*, 2019; Pistikou *et al.*, 2023). Societal goodwill refers to the enthusiastic support a company gets from members of the public because of how they feel about it or how well they wish it (Amel-Zadeh, Glaum & Sellhorn, 2021). Companies cultivate societal goodwill by doing their business responsibly by not violating, but acting in line with the values, norms and expectations of the local community while also investing in initiatives and projects that demonstrate concern for its members in need and its general welfare and development (Blanco-González *et al.*, 2023; Adomako & Tran, 2023; Abebe *et al.*, 2024).

Both the public's own and company-cultivated societal goodwill manifests the extent of legitimacy realised by the company, and is demonstrated in different ways, which include local community members giving continuous support

to the company by buying its products as loyal customers (Onyeyirichukwu & Ogochukwu, 2023). Other ways include: working for the company as passionate employees, investing in it as shareholders, supplying it with the raw materials it needs to produce its products, recognising and having trust that what it does adds value to their community, and are confident that the company's activities are beneficial but not harmful to their community as a whole (Mas *et al.*, 2021; Kim *et al.*, 2023; Suutari, Lähdesmäki&Kurki, 2023). These forms of societal goodwill legitimise any company, thereby contributing to its sustainability measured in terms of community support. Their level of demonstration has however, not been investigated for companies established using FDI. It is for this reason that this perspective is analysed in this article following the research methods explained in the next section.

III. Research Methods

The study employed an analytical cross-sectional correlational survey research design involving a largely quantitative approach complemented by some qualitative aspects. This research design was adopted to harness its ability to facilitate the collection of first-hand quantitative and qualitative data at once in order to provide a deeper understanding of the level of sociological legitimacy of the companies established in Uganda using FDI and how it predicted these firms' sustainability in business (Creswell & Creswell, 2018). This research design was applied to collect and analyse firsthand quantitative and qualitative questionnaire data from members of the local community around the factories and installations established in Kampala Metropolitan area using FDI. This area was selected because it was home to over 80% of the companies established in Uganda using FDI. It was hence largely representative of FDI inflows to Uganda. Local community members were represented in the study by heads of households that were around 50 of firms owned by foreign investors. The study population was hence made of all household heads in the community. According to the provisional Population Census Results published by the Uganda Bureau of Statistics (2024), Kampala Metropolitan area, which consists of Kampala, Mukono, Wakiso and Mpigi districts, has 3.8 million households. Therefore, the study population was 3.8 household members. According to Krejcie and Morgan's (1970) Table of Sample Size Determination, a sample size that was statistically representative of this population was 384 household heads. The expected sample size was hence 384.

The sample was selected randomly to give each household head an equal chance of participating in the study (Creswell & Creswell, 2018), since each of them was expected to have an experience of the extent to which the activities of the factories and presence of the installations established by foreigners in their neighbourhoods synchronised with values, norms, needs, practices, and expectations of their community. Data was collected from these household heads using a structured questionnaire whose validity using a content validity method was 0.889 and whose reliability was 0.887, computed using the Cronbach Alpha method of internal consistency aided by the SPSS (Version 25). The data was analysed using descriptive and linear regression analysis. While descriptive analysis was used to determine the extent to which the activities of the FDI companies synchronised with values, norms, needs, practices and expectations of their community. Linear regression analysis was used to establish how the extent of synchronisation predicted the perceived sustainability of the companies. The findings are presented in the next section.

IV. Findings and Discussion

The objective of this article is therefore to analyse the level of sociological legitimacy of FDI as assessed by local community acceptance of the values and activities of the companies established from it, and the effect of this legitimacy on the sustainability of these firms in Uganda based on local communities living near foreign-owned factories and installations in Kampala Metropolitan area. This objective was met by asking the selected household heads to use the Likert scale of responses ranging from Strongly Disagree (SD = 1) through Degree (D = 2), Not Sure (NS = 3) and Agree (A = 4) to Strong Agree (SA = 5) to assess the different indicators of sociological legitimacy as they applied to them. The findings obtained from descriptive analysis of this assessment are presented in Table 1.

Table 1: Sociological Legitimacy of companies established in Kampala Metropolitan area using FDI, as assessed by household heads

	Extent of legitimacy (N = 344 ≡ 100.0%)						
Indicators of legitimacy	SD	D	NS	A	SA	Mean	Std.
The company's management made an effort to reach out to local residents to know about the common values to respect.	31.4	48.8	10.5	9.3	0.0	2.02	0.844

The company pays attention to ensuring that its business activities do not violate local community religious practices.	41.2	22.1	17.4	14.7	4.7	1.40	0.479
The company's business activities are in line with the common values of local community.	36.0	31.4	18.6	10.5	3.5	1.73	0.852
The company's business activities match with the work ethics of local community.	25.6	34.9	12.8	9.3	17.4	2.42	0.438
The company carries out its business activities in a way that respects local community.	54.7	31.4	9.3	0.0	4.7	1.31	0.945
The company's products do not violate the norms of the local community.	18.6	10.5	3.5	36.0	31.4	3.73	0.811
The company engages local community members to understand their expectations that it should meet.	25.6	34.9	12.8	9.3	17.4	2.42	0.438
The company cares about the wellbeing of the community by contributing to solving the common problems facing it	51.2	22.1	17.4	4.7	4.7	1.40	0.828
The company identifies members of the local community in need to enable them solve their problems.	47.7	14.0	10.5	18.6	9.3	1.39	0.422
Overall assessment of legitimacy	**36.9**	**27.8**	**12.5**	**12.5**	**10.3**	**1.98**	**0.673**

Table 1 summarises how household heads assessed the sociological legitimacy of the firms established in Kampala Metropolitan area using FDI. It indicates that out of the 384 selected household heads, 344 returned the questionnaires. The actual sample was therefore 344 respondents, equivalent to 89.6% of the expected sample size. The descriptive statistics corresponding to their overall assessment indicates that household heads who disagreed and strongly disagreed were 64.7% = 36.9% + 27.8% altogether. These household heads are construed to have indicated that these companies did not have sociological legitimacy. Household heads (12.5%) who were not sure implied that they could not tell whether these companies had this legitimacy or not. The household heads who agreed and strongly agreed were 12.3% = 10.3% + 1.98% and these respondents were interpreted to have revealed that the companies had sociological legitimacy. The fact that very few household heads contrasted this view implies that these companies' sociological legitimacy was at its lowest in Kampala Metropolitan area. Indeed, implication of the view expressed by the majority of the household heads alludes to the fact that these companies had no sociological legitimacy.

The majority view is also depicted by the mean value (Mean = 1.98) corresponding to the overall assessment, which, when rounded off to the nearest whole number, was close to '2', the code for 'Disagree', suggesting that on average, household heads disagreed to the legitimacy of the companies established by foreign investors. The corresponding standard deviation (Std. = 0.673) was less than '1', alluding to low dispersion in the sample's assessment of this legitimacy. Itemised analysis of the mean values corresponding to the individual indicators of this legitimacy in Table 1 reveals the same low dispersion in the assessment of each indicator. Therefore, without deviating much from their sample average, household heads showed that these companies did not have sociological legitimacy.

More specifically, most of the household heads (80.2% = 31.4% + 48.8%) disagreed (Mean = 2.02, Std. = 0.844) that these companies' management made efforts to reach out to the local residents to know about their common values to respect. This suggests that most of these companies did not pay attention to becoming acquainted with the common values of the local communities in which they were established. In addition, the majority of the household heads (63.3% = 41.2% + 22.1%) strongly disagreed (Mean = 1.40, Std. = 0.479) that the companies ensured that their business activities did not violate the religious practices of the local community. This disagreement suggests that the companies went on with their business activities without taking the religious values of the local community into account. Likewise, most of the household heads (67.4% = 36.0% + 31.4%) disagreed (Mean = 1.73, Std. = 0.852) that the companies' business activities were in line with the common values of the local community. This suggests that these companies were not sensitive to the common values cherished by the local communities in which they operated. Similarly, most of the household

members (60.5% = 25.6% + 34.9%) disagreed (Mean = 2.42, Std. = 0.438) that the companies' business activities matched with the work ethics of the local community.

Furthermore, the majority of the household heads (86.1% = 54.7% + 31.4%) strongly disagreed (Mean = 1.31, Std. = 0.945) that these companies carried out their business activities in a way that respected local community, suggesting that these firms had no respect for local communities. In the same way, most of the household heads (60.5% = 25.6% + 34.9%) disagreed (Mean = 2.42, Std. = 0.438) that the companies engaged local community members to understand their expectations that should be met. Similarly, the majority of the household heads (73.3% = 51.2% + 22.1%) strongly disagreed (Mean = 1.40, Std. = 0.828) that the companies cared about the wellbeing of the community by contributing to solving the common problems facing it. More to that, most of the household heads (61.7% = 47.7% + 14.0%). The contrast was that most of the household heads (67.4% = 36.0% + 31.4%) agreed (Mean = 3.73, Std. = 0.811) that the companies' products did not violate the norms of the local community. This implies that the products the companies put on the markets did not violate the norms of the local community, which was understandable, since, in terms of marketing, it is difficult to sell goods and services that are in contrast with the norms or standards of behaviour observed in a community (Jia *et al*., 2023).

In general, the results in Table 1 suggest that most of the household heads showed that most of the companies established using FDI did not have sociological legitimacy because they did not pay attention to cultivating it through respecting the values, norms and work ethics of the local communities living in Kampala Metropolitan area. The companies also did not pay attention to ensuring that their business activities did not violate community rules and religious practices. They also did not invest in corporate social responsibility to show care for the needy and to contribute to solving the common problems facing the local communities. The results therefore concur with the observations made by Saurav and Kuo (2020), Yavas and Malladi (2020), Loncan (2022) and Liu *et al.* (2023) that most companies established using FDI do not pay much attention to their sociological legitimacy because most of the FDI decisions are made based largely on their economic sense. Further effort was made to establish the sustainability of the companies in terms of the local community support, also referred to as societal goodwill. Findings from descriptive analysis of how the selected household heads assessed this sustainability are presented in Table 2.

Table 2: Sustainability of companies established in Kampala using FDI, as assessed by household heads.

	Extent of sustainability (N = 344 ≡ 100.0%)						
Indicators of business sustainability	SD	D	NS	A	SA	Mean	Std.
Given chance, I would readily work for the company as its employee.	24.4	31.4	10.9	16.3	17.0	2.13	0.253
Some of the company's employees are members of the local community.	32.6	26.7	14.0	11.6	15.1	1.56	0.496
I am the loyal customer of the company in that I gladly buy from it whenever I need its products.	51.2	22.1	17.4	4.7	4.7	1.40	0.828
If this community had raw materials the company needs, I believe residents would gladly supply it with them.	34.4	21.4	20.9	16.3	7.0	2.13	0.759
Overall assessment of sustainability	**38.2**	**25.4**	**15.8**	**12.2**	**8.5**	**1.81**	**0.584**

The descriptive statistics corresponding to the overall assessment of sustainability in Table 2 indicate that most of the household heads (63.5% = 38.2% + 25.4%) disagreed (Mean = 1.81, Std. = 0.584) to business sustainability of the companies that were established using FDI. This disagreement runs through all the indicators of this sustainability. In particular, the majority of the household heads (55.8% = 24.4% + 31.4%) disagreed (Mean = 2.13, Std. = 0.253) that they would readily work for these companies as employees if they were given chance. One of these respondents explained why he disagreed to working with these companies by stating that, "*I cannot work with any Indian company because they discriminate against local people by underpaying them. Imagine an Indian sweeper getting more pay than a Ugandan in a management position*." Another local community member echoed the same view by stating that, "*Working with Chinese companies in difficult because they treat Ugandans unfairly. Can u image being at the same job rank with a Chinese, but his salary is three times the salary the company pay you?!!*" Another household retorted, "*Who can work with a company where you hear that Ugandans are treated as if they are not human beings.*" These results are echoed by the results in Table 2, which indicate

that most of the household heads (59.3% = 32.6% + 26.7%) disagreed (Mean = 1.56, Std. = 0.496) that some of the companies' employees were members of the local community, implying that not many of these members were working for the companies established from FDI.

The preceding results suggest that the sustainability of FDI companies was at stake in Uganda from the sociological perspective measured in terms of the support that local community can provide in the form of willingness to work for them. When local communities resent working for a foreign company, it does not realise the benefits of cheap local labour as Feder and Yu (2019) and Crescenzi, Ganau and Storper (2021) observed. The fact that local community members resented working for the FDI companies was linked to their unfairness in terms of enumerating local community members. This suggests that improving how these companies remunerate Ugandan employees can improve their sustainability.

The results indicate that what worsened these companies' sustainability from a sociological perspective was that most of the household heads (73.3% = 51.2% + 22.1%) strongly disagreed (Mean = 1.40, Std. = 0.828) that they were loyal customers who could gladly buy from these firms whenever they needed the products they produced. This implies that most of the local community members would not buy these companies' products. This confirms Kato's (2021) and Nakaweesi's (2021) observations that Ugandan do not buy products put on market by foreign investors. Not buying from foreign companies minimises the local market for their products, which lowers that sustainability in the local market. One of the household heads explained that locals did not want to buy the products made by these companies because of price discrimination. "*The reason we don't buy from those companies is that they sell to us at higher prices and to their fellow foreigners at lower prices. The foreigners sell to final consumers at low prices, thereby making us less competitive because we also sell to the same consumers but at a relatively higher price to make a profit*."

The above scenario is aggravated by the fact that most of the household heads (55.8% = 34.4% + 21.4%) disagreed (Mean = 2.13, Std. = 0.759) that they would gladly supply raw materials to these companies if such inputs were available in the local community. Many companies in the production business tend to be established in areas where they can access raw materials at the lowest possible cost (Darojat, 2022; Rismayanti, Lestari & Rahwana, 2022; Ulfani & Ernawati, 2023). If a local community is not willing to supply a company with the raw materials it needs to produce its products, the cost of these inputs increases because the company has to incur transport costs to get the materials elsewhere, which constrains its sustainability. Further analysis was made to establish how this sustainability was predicted by sociological legitimacy of these companies.

The analysis involved using the arithmetic technique of the data transformation method of SPSS to construct the global variables 'Sociological legitimacy' out of the responses to the items in Table 1 and 'FDI Sustainability' out of the responses to the items in Table 2. Linear regression analysis was then conducted to establish how Sustainability of company established using FDI was predicted by Sociological legitimacy. The findings are presented in Table 3.

Table 3: Linear Regression Statistics between Sociological legitimacy and Sustainability of company established using FDI

	Statistics predicted on the dependent variable: Sustainability of company established using FDI				
	Unstandardized Coefficients		Standardized Coefficients		
Predictor variable	B	Std. Error	Beta	t	p-value
(Constant)	3.487	2.830		1.232	.221
Sociological legitimacy	.470	.101	.543	4.641	.000
	R = 0.543, R^2 = 0.295, Adjusted R^2 = 0.293, F = 27.759, p-value = .000				

The regression statistics in Table 3 indicate that sociological legitimacy was a statistically significant predictor of the sustainability of company established using FDI (F (1, 343) = 27.759, p = .000). The standardised Beta coefficient was positive and significant (Beta = .543, t = 4.641, p = .000), suggesting that the prediction was positive. Therefore, a positive change in sociological legitimacy leads to a significant positive change in the sustainability of a company established using FDI. The results further show that sociological legitimacy accounted for 29.5% of the variance in the sustainability

of a company established using FDI (R^2 = 0.295). The adjusted R^2 = 0.293 indicates that the extent to which sociological legitimacy predicted this sustainability was up to 29.3%.

Generally, these statistics suggest sociological legitimacy is a significant predictor of the sustainability of a company established in Kampala Metropolitan area, and in Uganda by extension, using FDI. The results, therefore, confirm the observations made by Chen *et al.* (2021), Araújo *et al.* (2023) that any company's sustainability in business is influenced by its legitimacy in the local community within which it operates. The results also confirm the legitimacy theory that states that the extent to which a company succeeds in community is determined by the legitimacy it gains. As Crossley *et al.* (2021) observed, legitimacy is the acceptance of a company by the local community in which it operates. This legitimacy is expressed in terms of societal goodwill manifested by the extent of enthusiastic support a company gets from local community members (Boiral *et al.*, 2019; Amel-Zadeh, Glaum & Sellhorn, 2021; Pistikou *et al.*, 2023). Results in Table 1 indicate however, that most of the respondents disagreed, suggesting that these companies did not get this goodwill from the majority of local community members.

Consequently, as Table 2 indicates, the companies' sustainability in terms of local community members' desiring to work for them, buying their products, and being willing to supply them with raw materials was at its lowest. Qualitative findings revealed that local community members did not want to work for the companies because of salary discrimination that favoured foreigners against local employees to the extent that former at lower job rank received higher salaries than the latter at a higher job rank. The same findings indicated that local community members did not want to buy from the companies because of price discrimination which again favoured foreigners against local buyers, thereby disadvantaging the latter by making them less competitive due to selling higher prices to make a profit. These results suggest that companies need to cultivate their sociological legitimacy by avoid salary and price discrimination against local community members.

V. Conclusion and Recommendations

Results indicate that the legitimacy of companies in which FDI is injected in Kampala Metropolitan area, is at its lowest and their sustainability is also low from the sociological perspective. Fortunately, the established prediction suggests that any improvement in this legitimacy leads to a significant improvement in this sustainability. Therefore, the companies should cultivate their sociological legitimacy to improve their sustainability, which takes the form of societal goodwill or support in terms of local community members' desiring to work for them passionately, buy their products as loyal customers and supply them with the raw materials available in the community. To realise this legitimacy, these companies should avoid discriminating against locals working for them by remunerating them and their foreign counters equitable instead of paying foreigners at lower job ranks higher salaries compared to local employees at higher job ranks. The companies should also sell their products to fellow foreigners and local buyers at the same price instead of applying price discrimination that favours only foreigners. The companies should also demonstrate that they care about local community members by helping the needy, contributing to solving common problems facing the local communities in which they operate, and respecting the religious and other values cherished by locals while also ensuring that their business activities are in line with the norms of and expectations the local communities.

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