

**STRATEGIC CHOICES AND PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN UGANDA: A CASE OF NAKAWA DIVISION**

BY

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DECLARATION

I declare that this dissertation is my original work and has not been published or submitted to any University or Institution of higher learning for any award.

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APPROVAL

This is to certify that this dissertation has been done under our supervision and has met the dissertation requirements of Kyambogo University and is now ready for submission.

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DEDICATION

To My Grandmother; Mrs. Berna Amutuj, my brothers; Andrew Isiagi, Isaac Emuge, Boniface Okwakol, Samuel Obwatum and lastly to my friends; Christone Arinda, Emmanuel Ssemugenyi, Sarah Apio, Maria Nankinga and Patricia Kasiko.

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LIST OF ACRONYMS

BOU.....	Bank of Uganda.
GDP.....	Gross Domestic Product.
KCCA.....	Kampala Capital City Authority.
OECD	Organization for Economic Co-operation and Development
RBT.....	Resource Based Theory.
SD.....	Standard Deviation
SMEs.....	Small and Medium Enterprises.
UBOS.....	Uganda Bureau of Statistics.
UIA.....	Uganda Investment Authority.

ABSTRACT

This study sought to examine the relationship between strategic choices and the performance of Small and medium enterprises in the Ugandan. The study focus was on manufacturing SMEs of Nakawa Division. The study was guided by the Resource Based Theory and focused on addressing four objectives which included; to examine the relationship between innovation strategy and performance of SMEs, to establish the relationship between strategic alliance and performance of SMEs, to examine the relationship between market positioning and performance of SMEs and to examine the role of business environment on the relationship between strategic choice and performance of SMEs. The study adopted a cross sectional survey design and a sample of 166 manufacturing SMEs was considered for survey. The study was based on both quantitative and qualitative data collections. Qualitative data was analyzed using descriptive analysis and inferential statistics. Descriptive statistics were used to describe the response rate, respondent's characteristics and characteristics of firm. Inferential statistics based on Pearson's correlation was used to determine the relationships between variables while multiple regression analysis was used to determine the effect of business environment on the relationships of study variables. The study found out that strategic choices on innovation had a positive significant relationship with performance of SMEs. Relatedly, the study found out that strategic choice on market positioning also had a positive significant relationship with performance. However, strategic choice on alliance was found to have no significant relationship with performance. Furthermore, the study also established that business environment positively effects the relationship between strategic choices and performance of SMEs. The study therefore concluded innovation strategy and marketing positioning strategy both had a significant relationship with performance while no relationship was found between strategic alliance and performance. The study further concluded that business environment positive affects the relationship between strategic choice and performance of SMEs. The study recommended that SMEs should adopt innovation strategy to expand product base and modify existing products. It further recommended that SMEs should embrace their marketing capabilities by especially focusing on their pricing mechanism and enhance their product features to suit the market. Lastly the study recommended that SMEs actively engage in business environment oriented planning so as to understand factors driving changes that may affect the performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study effort was to establish the relationship between strategic choices and the performance of Small and Medium Enterprises in Uganda drawing on a case of SMEs operating in Nakawa Division. The sections that followed in this chapter presented the background of the study, statement of the problem, purpose of the study, study objectives, research questions, scope of the study, significance of the study, conceptual framework, and definition of key terms.

1.1 Background to the study

The background to this study is presented in four perspectives that included; historical perspective, theoretical, conceptual and the contextual perspective as discussed below.

1.1.1 Historical background

The discussion on strategic choice as a determinant of firm's performance is central in the area of strategic management (Brahmi & Laadjal, 2015). Earlier works have pointed to the ancient times to understand the emergence of the key strategic choices such as innovation, relationships, delegation and market or product positioning (Porter, 2008). For instance, while tracing for the historical development of these choices some scholars have used the example of Moses in the bible to demonstrate the long term existence of delegation as a key strategic choice resulted into successful delivery of Israelites from Egypt (Edwards, 2012). Specifically, in this story, Moses in his journey to deliver the Israelites from Slavery in Egypt faced the problem of leading the Children of Israel as a sole strategist (Bracker, 1980). And as a way of improving efficiency in his leadership he used delegation to address the challenges of lone strategist.

Other insights have come from the works of the Chinese Philosopher Sun Tzu who lived in the 545 BC and was a Chinese military general and strategist. His thinking on strategic choices is captured in his work: “the art of war” published in 1772. As early as his times, Sun Tzu advanced the need for innovation and creativity as a key strategic choice for success. Giles (1910) have linked Philosopher Sun Tzu argument to the current strategic thinking around the notion of winning a battle without wining where companies such as Apple are compared to Acer, Toshiba with Lenovo citing Apple’s advantage as coming from innovation and creativity as its competitive strategic choices. In fact, historically, the military has been a key area informing us about the origin of strategic choices in the business world given that strategy in a practice of warfare (Edwards, 2012). Indeed, as noted by Bracker (1980) strategy in Greek refers to “stratego” which was equated to army leader. From this view point, military leaders and strategists became key inventors of the different strategic choices as applied to the business world today.

While discussing the historical perspective of collaborative choice in strategic formulation, King Arthur of Britain (1485) is well cited as he gave his knights an equal say in plotting the group’s strategy through meetings held on a round table so that no voice, including Arthur’s, would be seen as more important than the others (Bracker, 1980). In regard to the role of strategic application of resources Rumelt (2011) in his famous article “Perils of Bad Strategy” showed how the British Admiral Fleet was able to defeat the combined well-endowed French and Spanish Army at the Battle of Trafalgar by focusing their limited resources to key gaps in their opponent. From this background, following the industrial revolution and the emerging forces of globalization that was happening in the 1950s and 1960s, the idea of strategic choice was borrowed by the firms as a move to outwit

competition and fit into the external environment that had a major effect on the performance of the firm (Teece, 2010).

Works of scholars such as Jauch, Osborn and Glueck (2011) have however noted that little was known about strategic management processes in developing countries inclusive of Africa. Similarly, Jones, Blunt and Sharma (1996) also pointed out that little research and analysis had been done on managerial processes in Africa requiring the need for research effort on SMEs in a country such as Uganda. Currently with intense globalization, firms require specific knowledge on adoption of an innovative strategy, marketing strategies and strategic alliance so as to gain superior competitive advantage and make choices on how to effectively allocate the limited resources (Brahmi & Laadjal, 2015). This study therefore sought to address the importance of these areas of strategic choices in enhancing performance among SMEs in Uganda.

1.1.2 Theoretical background

Several theories have been advanced to explain the effect of strategic choices on the performance of firms among which include; Strategic choice theory, Institutional theory, Resource Based Theory (RBT), and Industrial organizational theory (Chong, 2008; Edwards, 2012; Grant & Cibin, 1996). However, in this study the Resource based theory was adopted to guide the study. The RBT articulates that firms that possess strategic resources would have a golden opportunity to develop a superior competitive advantage over their rivals (Barney, 1991; Edwards, 2012).

The Resource Based Theory pointed out that the firm's superior performance is based on the nature of resources that it possesses (Barney, 1991). This was contrary to the Industry based view that emphasized the industry in which a firm is positioned. In fact, the RBT emerged as

alternative explanation of a firm's performance to the widely based industrial view on strategy (Barney, 1991).

The key emphasis of this theory was that not all resources will give a firm a competitive advantage. Instead, it is those resources that are rare, invaluable and inimitable that are a source of unique advantage for the firm (Pfahl, 2011; Wernerfelt, 2013). As such the strategic choices of firms from the perspective of the RBT are those directed towards the firm's capacity to develop and or acquire strategic resources (Mahoney & Kor, 2015). This explanation has particularly been found valuable in explaining how firms that do not necessarily have monopolistic advantages posed by large companies can succeed in the highly competitive business landscapes (Penrose, 1995; Barney, 1991; Edward, 2012).

In line with RBT thinking, in this study, the specific strategic choices that were examined were those related to innovation, strategic alliance and market positioning orientations.

1.1.3 Conceptual background

The concepts that guided this study were; strategic choices as independent variable and performance of SMEs as a dependent variable. These concepts were conceptualized and applied to different studies by previous researchers and fitted well into this study.

Strategic choices refer to various strategic options that firms can adopt so as to maximize their performance (Villalonga & McGahan, 2005). They provide an associated link between firm's resources and performance (Carraresi, Mamaqi, Albisu, & Banterle, 2011). SMEs should opt for those strategies that enable them exploit their peculiar resources and capabilities (Wernerfelt, 2013; Edwards, 2012). Strategic choices such as innovation, strategic alliance, specialize strategy, diversification and internationalization strategy are suggested as options that can be opted for by firms considering to register better performance

and develop superior competitive advantage especially in little or unprotected industry (Brahmi & Laadjal, 2015; De Rond & Thietart, 2007).

In addition, strategic choice of alliance is viewed as an association between the firm and its competitors. This is when firms choose to coordinate their skills, means and resources rather than compete amongst each other over same activity (Hoetker & Mellewigt, 2009). The alliance strategies enable various companies to build joint units in order to develop new products, share knowledge and strengthen their distribution channels (Marchesnay, 2013).

On the other hand, business environment should be taken into consideration by firms because it is suggested to play a moderating role on the relationship between strategic choice and the performance of firms (Craig & Dibrell, 2006). Therefore, it was from this theoretical background that this study drew to explain the effect of strategic choices on performance of SMEs, this study was centered on the following constructs; the innovation strategy, strategic alliance and market positioning strategy as independent variable and performance as a dependent variable.

1.1.4 Contextual background

This study context was SMEs in Uganda. SMEs constitute 90% of the private sector and their importance per sector stands at about 49% in service sector, 33% in commerce and trade, 10% in manufacturing and 8% in others (UIA report, 2017; UBOS, 2017). The SMEs are key drivers in fostering innovation, wealth creation and job creation in the study context. Nonetheless, the SMEs of interest are subject to a number of challenges. For instance, according to (Kasekende, 2018), the SMEs are facing problems that relate to low performance and survival of which only a minority of them survive in operation for more

than a few years and that very few achieve sustainable growth. In fact, even the transition to medium scale is uncommon; most SMEs remain small scale (Turyahikayo, 2018).

Strategic choice selection therefore seemed to be an important subject to study among SMEs in Uganda. In this study, the focus was on SMEs in Nakawa Division because it had a vibrant SME sector based comprising of 45% of SMEs in Kampala (Nakawa SMEs register 2017) given its proximity to key industrial parks. However, it also had overwhelming number of SMEs collapsing every year and therefore it was on this ground that this study focused on Nakawa Division.

1.2 Statement of the problem

Nakawa division is confined with a number of vibrant SMEs that account to over 45% of the total number of SMEs in Kampala District (KCCA, 2017). However, despite that current stand, SMEs particularly in Nakawa continue to register weak performance (BOU Annual Report, 2018; UIA Report, 2017). This is evidenced in statistics showing that out of 10 SMEs that are established every year, only 3 live to celebrate their third birthday (Nakawa SME register 2017; UIA report, 2017). This is also backed by BOU annual report (2018) and Kasekende (2018) indicating that though SMEs in Uganda constitute 90% of the private sector, contribute 80% of all manufacturing output and provide 2.5 million jobs, only 30% of them live to celebrate their 3rd birth day.

On the other hand, empirical studies suggest that SMEs performance is determined by the choice of strategy (Carraresi et al, 2011; Gado, 2013) however, this has not been highly applied and studies are still limited in the context of Ugandan SMEs. This study therefore sought to investigate the relationship between strategic choices and performance of SMEs in Uganda.

1.3 Purpose of the study

The purpose of this study was to examine the relationship between strategic choice and performance of Small and Medium Enterprises in Uganda with a specific focus on SMEs in Nakawa Division.

1.4 Specific objectives of the study

- i. To examine the relationship between innovation strategy and performance of small and medium enterprises in Nakawa Division.
- ii. To establish the relationship between strategic alliance and the performance of small and medium enterprises in Nakawa Division.
- iii. To examine the relationship between market positioning and performance of small and medium enterprises in Nakawa Division.
- iv. To establish the moderating effect of business environment on the relationships between strategic choices and performance of small and medium enterprise in Nakawa Division.

1.5 Research questions

- i. What is the relationship between innovation strategy and performance of small and medium enterprises in Nakawa Division?
- ii. What is the relationship between strategic alliance and the performance of small and medium enterprises in Nakawa Division?
- iii. What is the relationship between market positioning and the performance of small and medium enterprises in Nakawa Division?
- iv. What effect does business environment have on the relationship between strategic choices and the performance of small and medium enterprises in Nakawa Division?

1.6 Scope of the study

1.6.1 Subject scope

The study aimed at investigating the relationship between strategic choices and performance of small and medium enterprises in Uganda. The study basically focused on examining the relationship between innovation strategy and performance of SMEs, examining the relationship between strategic choice of alliance and performance of SMEs, analyzing the relationship between market positioning strategy and performance of SMEs and establishing the effect of business macro-environment on the relationship between strategic choices and performance of SMEs in Uganda (Thietart and Xuereb, 2005).

1.6.2 Geographical scope

This research was carried out in Nakawa Division, located on eastern part of Kampala Capital City in Kampala District. In this study, focus was on investigating the effect of strategic choices on the performance of SMEs in Nakawa Division. Nakawa Division was the appropriate choice for this study because it has a vibrant SME sector base across all industries comprising of 45% of SMEs in Kampala District with an overwhelming number of them closing down every year (Nakawa MSMEs register, 2015).

1.6.3 Time scope

The study was conducted from the month of February to July 2019. The study gathered the relevant information ranging from 2013-2018. This time was considered because it was long enough to obtain the required information for the study.

1.7 Significance of the study

Considering the statistics that prove the rate at which SMEs in Uganda are failing to meet their third birthday, there is a need for the management of these firms to be informed about

the benefits of adopting strategic choices in realization of superior competitive advantage and sustainability which this study seeks to provide.

Similarly, there is scanty research done on sustainability of SMEs in Uganda especially, the studies in strategic choices have not placed a great emphasis on the possibility of SMEs benefitting from their strategic decisions in such for superior competitive advantage. Therefore, this study suggested strategic choices such as innovation, strategic alliance and market positioning that would enable these firms manage the dynamics of competition in Uganda today.

Besides the above, it has been of the great concern to the government as to what is causing the alarming rate of collapse of SMEs in Uganda despite the financial and political support rendered to them. Therefore, this study sought to provide answers to government agencies that the cause of failure of SMEs in Uganda is beyond financial problems but rather failure to make strategic management decisions and as a result the government agencies would be able to rely on the findings to advance new mechanisms of influencing strategic decisions of these firms so as improve their performance and achieve government objective of economic development.

1.8 Conceptual framework

A conceptual framework was developed in order to help structure the research and to identify variables for measurement (Svinicki, 2008). The conceptual framework below highlighted the perceived relationships between strategic choices which was an independent variable and performance of SMEs as a dependent variable formulated for testing. Strategic choice was conceptualized by innovation strategy, strategic alliance and market positioning (Carraresi et al. 2011; Brahmi and Laadjal, 2015; Porter, 1981). Performance of SMEs was measured by

firm's relative market share, profit margin and capacity utilization (Chong, 2008) as illustrated in Figure 1 below.

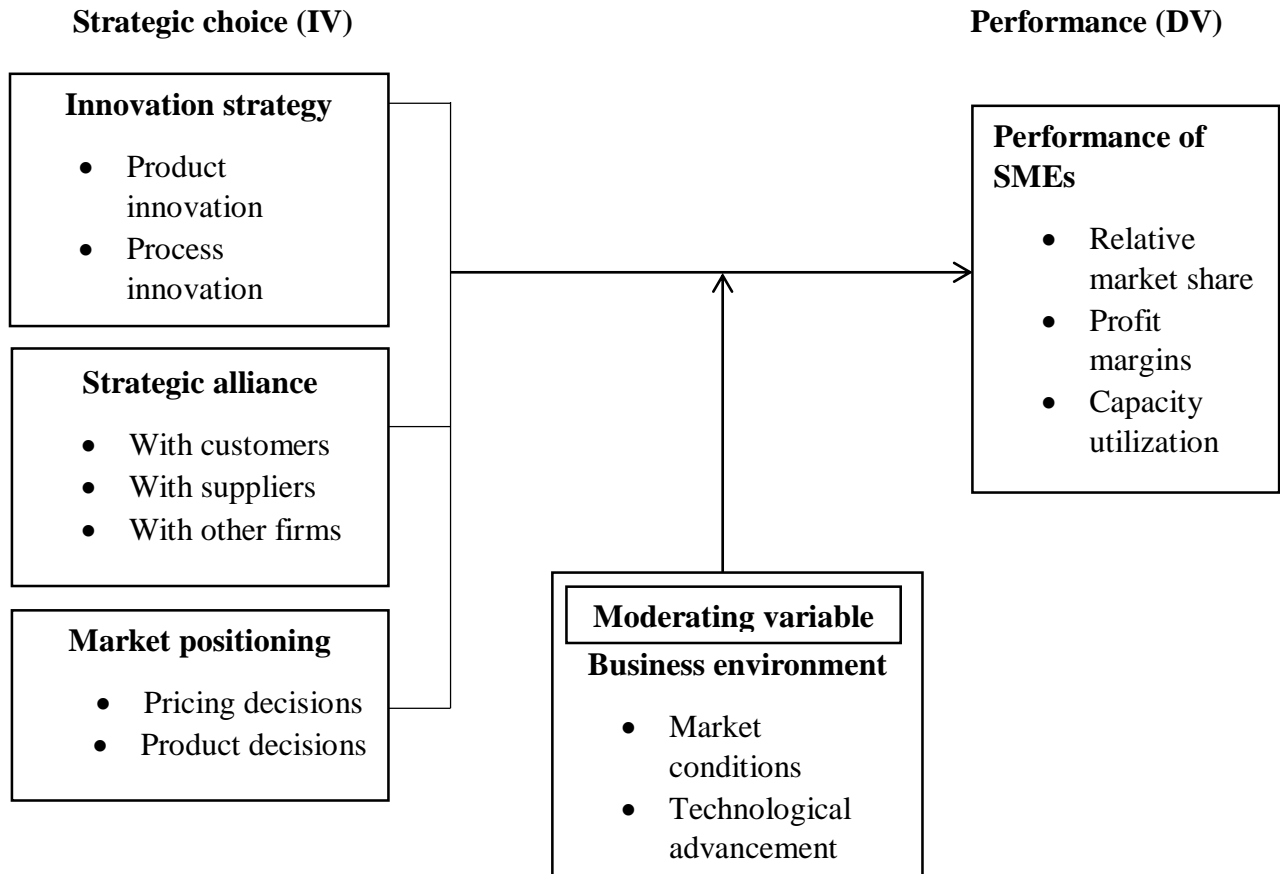


Figure 1: A conceptual framework of strategic choices and performance of small and medium enterprises

Source: Adapted from Carraresi et al. (2011), Brahmi and Laadjal (2015); Porter (1981)

In the conceptual framework above, the study drew on the RBT to illustrate the relationship between the firm's strategic choice and firm's performance. The underlying proposition of this study was that the performance of SMEs was a function of: Innovation strategy, strategic alliance and Market positioning (Carraresi et al, 2011; Brahmi and Laadjal, 2015).

On the other hand, performance of SMEs was measured by both financial and non-financial dimensions. The non-financial dimensions considered include relative market share, and

capacity utilization while the financial dimension was firm's profit margin (Chong, 2008; Venkatraman & Ramanujam, 2011; McKelvie & Davidsson, 2009).

Furthermore, the framework also depicts that business environment has moderating effect on the relationship between strategic choice and performance of SMEs. The business environment dimensions considered in this study included; market conditions and technological (Kinyua, 2014).

1.9 Definition of key terms

SMEs; are businesses with not more than three hundred employees (300) with an annual sales turnover of up to US\$15 million and this conquers with (European Commission, 2016).

SMEs; In Uganda, Small-sized enterprises are firms with less than 50 employees, while medium-sized enterprise are those with less than 250 employees (Trindade, 2014)

Strategic alliance is referred to as firm's decision to create structures, processes and integration of other stakeholders into designing and producing products (Gulati, Nohria & Zaheer, 2000).

Market positioning refers to the act by which an organization develops a unique product or service that create distinctive image in the customer's mind (Blankson and Crawford, 2012).

Strategic choices refer to various strategic options that firms can adopt so as to maximize their performance (Villalonga & McGahan, 2005)

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed appropriate literature related to the study concepts from referenced books, journals, periodicals, reports, dissertations and thesis. The reviewed literature examined how innovation strategy, strategic alliance and market positioning strategy influence firms' performance. The review began with understanding the existing theoretical lenses widely utilized in examining performance. This was followed by the review of debate concerning the concepts utilized in the study and the different empirical studies supporting the relationships that was examined in the study. And lastly, a summary of the empirical studies and literature gap was also included.

2.1 Theoretical framework

The theoretical background of this study was rooted into understanding the existing theoretical lenses and learning literature especially literature on strategic choices as well as relational embeddedness literature. This study was attached to various theories of; industrial organization theory, resource based view and dynamic capability theory as further explained in this chapter.

2.1.1 The dynamic capability theory

The theory was attributed to the works of Schumpeter (Vogel & Güttel, 2013). The theory presupposes that the firms that possess key dynamic capabilities have superior advantage over that not in possession (Helfat & Peteraf, 2003; Vogel & Güttel, 2013). Firms should possess a set of specific and unique dynamic capabilities that should be embedded in firm's processes (Bygdås, 2002; Amit & Schoemaker, 1993).

Due to the dynamism of the environment, firms have to stay ahead of competition, they should have the ability to reconfigure and integrate their internal abilities with the external opportunities (Teece, Pisano, & Shuen, 1997). In the study by Amit and Zott (2012), firm's choice of strategy is a link between its internal dynamic capabilities with the external competences. The results of the findings from the study indicated that firm's performance has a significant relationship with the dynamic capabilities.

The theory therefore was relevant to this study because it highlighted that for a firm to gain superior competitive advantage, it had to build its capability from the things it does exceptionally. This theory also informed this study in the way that firm's strategic choice was a dynamic capability that enabled the firm to create or modify resources and achieve better performance.

2.1.2 Industrial Organization Theory

Industrial organization theory is another widely used theory in the field of strategic management and is attributed to the great works of Andrews (1952). The theory gave a tentative understanding of the composition of markets and their functioning (Phlips, 2002).

In the study by Rubinstein and Tirole (2006) the findings indicated that there was a significant association between structure of market, decision making and firm's strategic choice. This was also in line with study by (Teece, Rumelt, Dosi, & Winter, 1994) that pointed that there was a "causal link between the structure of a market in which a company operates, the firm's choice of strategy and performance. This theory provided analytical aspect that identified strategic choices which firms have at their disposal with emphasis put on understanding the whole industry structure and market conditions (Porter, 1981; Teece, Psano & Shuen, 1997).

2.1.3 The Resource Based Theory

Resource based theory provided an important insight into how firms can benefit from their strategic resources. The theory presupposes that for a firm to take advantage of the current and future opportunities in their environment, it has to carefully choose an appropriate strategic choice (Barney, 2001). The Resource-based theory was advanced to explain how the firm can gain sustainable competitive advantage. It is suggested that firms whose resources do not possess the four qualities are unlikely to achieve a long sustainable competitive advantage (Grant, 1991).

The key emphasis of this theory was that not all resources would give a firm a competitive advantage. Instead, firms should have a clear distinction between their valuable and strategic resources (Barney 1991). Wernerfelt (1984) defined strategic resources as those resources that are valuable, rare, inimitable and non-substitutable. Competitor should find it costly to acquire firm's strategic resource, difficulty in replicating and should not find the alternative ways to gain benefits that the firm's strategic resource gives (Grant, 1991; Edwards, 2012). The theory emphasizes a strategic fit between the firm's internal characteristics and the resources that it possesses so as to enable the firm to define the strategy that will allow it achieve a maximum value over its competitors (Barney 1991). The firm's strategy is therefore determined by the resources at the firm's possession and the ability to deploy them in the way that is going to maximize performance (Rangone, 1999).

The resource based theory has been widely applied in understanding how a firm can achieve sustainable competitive advantage from its choice of strategy related to innovation, strategic alliances and market positioning. The relevance of this theory to the study can be attributed to the works of (Edwards, 2012; Chenhall & Langfield, 1998; Brahmi and Laadjal, 2015; Raymond & Bergeron, 2008).

Brahmi and Laadjal (2015) highlight that; there is a significant relationship between firm's strategic choice and performance. Firms should choose an appropriate strategy to register successful and sustainable performance. This is supported (Raymond & Bergeron, 2008) stating that firms should have a co-alignment between their strategic resources, strategic choices and performance and the resources should be rare, non-replicable, non-transferable and under firms control.

From the theories above, this study chose the resource based theory as the theoretical basis for the development of research model. This choice was based on several considerations. Firstly, the RBT had been widely recognized by previous studies as a well-established framework through which to study strategic choices (Barney, 1991; Grant 1991; Edward, 2012; Rangone, 1991; Wernerfelt, 1984)

Secondly, the RBV theory was chosen because it provided an important linkage between firm's main resources and capabilities to its choice of strategy. On this essence, the strategic choices for this study were those related to innovation, strategic alliance, and market positioning because they were the most appropriate to articulate the success strategies in the context of Ugandan SMEs.

2.2 Strategic choices and performance of firms

There were several definitions put forward to understand Small and medium enterprises and the definitions differ across various nations (OECD, 2000). SME definition had been based on the number of employees, sales turnover, total assets, and investment (Kurokawa, Tembo, & Willem, 2008). According to World Bank, SMEs are businesses with not more than three hundred employees (300) with an annual sales turnover of up to US\$15 million and this conquers with (European Commission, 2016)

With reference to Ugandan perspective Turyahikayo (2018) observes SME as an entity that employs not more than 50 employees, with a working capital of about 50 million Uganda shillings and the turnover value of 10-50 million Uganda shillings. On the other hand, UIA (2015) perceive SMEs as firms which employ 50 or more people with a revenue turnover of maximum Ugandan Shillings 360 million and total assets of maximum Ugandan Shillings 360 million. There are variations in these definitions and this has drawn interest from various scholars to try and understand what SMEs are and influential factors of their performance.

For this study therefore the major focus was on investigating the relationship between strategic choices and performance of SMEs and the key aspects derived for empirical investigation are innovation strategy, strategic alliance and market positioning. In this section, these concepts are explained and their link highlighted.

2.2.1 Innovation strategy and performance of SMEs

Innovation strategy is observed as a strategic choice that enhances firm's performance (Thietart & Vivas, 2008). Innovation strategy is considered to be very crucial for firms that need to prosper in today's dynamic environment of technology. It is therefore one of the strategic choice for firms that has greatly caught the attention of many firms and has drawn interest for studies from many scholars such as (Bozkurt Çetinkaya & Kalkan, 2014; Li & Atuahene, 2001; Thietart & Vivas, 2008; Schiefer & Hartmann, 2008; Letangule & Letting, 2012; Carraresi *et al.*, 2011; Brahmi and Laadjal, 2015; Ceptureanu, Ceptureanu, & Marin, 2017; Roongchirarote & Zhao, 2017; Karlsson & Tavassoli, 2016)

Thietart and Vivas (2008) stipulate that innovation strategy is a very vital option for firm's growth. In their study the interest was to investigate whether SMEs innovate either knowingly or unknowingly. The results of the study indicated that firms innovate

unknowingly because they face a lot of challenges and therefore have to respond in reactive way. The study also concluded that innovation strategy should often be a specific action of SMEs if they are to achieve sustainable growth. This is also supported by Roongchirarote and Zhao (2017) who carried a study on the impact of innovation strategy on firm's financial performance. The study that was carried out on 409 SMEs in Thailand across all industries indicated that innovation strategy had a significant influence on firm's financial performance.

Furthermore, firms should focus on innovation strategy if they are to achieve high innovation intensity. Li and Atuahene (2001) on their study on the effect of product innovation strategy on the performance of new technology ventures in China concluded that the innovation has a positive relationship with performance. They concluded that firms should assign resources to research and development so as to innovate new products which in return enable the firm to overcome competition related challenges that affect sustainability of the firm.

In addition, Innovation strategy is also considered to play a capital role because it has direct and indirect effect on the performance of SMEs. This is observed in the study; the relationship between strategic choices and performance in Italian food SMEs by Carraresi *et al.*, (2011) where the findings indicated that innovation strategy has a positive effect on the performance of SMEs but only with great focus put on obtaining distinctive resources and capabilities. Therefore, firms have to consider satisfying customer needs by continuously developing new products and improving on research and development.

Not only the above studies agree that innovation strategy has a positive effect on performance, also the study on the effect of Innovation Strategies on Performance of Firms in the Telecommunication Sector in Kenya by Letangule and Letting (2012) is in continuum with the above. Their study also concluded that innovation strategy affects the performance

of firms to a greater extent as compared to other strategies such as corporate social responsibility, networking and location strategies.

However, in slight disagreement with the above studies, Bozkurt and Kalkan (2014) in their study; Business Strategies of SME's, Innovation Types and Factors Influencing their Innovation indicated that SMEs opted more of process innovation rather than product innovation. The findings also indicated that firms should allocate more funds to facilitate innovation because there is a significant relationship between innovation and performance. The above study is also in line with the study by Karlsson and Tavassoli (2015). The later carried out a study on innovation behaviors of firm and their associated performance using five waves of community innovation survey in Sweden and the findings indicated that firms that may adopt complex innovation strategies may be better off in terms of performance than those that may adopt simple innovations. However, firms should observe that not all complex innovation strategies affect the performance significantly.

Furthermore, Brahmi and Laadjal (2015) also in their study on Strategic Choices of Small Medium-Sized Enterprises of western Algeria that was designed to determine the strategic choice that maximizes the chances of survival concluded that very few SMEs considered adopting innovation strategy. The study concluded that many SMEs opted for specialization strategy because the development of most SMEs was reliant on focusing on what they could do best given the possession of unique strategic resources and capability.

2.2.2 Strategy on alliance and the performance of SMEs

The firm's choice of strategy on alliances and its associated outcome of the firm's performance has been studied by several scholars which include Turyakira and Mbidde (2015), Chetty and Wilson (2003), Guillén and García-Canal (2013), OECD (2011), Carraresi et al. (2011), Gulati, Nohria and Zaheer (2000), Brahmi and Laadjal (2015), Koka and Prescott (2002), Álvarez, Marin, and Fonfría, 2009, Fuller-Love and Thomas (2004), Mu (2014), Naudé, Zaefarian, Najafi Tavani, Neghabi and Zaefarian (2014)

According to Gulati, Nohria and Zaheer (2000) in their study on important role of strategic networks defined strategic alliance as firm's decision to create structures, processes and integration of other stakeholders into designing and producing products. Their study sought to examine the important role of strategic alliances and the study however concluded that nature of alliances in which the firm is engaged has a significant effect on firm's conduct and performance. This is also continuum with Álvarez, Marin and Fonfría (2009) who in their study used Polytomous Logistic Universal Model to determine the role of networking in the competitiveness of firms. The study was carried out in Spain and the conclusion was that strategic alliance has a profound effect on firm's performance. The study further emphasized that there should be intra-firm alliance and customer-manufacturer alliances if the firms have to achieve sustainable performance over time.

Guillén and García-Canal (2013) point out that strategic alliance is critical if the firm is to secure important resources. Their study concluded that a firm that builds strong alliances with suppliers, customers and other key players in the industry will have an advantage to enjoy economies of scale. The networks allow the firm to have access to strategic resources and complementary skills (Chetty and Wilson, 2013). In this study, both survey and case study were used to investigate the role of strategic relationships in the internationalization of small

and medium-sized enterprises. The finding of the study was strategic relationships take various forms and therefore firms willingness to collaborate especially through horizontal and competitor-based networks gives a firm an ability to access external resources.

The study by OECD (2011) further ascertains that a strategic alliance gives flexibility. It allows firms in the tie to continuously share information, competencies and resources. The study therefore concluded that there is a significant relationship between strategic alliance and performance of firm. In addition to the above, the study by Turyakira and Mbidde (2015) that focused on networking for SMEs in Uganda concluded that there is a positive relationship between strategic networks and performance. The study further identified that strategic alliance strategy offers a superior competitive advantage to the business which in return increases the survival rate. The above observation is also in line with the study done by Carraresi et al (2011) on the relationship between strategic choices and performance in Italian food SMEs in which a survey was carried out on 69 firms. The conclusion of the study revealed that there is a positive relationship between strategic alliances and performance of SMEs. The conclusion is based on the argument that strategic alliance helps to improve the product quality through contacts with clients and suppliers.

In addition, Koka and Prescott (2008) point out that strategic alliance is a strategic decision that is categorized into prominent alliance networks and entrepreneurial networks. In their study; The influence of network position, environmental change, and strategy on firm performance carried out in steel industry concluded that the firms that participated most on entrepreneurial networks performed better than those that were involved in prominent alliances. A study on the influence of network effects on SME performance was also done on 227 managers by Naudé et al. (2014) and the findings are in continuum with Koka and

Prescott (2008). It indicated that the performance of SMEs is influenced by both external network behavior of entrepreneurs and network structure of the firm.

Furthermore, an empirical study by Fuller and Thomas (2004) with consideration of businesses in Mid Wales ascertained that firms engaged in strategic alliances gain competitive advantage over their rivals. The study also found out that the small and medium enterprises observe alliance strategy as the most cost effective strategy to improve their market stand as compared to other strategies such as innovation and positioning. This study also concurs with an empirical study by Mu (2014). A study on Networking capability, network structure, and new product development performance sought to determine the effect of strong ties and bridge ties on the new product development. The findings of the study showed that there was a positive effect of network structure on new product development only when the network capability is high.

Most researchers appear to agree that strategic choices have a positive relationship with performance however; Brahmi and Laadjal (2015) in their study that looked at determine the strategic choice that maximizes the performance of Algerian SMEs found out that 47% of SMEs surveyed showed no interest in strategic alliance strategy. The study therefore concluded that firms opted for other strategies with priority being specialization strategy.

2.2.3 Market positioning and performance of SMEs

Market positioning is one of the most vital elements of strategic marketing (Hooley, Broderick, & Möller, 1998). According to Blankson and Crawford (2012), Market positioning refers to the act by which an organization develops a unique product or service that create distinctive image in the customer's mind. Market positioning is also considered as a deliberate and iterative process that requires continuous modification of the market

offerings so as to create a distinctive image in the minds of consumers (Blankson, 2004; Greenley, 1989). The firm's choice of market positioning has to be carefully selected and therefore has attracted interest from various scholars such as (Carraresi *et al.*, 2011; Lagat & Frankwick, 2017; Mokaya, Kanyagia, & Nchebere, 2012; Miles & Mangold, 2005; Blankson & Crawford, 2012).

In an empirical study by Carraresi *et al.* (2011) aimed at investigating the relationship between strategic choices and performance of Italian food SMEs observed that market positioning is a strategic choice that gives a competitive advantage to firms. The study used a questionnaire survey on 69 firms. The findings of the study revealed that both indicators of market positioning that is; product positioning and price positioning were significant.

In addition, the concept of market positioning has been studied by Lagat and Frankwick (2017). Their study of effect of market positioning on market orientation, innovation types and performance used a questionnaire based survey on a sample of 220 managers. A correlational research design was adopted and the findings indicated a significant positive relationship between market positioning and market orientation, market positioning and innovation types, market positioning and performance.

Furthermore, Mokaya, Kanyagia and Nchebere (2012) point out that market positioning is a vital marketing tool that firms should consider if they are to curb down the competitive pressure. In their study of market positioning and organizational performance of the airlines industry in Kenya, the results from a survey of 251 customers and staff indicated that price positioning has a significant positive relationship on organization performance.

On the other hand, a study by Miles and Mangold (2005) on Southwest Airlines on positioning strategies adopted by Kenyan airlines, The study established that airlines

concentrate more on service positioning rather than other positioning strategies such as price, location and time. The study also concluded that Ownership plays a pivotal role determining what choice of positioning strategy an organization may have to adopt. This is in line with a study by Blankson and Crawford (2012). The study provides normative conclusion that multiple market positioning strategies impacts multiple firm performance indicators and most preferably service positioning and service quality which all the four firms under their investigation were employing.

2.2.4 Business environment, strategic choices and performance of SMEs

The business environment in which the firm is operating may have positive or negative influence towards the performance of the firm. This has therefore prompted firms to think of better measures to adapt or influence the business environment to achieve sustainability and unique competitive advantage. In order to understanding the moderating role of business environment on the relationship between strategic choice of a firm and its performance, several scholars have done studies which include; Egbunike and Okerekeoti (2018), Mbithi (2016); Issah and Antwi (2017), Gado (2015), Adeleke et al. (2018), Pratono and Mahmood (2014), Jabeen, Shehu, Othman, Abdullah and Mahmood (2016), Mashhadi and Ijaz-ur-rehman (2012)

Mbithi (2016) in his study that sought to examine the moderating effect of business macro environment factors on the relationship between strategy choice and performance concluded that firms that have a desire to achieve better performance should continuously scan their business environment and integrate into their choice of strategy. The study was carried in a sample of 120 managers and findings of the study showed that after inclusion of the moderating variable there was a high effect of business environment on performance. The

model also indicated a statistical significance in all moderating variables of political, economic, social-cultural and technological.

In line with the above, Issah and Antwi (2017) carried out an investigation on UK firms to establish the effect of macro-environmental factors on the performance of firms. The study used a multiple regression model to analyze data. The conclusion of the study was that collectively macro environmental factors have a strong positive effect on the performance of firms. This is also supported by the study done by Gado (2015) that was done on a sample of 20 companies in Nigeria. The study sought to establish the effect of macro environment on performance of firms. In this study the findings showed that government policies and technology have a significant effect while inflation and interest rates have a significant negative effect on performance.

Adeleke et al. (2017) in their study on the influence of external factors on construction risk management carried out on a sample of 238 contractors in Abuja and Lagos found out that there is a significant positive relationship between external factors and construction risk management. The conclusion of the study was that the company's risk that affects performance is reduced by political, economic and technological factors. This is also supported by findings from the study done by Jabeen et al. (2016) on 364 SMEs that aimed at ascertaining the moderating effect of external business environment on market orientation and business performance. The findings indicated that the model was significant and conclusion was that business environment plays a significant moderating effect on relationship between market orientation and business performance.

Mashhadi and Ijaz-ur-rehman (2012) carried an investigation on the impact of political, economic, social and technological (PEST) business environment factors. The study used a

sample size of 35 firms from Pizza fast food industry in Rawalpindi. The findings of the study indicated that all the four factors of PEST play a major influential role in determining the performance of a firm however; the moderating effect of a political factor was not significant whereas other factors were significant. The conclusion of the study was that the success of any business depends on the factors of business environment and therefore failure to take account of them would result into difficulty in formulation of strategies.

Furthermore, the study by Pratono and Mahmood (2014) on Social capital and firm performance: Moderating effect of environmental turbulence carried out on Indonesian SMEs concluded that business environment instability has a dampening role on the effect of social capital on the performance of the firm. This however indicated that SMEs should critically anticipate the negative changes on the business environment.

2.3 Summary of the literature review and literature gap

Several studies have established that firm's choice of strategy plays a crucial role in determining firm's level of performance. It is also observed in the resource based theory that unique, inimitable and non-substitutable resources of a firm provide a link between strategic choice and firms' performance. The business environment is seen to play a moderating role between firm's strategic choice and performance.

However, little studies have been done to determine the relationship between strategic choice and performance of firm in the context of Ugandan SMEs. Thietart and Xuereb (2005), Roongchirarote & Zhao (2017), Letangule & Letting (2012) are all in agreement that innovation strategic choice is very vital and has a significant relationship on the firm's performance which therefore most firms should adopt however this is in disagreement with Brahmi and Laadjal (2015) who established that few SMEs opted for innovation strategy.

Besides that, some studies for instance; Bozkurt and Kalkan (2014) and Brahmi and Laadjal (2015) only focused on determining the various types of strategic choices available for SMEs without addressing how those strategic choices relate and affect firm's performance. In addition to that some studies have only focused on determining that relationships between strategic choices and performance without addressing how firms can use their strategic choices to earn a unique competitive advantage. Most studies on the effect of strategic choices on performance have been done without the inclusion of business environment as a moderating variable (Carraresi *et al.*, 2011; Brahmi and Laadjal, 2015)

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was adopted in the study. The specific issues presented in this chapter include the research design, study population, sample size and selection, sampling techniques and procedure, data collection instruments and procedures, measurements of research variables, discussion on validity and reliability as well as ethical considerations in the study.

3.1 Research design

This study adopted a cross sectional survey design based on both quantitative and qualitative approaches. This was employed because it was effective for gathering data and carry out analysis across a section of SMEs located in Nakawa Division (Tierney, 2002). Quantitative approach was preferred to provide mathematical expression and make inferences about SMEs on chosen variables of interest. Qualitative approach enabled the study to carry out an in-depth probe and interpretation of data on the level of adoption of strategic choices amongst SMEs of interest. Furthermore, this study was descriptive in nature and gave clear understanding of the relationship between study variables of interest.

3.2 Study population

This study focused on SMEs in Nakawa Division as a unit of analysis. Nakawa division has several SMEs that cut across all sectors (Nakawa SME register, 2018). But this study focused on Manufacturing SMEs confined in designated industrial areas of Nakawa Division and only those that had been in business for not less than 5 years. This therefore constituted a study population of 217 SMEs (Nakawa SMEs register, 2018)

3.3 Sample size

A sample size of 166 SMEs from a targeted population of 217 manufacturing SME was considered with the help of Krejcie and Morgan (1970) statistical Table. The sample size breakdown is indicated in Table 1 as per designated areas of Nakawa Division.

Table 1: Population and sample size distribution

Industrial area	Population	Sample
Nakawa	85	67
Bugolobi	62	44
Ntinda	70	55
Total	217	166

Recommended Sample Population (Krejcie & Morgan, 1970). Source Nakawa SME register (2017)

3.4 Sampling Techniques and procedure

The study used stratified sampling technique to choose a sample of 3 industrial areas of Nakawa, Bugolobi and Ntinda. This technique was chosen because all industrial areas were given equal chance. Afterwards, systematic sampling was used to arrive to the final sample size of 166 SMEs from the 3 industrial areas mentioned above. The data was therefore collected from representatives of each of these firms who were either owners or managers who were chosen purposively because they had the right information for this study.

3.5 Data sources

Both primary and secondary data was gathered to support the study. The study used a survey method to collect primary data from respondents. Primary data sources were considered appropriate for this study and appropriate data collection instruments were used to gather first-hand information. Specifically, Questionnaires were preferred for this study. For

secondary data, the researcher reviewed business reports, government reports and any other published data concerning SMEs in Uganda and Particularly Nakawa Division. Secondary data was used to supplement on the questionnaire data.

3.6 Data collection instrument

The main data collection instruments adopted in this study were structured survey questionnaires and interview guide. Secondary data was collected from business reports, government reports and any other published data concerning SMEs in Uganda

3.6.1 Self-administered questionnaire

This study adopted questionnaire method of data collection as one of the main instrument. A questionnaire method had been widely used by previous scholars and considered to be appropriate for the study (Gado, 2013; Brahmi and Laadjal, 2015). The questionnaire method was chosen for this study because it was effective, affordable and faster. It also eliminated biases and gave respondents time to fill them at their convenience (Gado, 2013).

This study used structured questionnaires consisting of closed ended questions capturing all study objectives. The questionnaire was designed in five main sections; The first section addressed issues of company profile and respondent's bio-data, section two addressed innovation strategy, section three addressed alliance strategy, section four addressed marketing positioning strategy and lastly section five addressed SMEs performance.

Each section had clear instructions presented to the respondents on how to complete the questions. The questionnaire was pretested and refined before being supplied to various SMEs in Nakawa Division

3.6.2 Interview guide

Interviews were used in this study. Interview was one of the appropriate methods of collecting primary data since they allowed collection of qualitative information for a specific study (Saunders, 2012). The interviews in this study were conducted face-to-face between the researcher and the respondent. An interview guide was prepared to help the researcher probe and collect in-depth data as required per the study. This instrument was adopted because it helped collect qualitative data from the technical persons at Nakawa Division and also from owners of firms under survey.

3.7 Validity and Reliability of the instruments

3.7.1 Reliability of instruments

To ensure reliability of the research instrument, the questionnaire was pre-tested on few firms before actual collection of data commenced. This was done so as to identify irregularities in the variables. The researcher also ensured reliability by clearly defining and operationalizing the variables of the study (Sekaran & Bougie, 2010). In addition, Cronbach's alpha coefficient was computed to test for the internal consistency of the study variables. All variables with Cronbach's alpha coefficient of above 0.7 were considered reliable for data collection (Veal, 1997) as shown in Table 2 below

Table 2: Summary of reliability tests

Reliability Statistics		
Variable	Cronbach's Alpha	N of Items
Innovation strategy	0.758	6
Alliance strategy	0.722	6
positioning strategy	0.747	5
firm's performance	0.861	5
Business environment	0.684	5

The results in Table 2 show that Cronbach's alpha coefficient for the items that were considered for further analysis. The coefficients ranged between 0.861 for firm's performance, Innovation strategy had 0.758, Alliance strategy with 0.722, market positioning strategy had 0.747 and lastly Business environment had 0.684. This indicates that the measurement scales used in the study were sufficiently reliable and adequately measured the variables for the study.

3.7.2 Validity of instruments

Validity refers to measure of degree of accuracy and truth of the research results (Kurian, 2014). To test for face validity, the research questionnaire was pre-tested on few firms to identify biased items so as to modify them. Construct validity test was carried out through checking well with the supervisors whether right constructs had been captured in the study. This ensured accuracy of the findings. Content validity was achieved through factor analysis and all items that did not meet the requirements were ignored for further analysis.

3.8 Procedures of data collection

The researcher sought for approval from Graduate School of Kyambogo University to ensure that the ethical guidelines were followed and build confidence of the respondent throughout the data collection process. Each questionnaire had a cover letter introducing the researcher and requesting for the respondent's cooperation in providing the required information for the study. The respondents were assured of confidentiality of their information provided and that the study findings were to be used for academic purposes only. Before the questionnaires were supplied, the researcher sought for advice from experts to check the content validity of the questions and their comprehensibility. Questionnaires were then supplied to the respondents who recorded their responses and later on collected. Interviews were conducted and

administered by the researcher to gain clear understanding of background, performance and operations of SMEs.

3.9 Measurement of variables

The study variables were measured using constructs adapted from existing studies that used similar constructs and modified to match the context of Uganda.

3.9.1 Strategic choices

Strategic choice represented the independent variable for this study. The measurable constructs for strategic choice in this study were; innovation strategies, strategic alliance and market positioning strategies.

Innovation strategies: This was measured in two dimensions; product innovation and process innovation (Bozkurt and Kalkan, 2014). The respondents were required to give their responses on the extent to which they agree on to the Likert scale of 1-5(1=strongly disagree and 5=strongly disagree) to some of the statements about number of new products/ services introduced and number of existing products improved, major changes in methods, equipment and/ or software.

Strategic alliance: This was conceptualized into three dimensions; Network with customers, Network with suppliers, Knowledge sharing with other firms (Ruben *et al.*, 2006); Carraresi, 2011). The respondents were required to give their responses on the extent to which they agreed on to the Likert scale of 1-5(1=strongly disagree and 5=strongly disagree) to some of the statements about importance of building stable connections with the other agents of the supply chain, importance of vertical relationships with suppliers and customers, Importance of trust, Importance of commitment, Importance of communication

Market positioning strategies: In this study market positioning was conceptualized basing on two dimensions; product decisions and pricing decisions (Horska, 2004). The respondents were required to give their responses on the extent to which they agree on to the Likert scale of 1-5 (1=strongly disagree and 5=strongly disagree) to the following statements; Our products often satisfy our customers, we have the ability to position our products in the market, we attribute our company's success to the product features, our product features are not comparable to those of competitors and Our prices help our products penetrate the markets

3.9.2 Performance of SMEs

Performance in this study was operationalized as both financial oriented and non-financial oriented (Ittner, Larcker, & Randall, 2013). In a bid to measure firm's performance, The respondents were required to give their responses on the extent to which they agree on to the Likert scale of 1-5 (1=strongly disagree and 5=strongly disagree) to the following statements; our business has expanded in the last five years, our business capital has been growing over the past 5 years, our cash collections have increased over the last three years, our profits have been growing over the last five years and the business' assets have increased in the last 5 years.

3.9.3 Business environment

A moderating variable was business environment. This was operationalized in terms of market conditions and technological advancements (Silva, Leitão, & Raposo, 2007). The respondents were required to give their responses basing on the extent to which the business environment dimensions moderated the relationship between their strategic choices and the performance of firms.

3.10 Data Analysis

Data collected was compiled with help of EpiData software, checked for normality and edited. The 23.0 SPSS software version was used to carry out a number of tests. For instance, for normality tests of data, Shapiro-Wilk test was used since the elements in the study were less than 2000. With the help of this software, descriptive statistics were used to describe the sample characteristics and firms' characteristics through computation of mean, frequencies, standard deviation.

Correlation analysis was used to determine the relationships between study variables. Pearson's correlation coefficients were determined in the study to prove the extent of relationships with computations done using Statistical package for social sciences (SPSS 23.0). Furthermore, multiple regression analysis was used to determine the total effect of independent variable on dependent variables as per this study. It was also used to determine the effect of business environment on the relationship between strategic choices and performance of SMEs. This also helped to measure percentage of variation to which the independent variable explains the independent variable.

Data collected with the use of interviews was categorized according to emerging variables from each question in the interview guide and analyzed using content analysis to determine the adequacy of the information, credibility, usefulness and consistency (Mugenda & Mugenda, 1999).

3.11 Ethical Considerations

In consideration of research ethical principles, the researcher obtained an introductory letter from graduate school of Kyambogo university seeking acceptance to carry out research at Nakawa division. The researcher ensured maximum protection of the respondents' rights and

maintains confidentiality of the data throughout entire the study. The research also sought for consent from the management and participants to involve voluntarily in the study. This was achieved through ensuring that none of the respondents was forced to declare his or her name. The respondents were informed about the reason and purpose of the research.

3.12 Limitations

First, the sample size was generally not big enough to cover most firms resulting into sampling errors. This in return led to wrong generalization of the findings across the sector. However, this was curbed by increasing on the sample size and the use systematic random sampling.

Secondly, the study based on only two factors of business environment which included, general market conditions and technological advancement. This left out other business environment factors such as cultural and political factors which would have enhanced the robustness of the study models as well as the generalizability and validity of the results if many factors had been tested.

And lastly but not the least, the response rate to questionnaires was anticipated to be low. This was because most of the potential respondents may have tight schedules. However, the study designed an interview guide as a triangulation mechanism of eliciting some information for purposes of this study.

CHAPTER FOUR

PRESENTATION OF DATA, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

The study examined the relationship between strategic choices and performance of small and medium enterprises. This chapter gives the presentation, analysis and interpretations of the study findings. The findings are presented as per specific objectives that guided the study. It therefore presents response rate, respondents' characteristics, firms' characteristics, descriptive statistics and lastly inferential statistics.

4.1 Response rate

From a sample of 166 SMEs of Nakawa division that were chosen for the study, a total number of 166 questionnaires were supplied out to the respondents and only 86 answered questionnaires were received giving the response rate of 52%. This was a moderate and acceptable response rate as per Baruch and Holtom (2008). This was as a result of unwillingness by most of the medium firms to avail information. However, this was achieved through employing two research assistants. In addition, the study targeted to interview 6 firms among which all willingly gave information hence achieving 100% response rate.

4.2 Background information

Background information was required in this study to determine sample characteristics, opinion about strategic choices and whether the respondents from which data was collected possess comparable characteristics with those of the targeted population. Respondents were asked to indicate their gender, age, education and job position in the firm. In addition, the respondents were also asked to indicate the business type, years of operation and number of employees.

4.2.1 Respondents characteristics

This section presents respondent's characteristics in terms of their gender, age, years spent in the business and the position in the firm. This information was crucial in order to determine the respondents' characteristics in this study. This data is summarized in the Table 3 below

Table 3: Respondents characteristics of Nakawa Division

Gender	Frequency	Percent
Male	47	54.7
Female	39	45.3
Total	86	100
Age bracket	Frequency	Percent
below 25years	1	1.2
25-35years	50	58.1
36-45years	30	34.9
46-55years	4	4.7
above 55years	1	1.2
Total	86	100
Education of respondent	Frequency	Percent
Primary	4	4.7
Secondary	24	27.9
Tertiary	31	36
University	27	31.4
Total	86	100
Job position	Frequency	Percent
Manager	28	32.6
Owner	55	64
Others	3	3.4
Total	86	100

Source: Primary data

The results in Table 3 above indicate that majority of the participants in the study were males constituting 54.7 percent while female constituted only 45.3 percent.

In line with the age of the respondents, the findings indicated that majority of the respondents were between 25-35 years constituting 58.1 percent. It further indicates that respondents that were between 36-45 years constituted 34.9 percent. Only one respondent was above 55 years constituting 1.2% of the sample and one respondent was below 25 years which also constituted 1.2 percent of the sample.

In terms of education level of the respondents, only 4.7% of the respondents were primary leavers. 24.7% of the respondents were educated up to the level of secondary. 36% of the respondents were tertiary literates while those that had studied up to the level of university and beyond constituted of 31.4%.

Lastly, the study was also interested in ascertaining the job position of the respondent in the firm. The findings indicated that majority of the respondents were owners of the firms comprising of 64%. Managers were also part of the respondents who occupied 32.6% and lastly those that belonged to other positions such as cashiers, storekeepers which constituted 3.4%.

4.2.2 Firms' characteristics

The table below shows firms' characteristics which included business type, years of operation and number of employees.

Table 4: Firms characteristics of Nakawa Division

Business type	Frequency	Percent
welding and metal fabrication	23	26.7
restaurant and food processing	43	50
Carpentry	20	23.3
Total	86	100
Period of business operation	Frequency	Percent
5-10years	37	43
11-15years	37	43
above 15 years	12	14
Total	86	100
No. of employees	Frequency	Percent
1-5 employees	1	1.2
6-50 employees	43	50
51-100 employees	32	37.2
Above 100 employees	10	11.6
Total	86	100

Source: Primary data

From Table 4 above, majority of the SMEs that participated in the study were dealing in restaurant and food processing and represented 50% of the sample. This was followed by firms that were dealing in welding and metal fabrication that represented 26.7% and lastly 23.3% represented firms that were dealing in carpentry.

With regards to years of operation, the findings indicated that all firms that were part of the study had operated for at least 5 years and above. Firms that had operated between 5-10 years

and between 11-15 years each constituted 43%. The firms that had operated for more than 15 years only constituted of 14%.

As per the number of employees, the findings revealed that majority of the firms employed between 6-50 employees and constituted 50%. Firms that employed between 51-100 employees constituted 37.2%. Only 11.6% of the firms employed more than 100 employees and 1 firm employed between 1-5 employees.

4.3 Descriptive statistics of the study variables

The study variables that were adopted in the study included innovation strategy, strategic choice on alliance and Market positioning. Respondents were therefore required to indicate the degree to which their firms adopted these strategic choices

4.3.1 Adoption of innovation strategy amongst SMEs of Nakawa Division

Respondents provided their views in relation to the extent to which they either Disagree or Agreed that innovation strategy had been considered in their firms. Specifically, the evidence collected focused on eight areas namely: The business allocates money for discovering new ideas and processes, our business encourages new product and process ideas from employees, our business supports new innovations from employees, the business rewards employees with innovative ideas, our new products help us keep pace with competition and we attribute our business's success to our innovation strategies. The findings are therefore presented in Table 5 below

Table 5: Descriptive statistics on adoption of innovation strategy amongst SMEs of Nakawa Division

Items	Mean	Std. Deviation
The business allocates money for discovering new ideas and processes	3.14	1.339
Our business encourages new product and process ideas from employees	4.15	.695
Our business supports new innovations from employees	4.10	.841
The business rewards employees with innovative ideas	3.48	1.335
Our new products help us keep pace with competition	4.23	.821
We attribute our business's success to our innovation strategies	4.13	.837
GRAND MEAN	3.87	0.98

Source: Primary data

Note: These items were measured on a five point Likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean

As shown in Table 5 above, generally there is high adoption of innovation strategy amongst SMEs of Nakawa Division in terms of extent to which introduction of new products was used as a strategic weapon by the firm (Mean=4.23, SD=0.821). This is followed by the extent to which firms encouraged new products and process ideas from employees registering a mean score of 4.15 with standard deviation of 0.695.

According to the findings in the Table 5 above, other items that were considered in the study to evaluate adoption of strategic choice on innovation also registered different results. For

instance, firm's encouragement of new innovation from employees registered a mean score of 4.10 and Standard deviation of 0.841, business rewards for new innovative ideas registered a mean score of 3.48 with standard deviations of 1.335. The table also indicates that firms that perceived success to be a result of innovation registered a mean score of 4.13 and standard deviation of 0.837.

Lastly, Table 5 indicates that firm's perception of allocating money as a tool of adopting innovation strategic option registered the least mean score of 3.14 and standard deviation of 1.339 as compared to the other items considered.

4.3.2 Adoption of strategic alliance strategy amongst SMEs of Nakawa Division

Respondents provided their views in relation to the extent to which they perceived the degree of adoption of strategic choice on alliance. They recorded their degree of agreement in line with the Likert scale of 1-5 to the following statements; our business collaborations with other players in the market place are good, the business is committed to building relationships with the supplier, the business is committed to building relationship with customers, we train our employees on how to build relationships with our customers, our stakeholders are always important to us and we consider our company's success to be as a result of our strategic alliance. Therefore, Table 6 below presents evidence

Table 6: Descriptive statistics on adoption of strategic alliance strategy amongst SMEs of Nakawa Division

Items	Mean	Std. Deviation
Our business collaborations with other players in the market place are good	4.06	.831
The business is committed to building relationships with the supplier	4.35	.628
The business is committed to building relationship with customers	4.42	.583
We train our employees on how to build relationships with our customers	4.09	.916
Our stakeholders are always important to us	4.44	.500
We consider our company's success to be as a result of our strategic alliance	4.16	.648
GRAND MEAN	4.25	0.68

Source: Primary data

Note: These items were measured on a five point Likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean

From Table 6 above, it was observed that there is high degree of perception to adoption of strategic alliance. The findings revealed that majority of the firms had a strong positive perception about the importance of all stakeholders to the firm (Mean=4.44, S. D=0.500), it was also revealed that the firms were committed to building alliances with customers and suppliers as observed in the mean scores of 4.42 with standard deviation of 0.583 and mean score of 4.35 with standard deviations 0.628 respectively. In addition, the results also indicated that firms perceived their business success to be as a result of strategic alliance

(Mean=4.16, SD=0.68). Firms also indicated that employees were always trained on how to build relationship with customers with mean score of 4.09 and standard deviation of 0.916. Lastly it was observed that firms' collaboration with other players in the market place was good with mean score of 4.06 and standard deviation of 0.831.

4.3.3 Adopt of market positioning strategy amongst SMEs of Nakawa Division

The study also focused on strategic choice of market positioning. In bid to establish the findings on these objective, respondents provided their view in relation to the extent to which they; strongly disagree (SD), Disagree (D), Not sure (NS), Agree (A), strongly agree (SA) to the following statements; Our products often satisfy our customers, We have the ability to position our products in the market, We attribute our company's success to the product features, Our product features are not comparable to those of competitors and Our prices help our products penetrate the markets. Findings are therefore presented and analyzed in the table below basing on mean and the Standard Deviation.

Table 7: Descriptive statistics on adoption of market positioning strategy amongst SMEs of Nakawa Division

Items	Mean	Std. Deviation
Our products often satisfy our customers	4.40	.638
We have the ability to position our products in the market	4.14	.722
We attribute our company's success to the product features	4.33	.641
Our product features are not comparable to those of competitors	4.07	.865
Our prices help our products penetrate the markets	4.36	.612
GRAND MEAN	4.28	0.7

Source: Primary data

Note: These items were measured on a five point Likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean

From the findings in the Table 7 above, it was revealed that most of the firms perceived their products to be often satisfying customers which constituted the highest mean score of 4.40 with standard deviation being 0.638. It was also observed that firms perceived to be having the ability to position their products to the market place (Mean=4.14, SD=0.722).

The findings in Table 7 also indicate that majority of the firms attributed their business success to the product features (Mean=4.33 and SD=0.641). Firms that perceived their product features not to be comparable to those of competitors registered a mean score of 4.07 and standard deviation of 0.865. Lastly, firms that perceived their prices to be a strong tool to

positioning products into the market had a mean score of 4.36 and standard deviation of 0.612.

4.3.4 Business environment consideration amongst SMEs of Nakawa Division

In a bid to determine firms observation of business environment, the firms were required to indicate the extent to which they agreed or disagreed with the issues that were chosen in the study that related to; our business often collects information from the business environment, we often consider the general market conditions in our strategic decision, we often consider the technological advancements in our strategic decision, our business always has mechanisms of predicting the changes in the business environment. The results are indicated in table 8 below.

Table 8: Descriptive statistics of SMEs’ consideration of business environment

Items	Mean	Std. Deviation
Our business often collects information from the business environment	3.87	1.015
We often consider the general market conditions in our strategic decision	4.01	.677
We often consider the technological advancements in our strategic decision	3.99	.642
Our business always has mechanisms of predicting the changes in the business environment	3.86	.635
GRAND MEAN	3.90	0.74

Source: Primary data

Note: These items were measured on a five point Likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean

From the Table 8 above, the results indicate that despite all firms leaning towards agreeing with all issues considered in the study since mean scores were slightly above the average as according to the Likert scale of 1-5. There are however notable variations for the different items evaluated. For instance, majority of the firms put much consideration on the general market condition while making strategic decisions with a mean score of 4.01 and standard deviation of 0.677. Other items considered in the study to evaluate firm's business environment orientation also registered varying results as indicated in the Table 8 above. For instance, technological orientation in firm's decisions making registered a mean score of 3.99 and standard deviation of 0.642. Firms also indicated that they often collected information from business environment (mean=3.87 and SD= 1.015). Lastly firms indicated that they had a mechanism of predicting changes in the business environment which registered a mean score of 3.86 and standard deviation of 0.635.

4.3.5 The performance of SMEs of Nakawa Division

In a bid to evaluate the performance of SMEs of Nakawa division, respondents were required to give their views about their firm's performance level. Table 9 below presents variations in the performance levels of SMEs in regards to the item which include; our business has expanded in the last five years, our business capital has been growing over the past 5 years, our cash collections have increased over the last three years, our profits have been growing over the last five years and the business' assets have increased in the last 5 years.

Table 9: Descriptive statistics on performance of SMEs of Nakawa Division

Items	Mean	Std. Deviation
Our business has expanded in the last five years	4.49	.548
Our business capital has been growing over the past 5 years	4.36	.684
Our cash collections have increased over the last three years	4.43	.585
Our profits have been growing over the last five years	4.42	.677
The business' assets have increased in the last 5 years	4.50	.609
GRAND MEAN	4.44	0.62

Source: Primary data

Note: These items were measured on a five point Likert scale where 1=strongly disagree and 5=strongly agree. S.D indicate the degree to which individual scores by respondents are far from the mean

According to Table 9 above, most firms perceived their performance to be high as observed on the mean scores on items in the table that were chosen for the study. It can be observed in the table that firms' perceived their capital to have grown over the last five years with the mean score of 4.36 and standard deviation of 0.684.

The findings also revealed that majority of the firms registered an increase in businesses assets over the last five years (Mean=4.50 and SD=0.609). Other items that that were considered to measure firms' performance included; our business has expanded over the last five years which registered a mean score of 4.49 and standard deviation of 0.548, our cash collections have increased over the last three years registered a mean score of 4.43 and standard deviation of 0.585, and lastly the firms that indicated that their profits had grown over the last five years had a mean score of 4.42 and Standard deviation of 0.677.

4.4 The findings on the relationship between the study variables

To establish the relationship between study variables, bivariate analysis was utilized. Pearson's correlation was basically utilized to establish the link between firm's performance and the various independent variables that were chosen for the study which included; innovation strategy, strategic alliance and market positioning strategy. Business environment which was a moderating variable was also correlated to independent variable and dependent variable. Composite mean scores were determined for all variables that constituted more than one dimensions. The results from the correlation analysis are indicated in Table 10 below.

Table 10: Relationship between study variables

Variables		(1)	(2)	(3)	(4)	(5)
Innovation (1)	Pearson	1				
Alliance (2)	Pearson	.324**	1			
Positioning (3)	Pearson	.294**	.312**	1		
Business environment (4)	Pearson	-.021	.004	.087	1	
Performance (5)	Pearson	.347**	.092	.335**	.102	1

Source: Primary data

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

* . Correlation is significant at the 0.05 level (2-tailed).

N=86

Table 10 above therefore presents the findings of the study in relation to links between study variables. According to the findings, it is observed that there is a variation on how various constructs that represented the independent variable relate to the performance of SMEs

Relationship between innovation strategy and performance of SMEs

In a bid to establish the relationship between strategic choice on innovation and the performance of SMEs in Nakawa Division, the results in the Table 10 present the evidence that there is a significant positive relationship between innovation strategy and performance ($r = 0.347$ with $P < 0.01$). This implies an increase in adoption of innovation strategies results into an increase in the performance of SMEs.

Relationship between strategic alliance strategy and performance of SMEs

The results in Table 10 indicate that strategic choice on alliance is not significantly related to performance ($r = 0.092$) with P value > 0.05 ($\text{Sig} = 0.398$). This implied that there is no statistical evidence to suggest that strategic alliance contributes positively to performance of small and medium enterprises in Nakawa Division. However, it was found out that there is a significant positive relationship between strategic choice on positioning and strategic alliance ($r = 0.312$ and $\text{Sig} = 0.003$) implying that firms that adopt market positioning strategy are the same firms in the sample that were observed to adopt alliance strategy at higher level.

Relationship between marketing positioning strategy and performance of SMEs

The results in Table 10 also indicated that market positioning had a positive significant relationship with performance represented by Pearson's correlation coefficients 0.335 and significant at $P < 0.01$. This implied that increase in adoption of marketing positioning strategy will result into an increase in performance of SMEs.

It can also be observed in the results that firms that adopted strategic choice on innovation are the same firms that adopt strategic alliance and also adopt market positioning strategy. This is backed by evidence showing that there is a significant relationship between innovation strategy and alliance strategy ($r=0.324$ and $\text{sig} =0.002$), innovation strategy and market positioning ($r=0.299$ and $\text{Sig}=0.006$).

The findings in Table 10 further indicates that business environment has a negative relationship with innovation strategy ($r= -0.021$ and $\text{Sig}=0.851$). In addition to that, it is also observed that business environment has a very weak relationship with other strategic choices on alliance and market positioning

4.5 Regression results

In a bid to evaluate the moderation effect of business environment orientation of the relationship between strategic choices and performance of SMEs, regression was run to determine the predictive power of Strategic choice on performance of SMEs. Specifically, the regression was run to determine the extent to which innovation strategy, strategic alliance and market positioning affect performance. The regression results are therefore presented in the tables below.

Table 11: Regression Results on the Relationship between innovation strategy and performance

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.										
	B	Std. Error	Beta												
1 (Constant)	3.454	0.295		11.698	0.000										
Innovation	0.254	0.075	0.347	3.386	0.001										
<table border="0"> <tr> <td>R</td> <td>R Square</td> <td>Adjusted R Square</td> <td>F</td> <td>Sig.</td> </tr> <tr> <td>.347</td> <td>0.12</td> <td>0.11</td> <td>11.465</td> <td>.001</td> </tr> </table>						R	R Square	Adjusted R Square	F	Sig.	.347	0.12	0.11	11.465	.001
R	R Square	Adjusted R Square	F	Sig.											
.347	0.12	0.11	11.465	.001											

a. Dependent Variable: Performance

b. Predictors: (Constant), Market positioning

Source: Primary data

Results in Table 11 indicate that the model fits in the data well (F-statistic=11.465, p-value<0.01). The model statistics explain variances in performance by up to 11% (Adjusted R²=0.11). It also indicates that there was a significant positive effect of innovation strategy on the performance of SMEs ($\beta=0.254$) implying that, any effort undertaken to adopt an innovation strategy, on average brings about a 25.4% increase in the performance of Small and medium enterprises.

Table 12: Regression Results on the Relationship between strategic alliance and performance

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.006	.513		.7806	.000
1 Strategic alliance	.102	.120	.092	0.849	.398

R	R Square	Adjusted R Square	F	Sig.
.0092	0.009	0.003	0.721	0.398

a. Dependent Variable: Performance

b. Predictors: (Constant), Strategic alliance

Source: Primary data

Results in Table 12 indicate that the model does not fit well the data to explain the effect of strategic alliance on performance (F=0.721 and P value>0.05).

Table 13: Regression Results on the Relationship between market positioning and performance

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.885	.480		6.014	.000
Market positioning	.363	.112	.335	3.259	.002
<hr/>					
	R	R Square	Adjusted R Square	F	Sig.
	.0335	0.112	0.102	10.624	0.002

a. Dependent Variable: Performance

b. Predictors: (Constant), Strategic alliance

Source: Primary data

From the results in Table 11 it is observed that the model fits well the data to explain the extent to which innovation strategy can predict the changes in the performance SMEs (F-statistic=10.624, p-value<0.01). The findings also indicated that market positioning explains variances in performance by up to 10.2% (Adjusted R²=0.102). It also indicates that market positioning positively affect performance of SMEs indicated by $\beta=0.254$.

Table 14: Regression results of effect of Business environment orientation on the relationship between strategic choices and performance of SMEs.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.432a	0.186	0.157	0.458	6.259	.001 ^b
2	.503b	0.253	0.197	0.447	4.467	.001 ^c

a. Predictors: (Constant), Innovation, alliance, market positioning

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.74	0.581		4.72	0.000
	Innovation	0.216	0.079	0.294	2.729	0.008
	Alliance	-0.098	0.12	-0.089	-0.822	0.413
	Market positioning	0.3	0.116	0.276	2.575	0.012
2	(Constant)	2.822	0.577		4.894	0.000
	Innovation	0.277	0.082	0.377	3.357	0.001
	Alliance	-0.227	0.13	-0.206	-1.751	0.084
	Market positioning	0.355	0.116	0.328	3.06	0.003
	Moderated innovation	0.132	0.06	0.257	2.208	0.03
	Moderated alliance	-0.096	0.051	-0.225	-1.905	0.06
	Moderated positioning	-0.049	0.06	-0.092	-0.822	0.414

a. Dependent Variable: Performance

b. Predictors: (Constant), Innovation, alliance, market positioning

c. Predictors: (Constant), Innovation, alliance, market positioning, Moderated innovation, Moderated alliance, Moderate market positioning

Source: Primary data

In a bid to examine the effect of business environment orientation on the relationship between strategic choices and performance of Small and medium enterprise, a multiple regression model was run. For instance, strategic choice was first regressed with performance to determine its direct effect on performance.

The results in the Table 14 above indicated that the model fits well the data and significantly explains the direct effect of strategic choices on performance of small and medium enterprises ($F=6.259$, $P\text{-Value}<0.01$). This implied that combined independent variables in model 1 can significantly predict the changes in the performance. The findings indicate that there is a positive significant relationship between strategic choices and performance ($r=0.432$). It is observed in model 1 that strategic choices explains 15.7% changes in performance as a result of strategic choices (Adjusted $R^2=0.157$)

In model 2 its observed that when strategic choices were subjected to moderation, the relationship improved and was significant ($R=0.503$). This therefore indicates that business environment orientation plays a positive moderation role on the relationship between combined independent variables and performance of SMEs. It is also observed that predictive power (Adjusted R^2) increased from 0.157 before inclusion of variable to 0.197 after inclusion of variable.

With the $F=4.467$ and $P\text{-Value}<0.01$ indicated that model 2 significantly explains the moderation role of business environment on the relationship between strategic choices and performance.

CHAPTER FIVE

SUMMARY, DISCUSSION OF FINDINGS, CONCLUSIONS, RECOMMENDATIONS AND AREAS OF FURTHER STUDY

5.0 Introduction

This study sought to examine the relationship between strategic choices and performance of small and medium enterprises and therefore this chapter presents the summary, conclusions, recommendations and areas for further research.

5.1 Summary of findings

The study found out that majority of the SMEs of Nakawa Division adopted various strategic choices including innovation, alliance and market positioning strategies. However, the study found out that very few firms allocated money as one measure of enhancing innovation in their businesses. It was also revealed that reward extension to innovative employees was low amongst SMEs of Nakawa division as they considered this to be a cost. This was also backed by interview findings where most of the respondents disagreed with whether their businesses often allocated some money for innovation and rewarded employees with innovative ideas.

The study also found out that strategic choice on alliance had a very low contribution to the performance of SMEs as compared to other strategic choices of innovation and market positioning which were adopted in the study. However, with reference to the grand mean, majority of the SMEs in Nakawa division had adopted alliance strategy much more than innovation and market positioning.

The study also established that majority of the firms perceived a gradual increase in their performance with majority of them revealing that their assets had increased over the last five years which then had resulted into the expansion of their businesses.

The study also revealed that majority of the SMEs considered general market conditions as the major factor of the business environment that had an influence in their decision making process. It was further revealed that generally business environment moderates the relationship between firm's strategic choice and the performance of that firm. Therefore, firms should have much business environment orientation so as adopt the right strategic option that will enhance performance.

The study also established that generally strategic choice has a statistically significant relationship with performance of small and medium enterprises. Therefore, firms that would wish to register an increase in performance and develop a superior competitive advantage should have a co-alignment between their strategic resources, strategic choices and performance.

5.2 Discussion of findings

5.2.1 The relationship between strategic choice of innovation and performance of SMEs

The study established that firms that make an effort to adopt innovation strategy are firms that would most likely register an increase in performance. This is explained in the correlation results that indicated that there is a statistically positive and significant relationship between innovation strategy and performance of SMEs in Nakawa division. This explanation agrees with Carraresi *et al.*, (2011) who also studied the relationship between strategic choices and performance of Italian food SMEs and established that there was a positive significant relationship between innovation strategy and performance. This finding of the study also supported by interview responses of the firm's that argued out that customers are often attracted to purchase new and unique products that appear in the market.

Thietart and Vivas (2008) also agrees that innovation strategy is very vital option for firm's growth. This is in agreement with the findings of this study where majority of the firms attributed their business success to their innovation strategies that they had adopted. In addition, the study also established that innovation of new products is very crucial for firms to keep pace with competition. This was revealed on an item on whether firms perceived new products to be a tool of matching competition. This was in agreement with Li and Atuahene (2001) who ascertained that there was a positive relationship between product innovation and performance. However, this was in slight disagreement with Bozkurt and Kalkan (2014) who in their study on business strategies of SMEs established that most firms opt for process innovation rather than product innovation.

From the interviews one of the owners of the firm had this to say

Innovation strategy was used especially product-oriented innovation was used in welding doors, beds and window frames to fit the customized demands of the customers. This supported the business win competitive advantage over other manufacturers in Nakawa. Innovation is part of our daily activities and we have integrated it within the business objective so that at every level of production employees have to aware that they need to innovate new products for our customers.

5.2.2 The relationship between strategic choice of alliance and performance of SMEs

While the study established that innovation strategy and market positioning had a significant positive relationship with performance, the findings on alliance strategy were in contrary. The evidence in this study revealed that there was no relationship between strategic choice of alliance and performance. This means that firm's performance would not necessarily be determined by the relationships that the firm has with other major players in the market but rather by other factors. The findings are in agreement with the study by Brahmi and Laadjal

(2015) who in their study found out that 47% of SMEs surveyed showed no interest in strategic alliance strategy

However, these findings are in contrary to the study by Gulati, Nohria and Zaheer (2000) who ascertained that the nature of alliances in which the firm is engaged had a significant positive relationship with performance. The evidence in the study was also in slight disagreement with Turyakira and Mbidde (2015) who carried out a study that focused on networking of SMEs in Uganda and established that there was a positive and significant relationship between strategic alliances and firm's performance.

On the other hand, the study added something unique to this area by suggesting that stakeholders in business should be treated with utmost good care because they determine the continuity of the business. There was an observation that firms' perception of stakeholders is an important factor in business. This was in agreement with study by OECD (2011) which ascertained that firm's alliances with stakeholders enable the firm to share information, competencies and resources required for continuous operation.

However, this finding has been found out to be in contrary to the opinions of the respondents who were interviewed for instance this is what one of the respondent has to say.

Alliances are considered in our business especially with customers and suppliers. We try to involve our customers when making decisions on what features to be included in the products. Suppliers are involved in to our decision making process all in a bid to keep them close and have close relationships with them. This has helped us a lot because we have never run short of timber which is our major raw material. Customers always find it easy to make orders and they are supplied with furniture that suits their demand. This has given a boost in our sales and generally performance of our business.

5.2.3 The relationship between strategic choice on market positioning and performance of SMEs

In the study the relationship between market positioning and performance of SMEs was evaluated. The evidence demonstrated that market positioning was an important area of consideration in terms of enhancing the performance of small and medium enterprises, with the findings showing a positive and highly statistically significant relationship. These findings were in line with some existing literature that advocated for firms to improve on their marketing strategies so as to occupy a distinctive image in the mind of customers. For instance, Carraresi et al. (2011) established that market positioning was one of the strategic choices that gave a competitive advantage to firms. Their findings just as the current study revealed that market positioning constructs of product and price positioning had a significant relationship with performance.

The study findings specifically added uniquely to this area by suggesting that product positioning would contribute to customer satisfaction among SMEs which is the current focus of customer relationship management. This was supported by Miles and Mangold (2005) who established that firms should concentrate on service positioning more than other positioning strategies of pricing, location and time. Their findings revealed that service positioning plays a major pivotal role in determining firm's performance.

The findings also revealed that a price was a very important tool for penetrating to new market areas and positioning products. This findings were also in line with Mokaya, Kanyagia and Nchebere (2012) who carried out a study on relationship between market positioning and performance of an airline firm and revealed that price positioning had a significant positive relationship with performance.

These discussions tend to agree with respondent's opinions raised in the interview with the manager of one of the carpentry firm who had this to say;

Our customers are very important to us. We consider them during our pricing strategies so that they are able to meet the prices for our products of value. This is the direct cost of the amount of money the buyer has to pay for the product bought. Thus, price is one of the factors affecting the consumer, because it helps him to understand the value of the product. Our prices have given us competitive advantage in the market because customers find it affordable and this has resulted into better performance for us over the years.

5.2.4 The role of business environment on the relationship between strategic choices and performance of SMEs

The study found out that general market condition and technological advancements played a moderating role between strategic choices and performance of small and medium enterprises. Business environment moderates the relationship through technological advancements and market conditions in which the firm is operating. It was found out that business environment strengthens the relationship between strategic choices and performance of SMEs. Through consideration of changes in business environment, firms would be able to adopt better strategic options which in return would result into better performance.

The major focus had always been on the direct relationship between strategic choices on innovation, market positioning and alliance with performance however this study emphasized the need to consider the business environment. This appeared to be in agreement with Mbithi (2016) who established that firms that desired to achieve high performance should continuously scan the changes in the business environment and integrate them into choice of strategy. Issah and Antwi (2017) also agree that collectively business environment has a strong positive effect on relationship between firm's strategy and performance.

The findings were also found out to be supported by the opinions of some respondents from the interview who had the following to say.

Planning is sometimes challenging in our company because today a lot of things are changing in the environment both within the market and also technology. This changes sometimes come unexpectedly and has to push us to the drawing board. However, we try as much as possible to consider the changes first when setting objectives and strategies we apply. This has helped our firm a lot because each time we consider changes in the market and technology we are able to produce according to the needs of our customers and these give us better performance.

5.3 Conclusion

The findings of this study demonstrated evidence that strategic choices have positive relationship with performance of SMEs. In the market environment where low performance is still a central challenge facing most of the SMEs in Uganda today, adoption of proper strategic choice can aid in combating these challenge and gaining a superior competitive advantage. While limited financial support and poor management have all along been considered the major factors affecting SMEs in Uganda, evidence demonstrates that adoption of wrong strategic choice also greatly affects most SMEs today. This is evidenced in the findings that established that strategic choice on alliance had a low contribution to SMEs performance.

The findings specifically revealed that innovation strategy has a significant relationship with performance. It indicated that SMEs that enhanced their innovative abilities through developing new products and modification of existing products will have an increase in their performance.

The study further concluded that firms that concentrate on developing product features that are unique and charge prices that are competitive will create a distinctive image of the

products in the mind of consumers. This was from the findings that demonstrated that strategic choice on market positioning had a significant relationship with performance.

From the findings of the study, it is concluded that general market conditions and technology moderately affect the relationship between strategic choices and performance of small and medium enterprises. It is revealed that firms that consider general market conditions and technological advancement in their decision making will most likely have an increase in their performance much more than when those factors have not been considered.

5.4 Recommendations

This study recommends that SMEs should adopt innovative thinking to expand product base and modify existing products. SMEs should invest some resources to market research so as to devise ways of producing same products but at a minimum cost which in return enhances performance.

Given the fact that market positioning strategy has a significant relationship with performance, the study recommends that SMEs in Uganda should embrace their marketing capabilities and especially focus on their pricing mechanisms and product features. This is because prices and product features are key elements to market positioning. SMEs should try their best to develop blockbuster products that are extremely popular amongst market segment and generating sales. These firms should also charge competitive prices that do not scare away customers. The price should be competitive enough to keep the product in the market for longer time. This is because this study's outcome has shown market positioning contributes positively to performance.

The study also recommends that SMEs should actively engage in business environment oriented planning. In a rapidly changing business environment today, most of the SME activities are rendered obsolete and therefore SMEs should try to understand the business

environment factors driving changes and consider them before adopting a specific strategic choice. This is because the business environment a moderator on the relationship between strategic choice and performance of SMEs.

5.5 Suggestions for further research

While this study advanced a number of interesting suggestions, it found out that strategic alliance had no significant relationships, future studies should probe into this area and establish the effect of alliance strategy on performance of SMEs.

This study concentrated on examining the relationship between strategic choices on innovation, alliance and market positioning with performance of SMEs in Nakawa division. However, there are several strategic choices that further studies should consider which may include; location strategy, diversification strategy, corporate social responsiveness etc.

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APPENDICES

APPENDIX 1: SURVEY QUESTIONNAIRE

Dear respondent,

The researcher is a student pursuing a Master of Business Administration at Kyambogo University. The study is on strategic choices and performance of SMEs in Uganda, a case of Nakawa Division. You have been identified as a respondent, and therefore requested to kindly spare a few minutes of your busy schedule to fill this questionnaire. This study is purely for academic purposes. Your honest answer and sincere responses are highly appreciated and shall be treated with outmost confidentiality.

SECTION A: Demographic Data

In this section you are requested to tick the option that best suits you

1) Characteristics of the respondent

a) Gender of respondents:

1) Male 2) Female

b) Age of the respondent

1) Below 25years 2) 25-35years 3) 36-45years 4) 46-55years

5) Above 55years

c) Level of education attained:

- 1) Primary level 2) secondary level 3) Tertiary level 4) University

d) What is your current position in the firm?

1) Manager

2) Owner,

Others (specify).....

2. Characteristics of the business

a)) What type of business are you involved in?

1) Welding and metal fabrications

2) Restaurant and food processing

3) Carpentry

Others (Specify).....

b) How long have you operated this business?

- 1) 5-9 years 2) 10- 14 years 3) 15 years and Above

c) How many people does your business employ?

- 1) 1-5 2) 6-49 3) 50-100 4) above 100

SECTION B-E: Strategic choices and firm’s performance

From statements in section B to section E, tick in the spaces provided the extent to which you agree to them using the scale below: 1-Strongly disagree (SD), 2-Disagree (D), 3-Neutral (N), 4-Agree (A) and 5-Strongly agree (SA)

SCALE	1	2	3	4	5					
	SD	D	N	A	S A					
SECTION B. INNOVATION STRATEGY				SD	D	N	A	SA		
				1	2	3	4	5		
1.	The business allocates money for discovering new ideas and processes									
2.	Our business encourages new product and process ideas from employees									
3.	Our business supports new innovations from employees									
4.	The business is never contented with only existing products									
5.	The business often keeps modifying the existing processes of production									
6.	The business rewards employees with innovative ideas									
7.	Our new products help us keep pace with competition									
8.	We attribute our business’s success to our innovation strategies									
SECTION C: STRATEGIC ALLIANCE				SD	D	N	A	SA		
9.	We often consider building trust with other firms									

10.	Our business collaborations with other players in the market place are good					
11.	The business is committed to building relationships with the suppliers					
12.	The business is committed to building relationship with Customers					
13.	We train our employees on how to build relationships with our customers					
14.	Our stakeholders are always important to us					
15.	We consider our company's success to be as a result of our strategic alliances					
SECTION D: MARKET POSITIONING		SD	D	N	A	SA
16.	We often develop private branded products for specific customers					
17.	Customers perceive our products as quality products					
18.	Our products often satisfy our customers					
19.	We have the ability to position our products in the market					
20.	We attribute our company's success to the product features					
21.	Our product features are not comparable to those of competitors					
22.	Our prices help our products penetrate the markets					
SECTION E: BUSINESS ENVIRONMENT		SD	D	N	A	SA
23.	Our business often collects information from the business					

	environment					
24.	We often consider the general market conditions in our strategic decisions making					
25.	We often consider economic changes in our decision making					
26.	We often consider cultural factors in our strategic decisions of alliance					
27.	We often consider the technological advancements in our strategic decisions of innovation					
28.	Our business always has mechanisms of predicting the changes in the business environment					
	SECTION E: FIRM'S PERFORMANCE	SD	D	N	A	SA
	Profit margins					
29.	Our business has expanded in the last five years					
30.	Our business capital has been growing over the past 5 years					
31.	Our cash collections have increased over the last three years					
32.	Our profits have been growing over the last five years					
33.	The business' assets have increased in the last 5 years					
	Market share					
34.	We sell more quantities of products per day					
35.	Each year we register an increase in sales volume					
36.	Our firm has been expanding as a result of expanding market share					
37.	Our production levels have increased due to increased					

	market share					
	Capacity utilization					
38.	We are able to utilize all our machines					
39.	Our production space is utilized efficiently					
40.	Our output to input ratio is always high					
41.	Our employees give in much effort to improve on quantity of out put					

Thank You for Your Cooperation

APPENDIX 2: INTERVIEW GUIDE

1. Please share with me about the business that you are involved in.

Probe areas: The history of the business, the activities involved in, people involved in it, current stand of the business, and mission of the business.

2. Please share with me about your business new innovations.

Probe areas: The product innovation and modifications and process innovations.

3. Please share with me about your business relationships with other firms, customers and suppliers.

Probe areas: The nature of business relationships, how the business acquires resources, how the business manages competition, the benefits of strategic alliances.

4. In your opinion have you found out easy to position your products into the market.

Probe areas: The importance of positioning strategy, how the firm has managed to penetrate the market, the nature of prices charged and products that the business deals in.

5. In your own observation, what strategies do you think you adopted that have enabled you stay in the market for the period you have been operating this business.

APPENDIX 3: INTRODUCTION LETTER

APPENDIX 4: LETTER OF RECOMMENDATION