EFFECT OF INNOVATIVENESS ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN NAMANVE AFTER COVID-19

BY

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DECLARATION

I, Nambazira Catherine, declare that this dissertation is my own original work and has not been presented to any university or higher education institution for academic recognition before.

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APPROVAL

This dissertation has been authored under our guidance and is currently being submitted for further examination with our official endorsement as supervisors from Kyambogo University.

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I owe a profound debt of gratitude to my family. Your words of motivation and instances of empathy have granted me the resilience to surmount obstacles and persist.

DEDICATION

To my loving family: my parents and siblings, I extend my gratitude for your constant love, support, and comprehension during the course of my research. Your belief in me has been my motivation to persevere in the face of challenges. I dedicate this work to you with heartfelt gratitude.

LIST OF ABBREVIATIONS AND ACRONYMS

EPRC:	Economic Policy Research Centre
GDP:	Gross Domestic Product
MSMEs:	Micro, Small, and Medium Enterprises
PCA:	Principal Component Analysis Model
PLS-SEM:	Partial Least Squares Structural Equation Modeling
SEM:	Structural Equation Modeling
SMEs:	Small and Medium Enterprises

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ABSTRACT

The pandemic has forced small and medium enterprises (SMEs) to adjust to a new normal, with changes in customer behavior, supply chain disruptions, and new safety regulations. The overall objective of the study was to examine the effect of innovativeness on the performance of SMEs in Namanve during Post covid-19. A sample of 233 SMEs was selected using simple random sampling. The study used structured questionnaire to collect data from the respondents. The study used a multiple linear regression to examine the effect of innovative capability, innovative strategy, and innovative culture on the performance of SMEs. The findings revealed that innovative capability had a positive and statistically significant effect on the performance of SMEs in Namanve during the post covid-19 period (B = 0.350, P-value (0.000) < 0.05). The findings from the model indicated that innovative strategy had a statistically significant positive effect on the performance of SMEs in Namanve during the post covid-19 period (B = 0.395, P-value (0.00) < 0.05). The regression findings further revealed that innovative culture did not have a significant effect on the performance of SMEs in Namanve during the post covid-19 period (P-value (0.395) > 0.05). In conclusion, the study highlights the significant role of innovativeness in enhancing the performance of SMEs in Namanve during the post covid-19 period. Specifically, both innovative capability and innovative strategy emerged as influential factors contributing to improved SME performance within this context. For recommendations, government should prioritize offering entrepreneurship training programs to SMEs in Namanve. These programs can cover innovation, market analysis, adaptability, and other relevant skills to empower operators with the tools they need to navigate challenging situations. Organize workshops, seminars, and conferences that bring together SMEs and potential collaborators. These events can serve as platforms for idea exchange, networking, and identifying potential collaboration opportunities in challenging times. The SMEs in Namanve should embrace the adoption of new technology, software, and equipment to streamline their operations in challenging times.

Key words: Innovativeness, Innovative capability, Innovative strategy, Innovative culture and performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The pandemic has forced small and medium enterprises (SMEs) to adjust to a new normal, with changes in customer behavior, supply chain disruptions, and new safety regulations. Innovative SMEs have been better equipped to adapt quickly to these changes, through the creation of novel products and services, adopting new technologies, as well as finding new ways to reach and serve their customers. In the era of the post Covid-19 pandemic, innovation has played a pivotal role in shaping the performance of SMEs. Those SMEs that demonstrated agility by swiftly adapting, introducing new services and products, and devising innovative methods to connect with their customer base have experienced greater success amid these trying circumstances. Innovative SMEs have also been able to reduce their costs and stay competitive, which is essential for ensuring their sustained expansion and continued existence (Huang et al., 2023). Thus, this study intends to examine how innovativeness influenced the performance of SMEs in post covid-19 times in Namanve.

This section focuses on providing an overview of the background, problem statement, objectives, hypotheses, conceptual framework, study's significance, defining the scope, and clarifying key terminology.

1.1 Study Background

The background section offers a deeper understanding of the study by exploring its historical, theoretical, conceptual, and contextual perspectives.

1.1.1 Historical Background

In the global context, SMEs encountered a multitude of obstacles and hardships as a result of the pandemic. The enforcement of lockdowns and mobility constraints by governments across different countries had a substantial impact on the functioning of SMEs, resulting in interruptions and weakening their financial stability. As a consequence, these enterprises found themselves vulnerable to financial risks (Omar et al., 2020; Oyewale et al., 2020). Consequently, a significant number of SMEs worldwide were rendered incapable of effectively managing the circumstance (Ozili, 2020). Certain businesses suspended their operations and remained shut down from the early months of the outbreak onward (Bartik et al., 2020).

From the perspective of Indonesia, many SMEs could hardly survive and were eliminated from the market during the period of post covid-19. The available data indicates that approximately 30 million SMEs in Indonesia faced bankruptcy and were unable to continue their operations throughout the pandemic (Kadin, 2021). Several challenges emerged as a result of the government's policies related to social distancing, remote work, and other measures aimed at curbing the pandemic's spread. These challenges had significant ramifications for the viability of conventional SME enterprises in Indonesia. The impact of the Covid-19 pandemic was especially evident in small businesses across different sectors of the region, leading to significant financial losses. In fact, some businesses incurred exceedingly substantial losses when compared to the profits they had garnered just a few months prior to the onset of Covid-19 (Setyoko & Kurniasih, 2022).

In Sub-Saharan Africa, SMEs constitute as much as 90 percent of the total businesses. These enterprises encounter financial and operational challenges even during favorable economic periods, and the COVID-19 crisis exacerbated the difficulties they already grappled with on a regular basis. For instance, securing financing, which is essential for the growth of any evolving

business, posed a significant hurdle for many of these enterprises before the global crisis. Currently, the new pandemic-induced limitations on financial support present even more formidable obstacles to the functioning and financial viability of small businesses, putting many of them at risk of closure. Across Sub-Saharan Africa, the pandemic and the corresponding public health measures have imposed severe business repercussions on SMEs. More than a quarter of all SMEs were forced to cease operations in covid-19 times. Over half had to modify their business models to sustain their operations, and nearly 90 percent encountered reductions in revenue, with around 40 percent experiencing revenue declines exceeding 50 percent (World Bank, 2021).

In Uganda, the Economic Policy Research Centre (EPRC) (2020) survey indicated that SMEs experienced a more pronounced decline in their business operations when contrasted with larger enterprises, primarily due to their susceptibility in operational protocols and their limited capacity to enforce fundamental COVID-19 preventive measures and protocols. In Uganda, the poor performance of SMEs was associated with inadequate access to financial resources and frequently, a scarcity of essential strategic assets. This observation aligns with the resource dependency theory advocated by Barney (1991), which suggests that businesses might exhibit suboptimal performance due to inadequate resources. This principle can be extrapolated to explain the underperformance of SMEs stemming from the impact of the pandemic (Craven et al., 2020).

The SMEs in Uganda make a substantial contribution to the country's annual GDP. To curb the transmission of COVID-19, Uganda implemented rigorous measures, which included a comprehensive economic lockdown. This lockdown, in isolation, led to a reduction of more than 50% in business activities within specific sectors (Economic Policy Research Centre (EPRC), 2020) which caused other sectors' complete shutdown of operations. The

implementation of restrictions on logistics and supply chain management operations, coupled with the prohibition of weekly markets and the shutdown of various business activities, led to observable adverse effects. These outcomes included challenges in the movement of workers, struggles in acquiring necessary inputs as well as raw materials for specific SMEs, the absence of market opportunities for products and services, along with disruptions to production processes at different stages of the business value chain (Mutegeki, 2020).

In the present world marked by competition, technological advancements, and recurrent crises, innovation has evolved into an imperative for all modern enterprises aiming to thrive (Adam & Alarifi, 2021). However, no clear study has been conducted in Uganda to establish how innovativeness influence the SMEs performance in times of post covid-19 which creates an information gap. Thus, the current study took a case study of Namanve to investigate how innovativeness affect the performance of SMEs during post covid-19.

1.1.2 Theoretical Background

The research used the firm's growth theory conceptualized by Edith Penrose in 1959. According to this theory, enterprises are establishments crafted by individuals to fulfill human objectives. The managers of these enterprises are motivated by the imperative to guarantee the firm's continued existence, along with the desire for accomplishment and acknowledgment. This drive propels them to generate inventive innovations and adaptable solutions by means of new combinations of resources. Entrepreneurs and managers are impelled to create something new and valuable, dedicating their efforts to expanding the firm into new geographic regions or product markets (Kor et al., 2016).

The adoption of the theory of firm growth is rooted in the recognition that SMEs exhibit distinct innovation traits, as highlighted in "Innovation Management in SMEs," which set them apart

from larger enterprises. This uniqueness potentially implies a distinctive behavioral pattern or existence conditions in highly competitive environments. These circumstances differ from those prevalent in large corporations, aligning with the perspective of the Theory of Firm Growth (Serpe et al., 2022).

The theory of firm growth suggests that firms grow through a process of accumulation and reconfiguration of resources, which allows them to achieve economies of scale, scope, and learning. In the context of SMEs' innovativeness and performance, this theory proposes that enterprises capable of growth and reorganizing resources specifically linked to innovation are predisposed to experience enhanced growth and achieve superior performance (McDowell et al., 2018).

McDowell et al. (2018) assert that the process of resource accumulation and reconfiguration is intricately intertwined with the notion of dynamic capabilities. Dynamic capabilities pertain to a firm's capacity to adeptly adapt and respond to shifts within the environment. This indicates that the ability to gather and reorganize resources aligns with the fundamental essence of dynamic capabilities, enabling an enterprise to effectively navigate environmental changes. SMEs that have strong dynamic capabilities are better able to accumulate and reconfigure resources related to innovation, such as human capital, technology, and organizational capabilities.

In addition, the theory of firm growth suggests that innovation can lead to competitive advantages, which can drive firm growth and performance. Through the creation of novel products and services, enhancement of existing ones, and adoption of emerging technologies, SMEs can gain a competitive edge in the market, which can help them to increase their market share, customer base, and profitability. Furthermore, the theory of firm growth suggests that there are different paths to growth, such as internal development, mergers and acquisitions, and

strategic alliances. SMEs that can leverage these different paths to growth, while maintaining their innovativeness and dynamic capabilities, are more likely to perform better (Latifi et al., 2021).

The theory of firm growth is critical to this study because it offers a valuable structure for comprehending the association between innovativeness and the SMEs performance. The theory suggests that SMEs that can accumulate and reconfigure resources related to innovation, and leverage different paths to growth, are more likely to perform better. Dynamic capabilities assume a pivotal role in this progression, as they empower SMEs to flexibly adjust and react to shifts within their environment. This adaptability sustains their competitive advantage over the long term, allowing them to stay relevant and effective in the market.

Incorporating the firm growth theory into this study facilitated the cultivation of a holistic comprehension of how innovativeness influenced the SMEs performance in Namanve during the pandemic. This theoretical framework established a robust groundwork for scrutinizing the link between innovativeness and SME performance, thereby yielding valuable insights that hold relevance for both theoretical advancement and practical application.

1.1.3 Conceptual Background

Innovativeness is characterized by the extent of innovation assimilated or the capability to introduce groundbreaking innovations to the market, encompassing technologies, processes, or products. Within the context of SMEs, innovativeness is perceived as an underlying, concealed attribute of the enterprise, which can be gauged by examining particular visible outcomes of innovation (Martínez-Román & Romero, 2017). Innovativeness holds significant importance for SMEs due to several compelling reasons. Firstly, innovation empowers SMEs to distinguish themselves from their rivals by presenting distinctive products, services, or processes.

Secondly, innovation has the potential to drive cost efficiencies, resulting in enhanced profitability (Allmén Sjöberg & Nordström, 2019). In line with this study, innovativeness was perceived as the innovative capability, innovative strategy, and innovative culture of SMEs.

Performance refers to the degree at which objectives are met or the level of potential accomplishment concerning significant attributes of an organization, relevant to its stakeholders. Additionally, performance is perceived as a company's aptitude to attain its goals, encompassing meeting expectations. This concept is influenced not only by comprehensive outcomes but also by the alignment of set goals (Âta et al., 2017). SME performance is also defined as the capacity of SMEs to realize their predetermined goals and objectives. This measure can be quantified through diverse avenues, including financial outcomes, operational effectiveness, levels of customer contentment, employee output, and the extent of innovation. (Chong, 2008). In this study, SME performance is assessed by considering financial performance, market share, sales, and the performance of new products, among other relevant factors.

In context of this study, innovativeness is hypothesized to have a direct association with performance of SMEs, innovative SMEs have the potential to attain a competitive edge within the market. By introducing novel products or services, implementing more efficient processes, or adopting emerging technologies, they can differentiate themselves from competitors and attract customers. This competitive advantage can translate into improved performance metrics such as increased market share, higher sales, and profitability (Kmieciak & Michna, 2018).

1.1.4 Contextual Background

The study context was Namanve Industrial Area, located in Mukono District just outside Uganda’s capital, Kampala, is one of the largest and most strategically significant industrial

parks in the country. Its development has been central to Uganda's efforts to promote industrialization, boost economic growth, and foster job creation.

Namanve is a key hub for Uganda's industrial and economic activities. It was established under the management of the Uganda Investment Authority (UIA) to serve as a dedicated space for industries, offering infrastructure, facilities, and incentives for business growth (Mwesigye et al., 2021). The government has prioritized Namanve as part of its Vision 2040 strategy, which aims to transition Uganda into a middle-income economy by fostering industrialization and innovation.

The choice of Namanve as a study location is therefore highly relevant, as it is a region designed to attract both local and foreign investment in various sectors, including manufacturing, agro-processing, logistics, and services. The presence of multiple SMEs in Namanve positions it as an industrial park where innovation is critical to survival and competitiveness (Lakuma et al., 2020). Since its inception, Namanve has attracted a significant number of small and medium-sized enterprises (SMEs), many of which are engaged in diverse sectors like food processing, textiles, pharmaceuticals, construction, and manufacturing. The presence of 592 registered SMEs in the area is a testament to its role as a business hub. These SMEs are integral to Uganda's economic fabric, contributing to job creation, innovation, and local economic development.

Namanve's growth as an industrial center provides an ideal setting for studying the adoption of innovation culture, as SMEs in such competitive environments are often required to innovate in order to survive, grow, and adapt to the rapid changes brought on by economic challenges, such as those experienced during the COVID-19 pandemic. The competitive pressure within Namanve, especially among SMEs, creates an atmosphere where innovation is critical. This makes it an ideal location to explore how different SMEs implement innovation strategies,

adopt new technologies, and enhance their performance. The study can compare businesses across various sectors to assess the differences in innovation practices and their outcomes.

Uganda underwent some of the most stringent lockdown measures globally, resulting in numerous SMEs in Namanve having to shut down or function under stringent social distancing regulations, curfews, and difficulties in accessing markets due to elevated transportation and input expenses. As a consequence, SMEs observed decreased monthly profits eight months after the initial outbreak, specifically in August 2020. This crisis triggered a notable decline in employment opportunities within the SME sector and a decline in workers' earnings in Namanve (Selim et al., 2020).

The lockdown resulted in a substantial decrease in both sales and profitability for SMEs in Namanve, with figures dropping by over 60%. Concurrently, there was growth by more than forty percent in operational costs. Notably, businesses owned by females were disproportionately affected in relation to their male counterparts (Mwesigye et al., 2021). The growth in Covid-19 resulted into a decline in demand for goods as well as services among numerous SMEs in Namanve. This reduction in demand was primarily due to the significant economic downturn that occurred in light of the pandemic. Moreover, the limitations imposed on movement and the shutdown of businesses created hurdles for SMEs in terms of acquiring raw materials and securing financial resources. This resulted in interruptions within their supply chains and escalated operational expenditures, presenting a formidable challenge for many enterprises to sustain their viability (Lakuma et al., 2020). The Ugandan government introduced various measures to support SMEs during the pandemic, such as providing tax relief, loan facilities, and financial grants to boost innovations (Mugisha & Ijjo, 2022). Nonetheless, there hasn't been a definitive study carried out to confirm how innovativeness

affects the performance of SMEs in Namanve during the post COVID-19 pandemic. Thus, need for the current study.

1.2 Problem Statement

Innovation serves as a pivotal instrument that opens avenues for new inventions as well as growing SMEs' performance (Ismail et al., 2013). Several efforts were made to improve the SMEs performance in the post period of the pandemic especially in Industrial parks of Uganda such as Namamve. As an illustration, in Namamve Industrial Park, various innovations were adopted by SMEs, encompassing organizational enhancements, new product concepts, innovative delivery approaches, refined process methodologies, inventive marketing strategies, progressive financial mechanisms, and pioneering market approaches (Mugisha & Ijjo, 2022). SMEs embraced delivery innovations during the post pandemic. This involved establishing or expanding online sales platforms, partnering with delivery service providers, and implementing contactless delivery options. By providing convenient and safe delivery solutions, SMEs were able to reach customers who were unable or hesitant to visit physical stores, thereby expanding their customer base and improving sales performance (Mwesigye et al., 2021).

Regardless of the remarkable efforts, the performance of SMEs in Namamve Industrial Park remained a big challenge after the pandemic. The stringent lockdown measures had a substantial impact on SME performance, resulting in profits dropping by more than 50% from January 2020 to August 2020 (Private Sector Foundation Uganda Report, 2022). Simultaneously, business expenditures surged by over 40%, and SMEs owned by women were comparatively more adversely affected in contrast to those owned by men (Mwesigye et al., 2021; Selim et al., 2020). Consequently, some of the SMEs closed while others continued operations without making profits (Mwesigye et al., 2021).

Although innovation's significance as a predictor for SME performance in Uganda is acknowledged, the distinctive background of the post COVID-19 pandemic demands a more profound comprehension of how innovativeness influenced SME performance. With the objective of bridging this informational gap, this study aspired to enrich the current body of literature by shedding light on the effect of innovativeness on SME performance in the post COVID-19 times in Namanve.

1.3 Objectives of the Study

The study was structured around both the general objective and the specific objectives.

1.3.1 Overall Objective

To examine the effect of innovativeness on the performance of SMEs in Namanve during post covid-19

1.3.2 Specific Objectives

i. To examine the effect of innovative capability on the performance of SMEs in Namanve during post covid-19

ii. To examine the effect of innovative strategy on the performance of SMEs in Namanve during post covid-19

iii. To examine the effect of innovative culture on the performance of SMEs in Namanve during post covid-19

1.3.3 Study Hypotheses

The study was based on the alternative hypotheses below

Ha1: Innovative capability has a significant effect on the performance of SMEs in Namanve during post covid-19

Ha2: Innovative strategy has a significant effect on the performance of SMEs in Namanve during post covid-19

Ha3: Innovative culture has a significant effect on the performance of SMEs in Namanve during post covid-19

1.4 Study Scope

The study scope is a crucial aspect of research as it defines the boundaries of the study and sets the parameters within which the research was conducted (Halinen & Törnroos, 2005).

1.4.1 Geographical Scope

The geographical scope helps to contextualize the research by providing information about the specific geographic area or region where the study is conducted. The research was conducted in Namanve in central Uganda. The major portion of Namanve is situated within Kira Municipality, which is part of Wakiso District, while certain segments are situated in Mukono Municipality within Mukono District. While Namanve is primarily known for its large industrial park and commercial activities, there are also several small-scale businesses operating in the area. These businesses often provide goods and services to the local population. This area has been selected for this study because it has many SMEs which are in operation.

1.4.2 Content Scope

The study centered on examining how innovativeness was associated with the performance of SMEs in Namanve amid the post COVID-19 pandemic. The key variables in this study include

the innovativeness and performance of SMEs. The study focused on these variables since most of the SMEs in Namanve experienced a reduction in performance during post Covid-19 despite government intervention support in business innovation (Mugisha & Ijjo, 2022; Mwesigye et al., 2021; Selim et al., 2020).

1.4.3 Time Scope

The time scope allows the researcher to generalize the findings to a specific time period or a broader historical context (Polit & Beck, 2010). The study considered a period between 2018 and 2023 because it was the post Covid-19 period when most of the SMEs were affected.

1.5 Significance of the Study

The research may have importance for the government in shaping policies and providing timely support to SMEs. The findings may highlight gaps in financial performance and innovativeness which may help to come up with timely interventions by the government and partners.

The study may add to the current body of knowledge regarding how innovativeness is associated with the performance of SMEs in Namanve during the post COVID-19 pandemic. Additionally, the study may offer literature for other researchers interested in exploring this specific area of inquiry.

1.6 Conceptual Framework

A conceptual framework helps to connect the study to the existing theories, concepts, and ideas, and to build on previous work in their field (Antonenko, 2015). This conceptual framework highlights the independent and the dependent variables.

INNOVATIVENESS (IV)

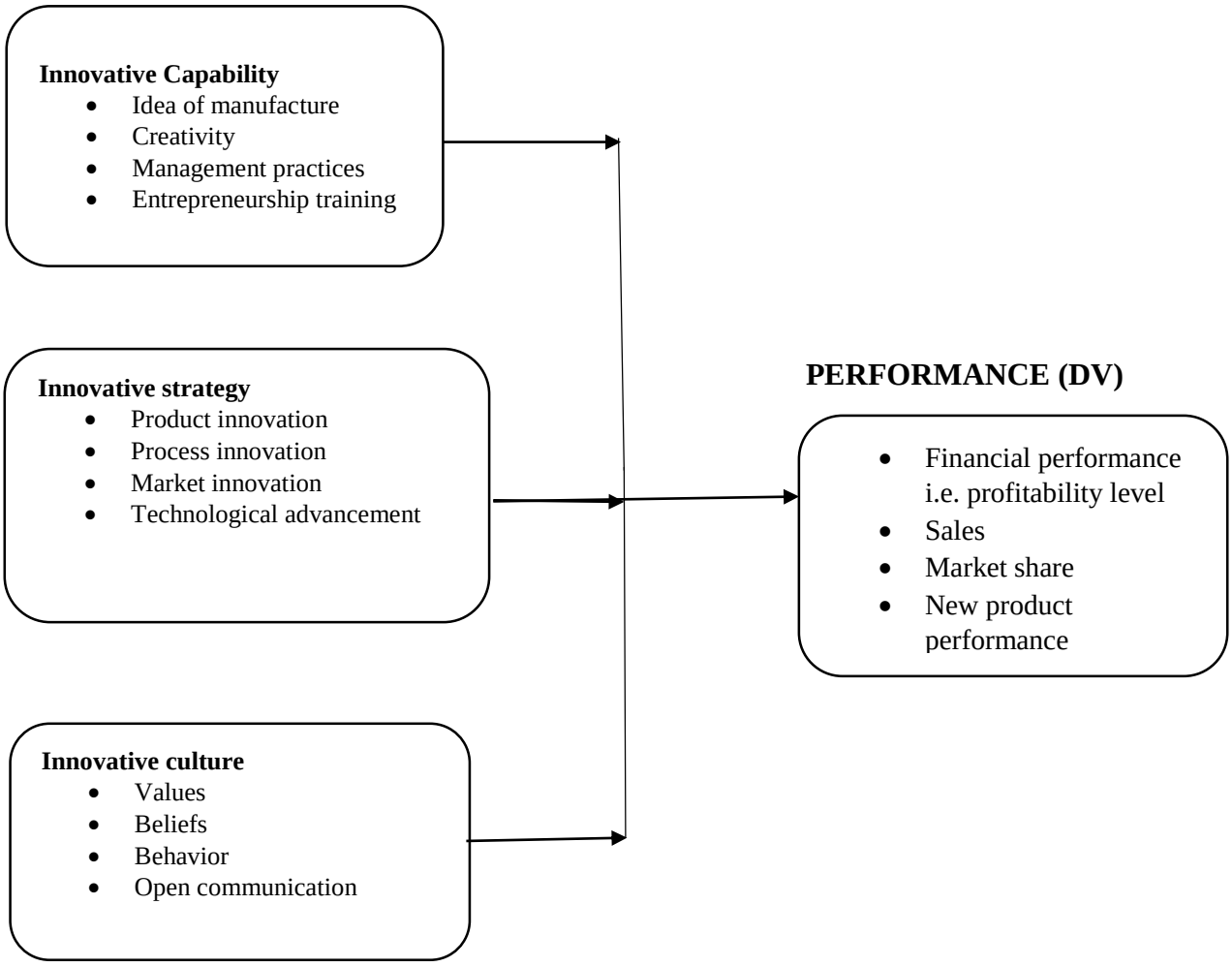

Figure 1.1: Conceptual Framework

Source: Adopted from El Chaarani et al. (2022)

The conceptual framework illustrates the association between innovativeness and SME performance. In the conceptual framework, innovativeness is identified as the independent variable, while performance is designated as the dependent variable. The framework suggests that an innovative capability, innovative strategy and innovative culture might exert a positive impact on SME performance. When SME proprietors embrace an innovative culture, they infuse creativity and contribute their concepts to the enterprise. This can culminate in the creation of new products, the enhancement of processes, or the elevation of customer

experiences. An innovative culture cultivates an environment of collaboration, fostering the development of more streamlined and efficient approaches. As a result, this can lead to heightened productivity and enhanced profitability (Van Kleef & Roome, 2007).

1.7 Definition of Key Terms

Innovative culture: is defined as the multifaceted environment comprising shared values, assumptions, and beliefs among an organization's members, fostering a disposition to explore novel opportunities (Naranjo-Valencia & Calderon-Hernández, 2018; Sattayaraksa & Boon-itt, 2016).

Innovative strategy: refers to a structured blueprint of organizational activities and growth aimed at fostering, mobilizing, and motivating advancements in technology or services. This strategy involves allocating financial and human resources toward research and development initiatives (Borowski, 2021).

Innovativeness: is characterized as the extent of innovation integrated or the capability to introduce groundbreaking innovations to the market across technologies, processes, or products (Martínez-Román & Romero, 2017).

Performance: refers to the extent of accomplishing objectives or the attainable realization of significant attributes within an organization for the pertinent stakeholders (Âta et al., 2017).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In the preceding chapter, the researcher provided an overview of the current study's context, encompassing elements such as background, problem statement, objectives, scope, significance, conceptual framework, and operational definitions. Chapter two explores the theoretical examination, conceptual analysis, empirical studies, and identifies areas where gaps exist within the existing body of literature.

2.2 Theoretical Review

This area presents the studies that underpin the theory of firm growth in the context of the innovativeness and performance of SMEs.

2.2.1 Theory of Firm's Growth

This theory formulated by Edith Penrose in 1959, posits that firms are establishments established by individuals to fulfill human objectives. Managers within these firms are driven by the pursuit of firm sustainability, as well as the desire for accomplishment and acknowledgment, leading them to generate both inventive innovations and adaptable responses through the integration of new resource combinations (Kor et al., 2016). The utilization of the theory of firm growth is grounded in the observation that SMEs possess distinct innovation traits that set them apart, differing from larger corporations. This distinctiveness, as highlighted in "Innovation Management in SMEs," hints at a potential behavioral pattern or the existence of specific conditions. These factors are examined within the purview of this Theory,

particularly in the context of highly competitive environments, diverging from those encountered by large corporations (Serpe et al., 2022).

Firm growth theory has been applied to the context of innovativeness and SMEs performance in various studies. George et al. (2016) investigated how innovativeness influences the expansion of SMEs in the United Kingdom. The study found that innovation positively influences the growth of SMEs, and this effect is stronger for firms that have a higher level of absorptive capacity.

The theory was employed by Dushnitsky and Lenox (2005) to explore the correlation between innovation and growth within the framework of start-up enterprises. Their research indicated that start-ups capable of introducing original technologies and novel business models were more prone to achieve swift growth. Wiklund et al. (2011) employed the theory to investigate the contribution of innovation to the expansion of high-growth SMEs. The study's outcomes indicated that high-growth SMEs are more inclined to involve in innovation endeavors compared to their low-growth counterparts. Additionally, the study emphasized that innovation plays a pivotal role in propelling growth for these enterprises.

These studies provide evidence that firm growth theory can be applied to the context of innovativeness and performance of SMEs, and that innovation stands as a fundamental aspect for the growth of these enterprises. Thus, the theory is important to this study.

2.3 Conceptual Review

A conceptual review helps to clarify key concepts and definitions related to the research study or problem. This is important because it ensures that there is a common understanding of the key concepts and consistently be used throughout the study (Kivunja, 2018). This chapter reviews concepts of the independent and dependent variables.

2.3.1 Innovativeness

Innovativeness is described as the degree of integration of innovation or the capacity to introduce revolutionary innovations into the market across technologies, processes, or products. SME innovativeness is perceived as an inherent, concealed attribute of the enterprise that can be gauged by evaluating specific observable outcomes of innovation (Martínez-Román & Romero, 2017).

Innovativeness holds significant importance for SMEs due to several compelling reasons. Firstly, innovation empowers SMEs to distinguish themselves from their rivals by presenting distinctive products, services, or processes. Secondly, innovation can lead to cost savings and efficiencies, which can increase profitability (Allmén Sjöberg & Nordström, 2019). Innovativeness can assist companies in meeting the ever-evolving needs and desires of customers, with customer satisfaction being viewed as a paramount performance indicator in relation to product innovativeness. Furthermore, as per the perspectives of executives, customer satisfaction stands out as a primary outcome variable in gauging the success of innovation (Michna, 2018; Sok et al., 2016; Stock, 2011).

As Stock (2011) contended that companies that introduce innovations can effectively communicate their capacity to cater to the prevailing and forthcoming needs of customers. Innovative products elevate customers' anticipated utility and contentment. This heightened expected utility linked to innovations positively influences customers' attitudes. Conversely, heightened product or service innovativeness may yield adverse effects on customer satisfaction. Customers could potentially feel overwhelmed or disheartened by the intricacy of new offerings, which might prove overly challenging for them to comprehend and navigate (Michna, 2018).

The concept of innovativeness elucidates that through the pursuit of innovation activities, an organization can effectively harness all available resources, whether internal or external. Successfully executed innovations yield novel contributions that enhance the organization's value. Establishing innovation capability assumes significance, as innovation serves as a pivotal determinant for the organization's endurance and expansion (Rajapathirana & Hui, 2018).

Innovative Capability; Innovative capability is organization's capacity to develop new products, services, processes, or ideas that contribute to its competitiveness and growth. Innovative capability encompasses both internal and external factors. Internally, it involves the firm's resources, including human capital, technology, knowledge management systems, and the firm's ability to leverage these resources to generate innovation. Externally, it relates to the SME's ability to gather market intelligence, collaborate with external partners, and integrate customer feedback into the innovation process (Laforet, 2011). For SMEs in Uganda, innovative capability has become increasingly important due to market pressures, globalization, and the need for more efficient processes. Studies have shown that SMEs with higher innovative capabilities are more likely to improve their performance by developing new revenue streams and enhancing customer satisfaction (Huang & Xu, 2020).

Innovative Strategy; Innovative strategy refers to the specific plans and actions that a firm adopts to promote innovation and integrate it into its overall business operations. It is a deliberate effort by SMEs to allocate resources toward innovation, set goals for new product development, and implement policies that encourage creative thinking among employees. An effective innovative strategy in SMEs involves aligning innovation with the firm's long-term vision and market objectives. It often includes decisions related to investment in research and development (R&D), technology adoption, and the exploration of new markets or business

models (Cohen & Levinthal, 1990). For instance, SMEs in the manufacturing sector may adopt an innovative strategy that focuses on automation, process optimization, or sustainable production methods. During the post COVID-19 pandemic, innovative strategies became vital for SMEs to stay afloat, as businesses had to rapidly pivot to new sales channels such as online platforms and develop remote working systems. The importance of innovative strategy was highlighted by Rahman et al. (2021), who demonstrated how SMEs that proactively engaged in strategic innovation were more likely to survive and thrive during times of economic disruption.

Innovative Culture; Innovative culture refers to the organizational atmosphere or mindset that promotes creativity, experimentation, and the implementation of new ideas within a firm. An innovative culture is not confined to a specific department or group of employees; rather, it permeates the entire organization, encouraging everyone to contribute to innovation efforts, regardless of their role or position. In SMEs, fostering an innovative culture is particularly important due to the resource constraints these enterprises often face (Rumanti et al., 2022). According to Halim et al. (2019), SMEs with an established innovative culture tend to be more adaptable, as they can quickly modify their business models or introduce new products in response to changing market conditions. This is especially pertinent in the context of Uganda, where SMEs are required to navigate a complex business environment, characterized by limited access to finance, regulatory challenges, and stiff competition.

2.3.2 Performance

Performance encompasses the extent of achieving set objectives or the potential accomplishment concerning the significant attributes of an organization, particularly for the pertinent stakeholders. Performance is also construed as the organization's capability to realize its goals and meet expectations, thereby being influenced by results in a broader context, in

addition to the alignment with established goals (Âta et al., 2017). SME performance is furthermore characterized as the capability of SMEs to fulfill their designated goals and objectives. This can be evaluated through diverse metrics, including financial outcomes, operational effectiveness, levels of customer contentment, employee efficiency, and the extent of innovation (Chong, 2008).

The evaluation of SME performance commonly involves assessing a range of dimensions that mirror the internal functioning of an organization, encompassing factors related to product and process quality, productivity, and efficiency. The performance of SMEs can be comprehended through both quantitative and qualitative perspectives. Quantitatively, it entails factors such as efficiency, financial outcomes, production levels, and customer count among others. Qualitatively, SME performance encompasses aspects like goal attainment, leadership approach, employee conduct, customer contentment, product and process innovation among others (Cicea et al., 2019).

Gopang et al. (2017) utilized a comprehensive set of 14 indicators to characterize SME performance. These indicators included elements like reputation, employee satisfaction, productivity, sales, profits, timely order fulfillment, adequacy of working capital, operational efficiency in production, product quality, achievement of targets, client base, managerial oversight convenience, reducing the costs of products, and diversifying the products.

2.4 Empirical Literature

This section provides an overview of the empirical literature that pertains to the study's objectives.

2.4.1 Innovative Capability and the Performance of SMEs

Innovative capability refers to an organization's capacity to identify novel ideas and transform them into enhanced products, services, or processes that offer advantages to the company (Aas & Breunig, 2017). Enterprises leverage their resources and competencies to facilitate the creation of innovations, which can encompass fresh products, services, or processes. For SMEs, having a strong innovative capability can have a significant impact on their performance. Innovative capability can lead to cost savings by improving efficiency and reducing waste. For instance, the adoption of novel technologies or processes can optimize operations, leading to diminished time and resource outlays for producing goods as well as provision of services. (Hill et al., 2015).

Different researchers have classified innovative capabilities in various ways. Lawson and Samson (2001) suggested a categorization of seven components within innovation capabilities: vision, competency base, organizational acumen, creativity, idea administration, organizational frameworks, and culture and atmosphere, in addition to technology management. On the contrary, Terziovski (2007) recommended a more streamlined classification of just two categories: collaboration and knowledge transfer.

Utomo (2020) investigated and assessed the influence of Muslim religiosity and innovation capability on the resilience of SMEs during the post COVID-19 period. The research centered on owners of small businesses involved in processed food production, with support from the local government in Bantul Regency, Yogyakarta. Findings obtained through Structural Equation Modeling (SEM) indicated a substantial influence of innovation capability on the survival of small enterprises amidst the post COVID-19 pandemic. This suggests that innovation capability played a pivotal role in enhancing SMEs' resilience during the Covid-19 crisis. It was found that SMEs that found creative ways to deliver their products or services to

customers during lockdowns or supply chain disruptions were more likely to maintain their customer base.

In contrast to the previously mentioned study that employed Structural Equation Modeling (SEM) to explore how innovation capability impacted the ability of small businesses to endure the challenges. Additionally, the study aimed to determine whether SMEs in Namanve innovatively adapted their methods of delivering products or services to customers amidst the lockdown measures.

Zulkiffli et al. (2022) explored the role of eco-innovation capabilities on enhancing sustainable business performance during the pandemic. (Zulkiffli et al., 2022). However, the above study was conducted in Malaysia and relied on management innovation and logistic innovation as dimensions of innovation capabilities. In line with the current study, management innovation, and logistic innovation were assessed whether they were used by SMEs in Namanve during the post Covid-19 period.

Anggadwita et al. (2021) centered their research on examining how technology and innovation capabilities contributed to the resilience of Micro, Small, and Medium Enterprises (MSMEs) during the post Covid-19 pandemic. The results underscored that technology and innovation capabilities played a notably beneficial role in enhancing the business resilience of MSMEs in the face of the Covid-19 challenges. The study also discovered that adaptable and agile organizational structures were more effective in helping SMEs adjust to the disruptions caused by the pandemic. This could quickly pivot their operations and products to meet new demands or customer needs. Similarly, it was also found that entrepreneurship training could equip SME owners with the skills and tools to generate new ideas and identify opportunities in the market. This could help SMEs to pivot their business models, products, or services in responding to the

pandemic. The study also found that management meetings concerning the products were conducted online during the period of Covid-19 (Anggadwita et al., 2021).

Ratnawati and Kholis (2021) investigation was centered on exploring the significance of innovation capability. It was found that improved ideas of manufacturing enhanced the brand reputation of SMEs by demonstrating their ability to innovate and create value for customers. This could help SMEs to build a loyal customer base and increase customer retention during the pandemic. Similarly, it was found SMEs were responsive to feedback and implemented changes to existing products and services to meet emerging demands in the market during (Ratnawati & Kholis, 2021). The current study established whether there were new ideas for manufacturing products in the form of branding during the pandemic in Namanve.

2.4.2 Innovative Strategy and the Performance of SMEs

El Chaarani et al. (2022) focused on assessing the influence of strategic competitive innovation. They assert that it can be achieved through digital marketing campaigns, social media advertising, and personalized communication with customers. Process innovation can help SMEs streamline their operations, reducing waste and increasing efficiency. This can result in cost savings and improved profitability. By implementing process innovation, SMEs also have the potential to enhance the quality of their offerings, whether products or services. This improvement can result in heightened customer satisfaction, increased patronage, and positive endorsements through word-of-mouth marketing. The study also found that SMEs that engaged in research and development activities to introduce new products and services to the market during the pandemic were likely to have a better performance (El Chaarani et al., 2022). This highlights the need for the study.

A study by Sari et al. (2023) in West Java demonstrated through Statistical analysis of Smart PLS that various forms of innovation. Notably, SMEs that proactively adopted digital technologies and restructured their business models exhibited greater resilience in adapting to the evolving business landscape. This included moving their operations online, adopting e-commerce platforms, and using digital marketing to reach their customers. Some SMEs introduced subscription models to provide customers with more predictable and recurring revenue streams. For example, some restaurants offered meal subscription plans, while some software companies offered subscription-based access to their products. Similarly, SMEs collaborated with others to drive innovation during the pandemic. Collaboration allows SMEs to leverage the resources, expertise, and knowledge of other entities, which they might lack individually. This synergy can lead to more effective problem-solving and innovative solutions (Sari et al., 2023). In this study, the emphasis was on evaluating whether SMEs in Namanve utilized these innovative strategies during the pandemic period to enhance their performance.

Valdez-Juárez et al. (2022) explored the effect of innovation management on economic indicators and business performance among SMEs in Mexico in times of Covid-19. Employing PLS-SEM for data analysis, the study revealed that innovation management exerted a positive and significant influence on both economic indicators and business performance of SMEs. Moreover, innovative strategies such as electronic commerce were identified as having positive and significant effects on overall corporate performance. E-commerce allowed SMEs to reach a wider audience beyond their local area, potentially increasing their customer base and revenue. E-commerce provided customers with the convenience of shopping from home, which became increasingly important during the pandemic (Valdez-Juárez et al., 2022). This study assessed whether SMEs in Namanve used E-commerce to conduct business with customers during post Covid-19 and establish how it influenced SME performance.

Rupeika-Apoga et al. (2022) explored the effect of digital orientation on digital transformation. The findings revealed that digital transformation played a positive mediating role, mediating the relationship between digital orientation and revenue, as well as between digital capability and revenue, and also on the business model Ismanu et al. (2021) examined the influence of product innovation on the performance of SMEs in Indonesia. The study established that new materials were utilized and new features were incorporated into products during the pandemic which increased on the market share (Ismanu et al., 2021). However, the above study was conducted in Indonesia and used SEM. The current study was conducted in Namanve and used linear regression to study the effect of innovative strategies on the performance of SMEs.

Pu et al. (2021) employed a structural equation modeling to establish causal relationships and validate the proposed hypotheses within the hypothesized model. The findings of the study highlighted that SMEs' sustainability experienced a positive enhancement through the implementation of innovative finance and the incorporation of technological adaptation. Innovative finance solutions such as digital payments enabled SMEs to continue selling their products and services online, facilitating contactless transactions and reducing the need for physical cash. The findings also indicate that SMEs in Bangladesh engaged in social media advertisements during the pandemic to connect with their clients in the market (Pu et al., 2021). The current study established whether SMEs in Namanve used innovative finance approaches during the period of Covid-19

2.4.3 Innovative Culture and the Performance of SMEs

Innovation culture refers to the organizational atmosphere that leaders cultivate to encourage unconventional thinking and its practical implementation. During the COVID-19 pandemic, an innovative culture played a pivotal role in driving the performance of SMEs. An innovative culture fosters agility and adaptability, allowing SMEs to quickly pivot their business models

and processes to adapt to the changing business environment during the pandemic. In addition, an innovative culture promotes resilience and creativity, enabling SMEs to overcome challenges and find new opportunities during the pandemic. This includes developing new revenue streams, finding new markets, and identifying ways to reduce costs and increase efficiency (Rumanti et al., 2022).

A study by Huang and Xu (2020) revealed that an innovative culture had a positive influence on the performance of SMEs during the pandemic. The study found that SMEs with a strong innovative culture were more likely to adopt new technologies, develop new products and services, and find new sales. The study found that SMEs that had innovative habits, behaviors, and positive attitude were more likely to adapt to rapidly changing circumstances and find new ways of operating. For example, they would develop new products and services, switch to online sales channels, or adopt remote working arrangements (Huang & Xu, 2020). The current study established whether SMEs in Namanve adopted innovative habits during Covid-19.

Rahman et al. (2021) demonstrated that there exists a positive correlation between an innovative culture and the resilience and adaptability of SMEs during the pandemic. The research found that SMEs with a robust innovative culture displayed a greater capacity to adjust to the evolving business landscape and surmount challenges, ultimately leading to enhanced performance. An innovation culture fosters information sharing, which is a crucial component of organizational learning. This atmosphere encourages the exchange of knowledge and ideas, subsequently motivating the generation of novel concepts for new product development. By providing a platform for innovation and the exploration of new process methodologies, information sharing contributes to the advancement of innovative ideas. Moreover, the study highlighted the significance of behavioral and cognitive aspects within the framework of an innovation culture, ultimately contributing to improved innovative performance (Halim et al.,

2019). The current study established whether SME operators in Namanve shared information with others to enable develop new knowledge during the pandemic.

Tang et al. (2020) investigated the influence of innovation culture where it was established that SMEs are often associated with a malleable corporate culture that nurtures innovation. Specifically, they tend to exhibit qualities like limited resistance to change, a reduced propensity for risk aversion, and an acceptance of ambiguity. Similarly, they found that SMEs exhibited low resistance to technological change in terms of how they produced and delivered products to clients during the pandemic (Tang et al., 2020). The current study established whether SMEs in Namanve had low resistance to technological change, low-risk aversion, and tolerance to ambiguity.

Halim et al. (2021) explored the innovation performance of SMEs by investigating the roles of innovation culture and government support. The outcomes indicated that the innovation culture within Bumiputera SMEs played a significant role in influencing their innovation performance. They found that there was open communication and collaboration between SMEs in Malaysia during the period of Covid-19 (Halim et al., 2021). However, the above study was conducted in Malaysia and was based on descriptive analysis yet the current study employed regression analysis and be conducted in Uganda.

Abdul-Halim et al. (2019) examined the significance of organizational culture, organizational learning, and market orientation for SMEs. Within the realm of innovation culture, information acquisition and behavioral & cognitive aspects were found to play crucial roles in SME performance. SMEs generally possess an adaptable corporate culture that promotes innovation. Additionally, the research unveiled that the cultural innovation within larger companies had a

2.5 Summary of Literature Gap

In the previous section for empirical literature, several studies have been reviewed in line with the study objectives highlighted in chapter one. Firstly, all of the studies reviewed were not conducted in Uganda indicating that there is a clear knowledge gap concerning this study. Secondly, most of the reviewed studies were using structural equation modeling to get answers to study objectives and hypotheses. Similarly, much of the existing research (Huang & Xu, 2020; Tang et al., 2020) is concentrated on countries like China and Malaysia, leaving a gap in understanding how innovation culture impacts SMEs in other regions, such as Uganda. Prior studies, such as Halim et al. (2021), employed descriptive analysis, whereas the current study uses regression analysis. This indicates a need for more robust quantitative approaches to analyze the relationship between innovation culture and SME performance. Previous studies largely examine innovation culture in general terms or within specific business environments (e.g., Bumiputera SMEs in Malaysia). However, there is a lack of detailed exploration of how SMEs in specific industrial zones, such as Namanve, Uganda, adopted innovation culture during crises like the pandemic. While studies like Abdul-Halim et al. (2019) and Rahman et al. (2021) explore the significance of behavioral and cognitive aspects within innovation culture, there is still a need for deeper analysis of how these factors specifically influence SME resilience and adaptability in Uganda.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

In this chapter, the researcher introduces the research design, the target population, sample size determination, selection method for the sample, techniques employed for data gathering, tools used for data collection, how variables are measured, the validity and reliability of data collection tools, approaches to data analysis, and ethical considerations. By offering comprehensive insights into these elements, this chapter lays a robust groundwork for executing the study while upholding its quality and ethical principles.

3.1 Research Design

The research design plays a pivotal role in establishing the quality and validity of research findings. A well-designed research study is more likely to yield valid and reliable results (Carlson & Morrison, 2009). The research adopted a cross-sectional design exclusively employing quantitative methods. This cross-sectional research approach holds substantial importance as it permits the collection of data from a sample of participants at a particular moment. The adoption of a cross-sectional design using quantitative methods fitted well into the study of innovation culture and SME performance in Uganda because it allowed for efficient data collection, objective measurement, and the testing of relationships between innovation and performance(Wang & Cheng, 2020).

3.2 Study Population

Defining the study population holds substantial importance within the research process as it ensures the relevance of research outcomes to the intended population. A well-defined study

population, one that accurately represents the intended target population, increases the degree to which the study's findings can be extrapolated or applied more broadly (Barreiro & Albandoz, 2001). The study targeted a population of 592 registered SMEs which are operating in Namanve (Luganda, 2021). The decision to target the population of 592 registered SMEs operating in Namanve was well-founded, given the area's economic significance, diversity of businesses, and dynamic business environment. The SMEs in Namanve presented a valuable case for examining how innovation culture influences performance, providing insights that are relevant both for academic research and practical applications in business policy and development.

3.3 Sample Size

Determining the sample size is a pivotal aspect of research, as it holds the potential to impact the precision and applicability of the research findings. A larger sample size provides a more accurate representation of the population being studied and increases the statistical power of the study(Kotrlik & Higgins, 2001). Krejcie and Morgan (1970) formula is an important tool in ensuring that research is conducted with appropriate sample size and precision, allowing it to draw meaningful conclusions and contribute to scientific knowledge. This formula incorporates considerations for factors such as the population size, desired precision level, and the expected response rate of the study. Through the application of this formula, it can be guaranteed that the selected sample size is sufficiently large to yield dependable and precise results. Moreover, this approach ensures feasibility within the limitations posed by available research resources and the designated timeline (Rahman, 2023). Krejcie and Morgan (1970) formula below presents the study sample size based on the target population in section 3.2;

$$S = \frac{X^2 NP(1-P)}{d^2(N-1) + X^2 P(1-P)}$$

where:

n = represents the sample size

N = represents the size of the target population being studied (N=592)

d = represents the desired level of precision (usually expressed as a proportion, such as 0.05 or 0.10)

p = denotes the proportion of the population that possesses a specific characteristic (p=0.5)

X^2= the chi-square value (95% confidence level, X^2 =3.841),

After feeding in the values in the above formula, the sample is generated as follows;

$$S = \frac{3.841 * 592 * 0.5 * 0.5}{0.05^2(592 - 1) + 3.841 * 0.5 * 0.5)}$$

S=233

3.4 Sampling Procedure

The sampling process is a critical component of research design and data analysis. It encompasses the method by which a subset of individuals or units is chosen (Martínez-Mesa et al., 2016). The sampling procedure followed stages in the course of selecting the respondents for interviews. In the first stage, a list of SMEs operating in Namanve was obtained from the Ministry of Trade, Industry, and Cooperatives. Secondly, each SME was given a unique number from 1 to 592 which was written on a piece of paper or card. These pieces of paper or cards were placed in a container such as a bowl and rolled several times, later 233 pieces of paper were randomly selected from the bowl. In the last stage, the SME operators on the selected 233 pieces of paper were contacted and supplied with questionnaires (Elfil & Negida, 2017). The sampling procedure is summarized in Table 3.1.

Table 3.1: Summary of Sampling procedure

	Target Population	Sample size	Sampling Method
SMEs	592	233	Simple random sampling
Total	592	233	

Source: (Krejcie & Morgan, 1970)

3.5 Data Collection Methods

They encompass a range of strategies employed to gather information or data that is pertinent to research or analysis objectives. Some common data collection methods include; questionnaire survey, interview, focus groups, and observation methods among others. Data collection methods ensure that data is collected systematically and accurately. This helps to have reliable information that can be used to make informed decisions and conclusions (Taherdoost, 2021). This study used only the questionnaire survey method in the process of collecting data.

3.5.1 Questionnaire Survey Method

This method is a popular choice in research due to its efficiency and adaptability (Dalati & Marx Gómez, 2018). The questionnaire survey method to gather data from SME operators in Namanve. This approach enables the collection of data from a sizable population while ensuring that the results accurately reflect the entire population.

3.6 Data Collection Instruments

These tools are utilized to collect data in research and they are specifically designed to collect information or data from study participants or the environment being investigated. Some common data collection instruments include questionnaires, interview guides, and Observation

checklists among others (Sharma & Kumar, 2022). This study used a structured questionnaire in the course of collecting data from the participants or respondents.

3.6.1 Structured Questionnaire

A structured questionnaire is a research tool consisting of a pre-defined set of questions presented in a fixed format or order. These questions are carefully designed and organized to gather reliable data that can be systematically analyzed (Cheung, 2021). This questionnaire included five sections: demographic characteristics, innovative capability, innovative strategy, innovative culture, and performance of SMEs. The questionnaire included closed-ended questions with predefined response options, such as Likert scales and other forms. This format allows for easy data entry and analysis, as the responses can be quantified and statistically analyzed.

3.7 Variable Measurements

This section holds significant importance within the methodology of any research study, as it outlines the researcher's approach to measuring the variables of interest (Mishra et al., 2018). The constructs of the variable were assessed using a five-point Likert scale, encompassing response options ranging from "strongly disagree" to "strongly agree." Demographic variables in the survey were measured in both nominal and ordinal formats.

3.8 Validity and Reliability of Instruments

Validity and reliability are crucial components of any research study, particularly when assessing the effectiveness of data collection instruments. These aspects ensure that the instruments accurately measure what they intend to measure and consistently produce dependable results.

3.8.1 Validity of Instrument

The validity of a research instrument pertains to how accurately it assesses the targeted content or attributes that it is designed to evaluate. A valid instrument ensures that the data collected accurately represents the phenomenon under study, reducing the risk of making incorrect conclusions based on inaccurate data (Mishra et al., 2018). Content validity was used in evaluating whether the instrument adequately covers all aspects of the phenomenon under study. Experts in the field reviewed the instrument and provided feedback on the relevance and completeness of the questions. This was done through expert review or pilot testing (Mishra et al., 2018). After the expert review, the Content validity index (CVI) was computed as follows;

$$\text{CVI} = \frac{\text{Questions/items rated valid in the questionnaire}}{\text{Total Number of Questions/items}} = \frac{29}{32} = 0.906$$

3.8.2 Reliability of Instrument

The reliability signifies the ability of the instrument to consistently produce consistent and stable results across various instances or timeframes. A reliable instrument produces consistent results, even when used multiple times by different researchers. This ensures that the data collected can be trusted and replicated, reducing the risk of obtaining spurious results (Price et al., 2015). This study tested for internal consistency reliability which involved testing the consistency of the instrument's results across its different items. This assessment involved utilizing techniques like the Cronbach's alpha coefficient, which quantifies the degree of interrelatedness among the items within the instrument. An acceptable threshold for the Cronbach's alpha coefficient value in this study was set at 0.70 or higher (Taber, 2018). The results in Table 3.2 show that the questionnaire was reliable for the study.

Table 3.2: Reliability Statistics

Study variables	Cronbach's Alpha	N of Items
Innovative capability	.754	6
Innovative strategy	.787	7
Innovative culture	.802	5
Performance	.759	5

Source: Primary Data (2023)

As observed from the results, all variables had a Cronbach Alpha coefficient of at least 0.7 and above. This means that all variables met the threshold of 0.7 hence making them the study instrument reliable for data collection.

3.9 Data Analysis

A data analysis plan is important in research, as it delineates the methodologies and processes to be employed for analyzing the collected data (Simpson, 2015). The data analysis process was executed utilizing the Statistical Package for the Social Sciences (SPSS) version 27. The initial stages encompassed univariate descriptive analysis encompassing measures like percentages, frequencies, means, and standard deviations. This preliminary analysis facilitated an initial grasp of data distribution and the identification of any potential anomalies that necessitate attention. This analysis was applied to assess the demographic attributes of participants (via frequencies and percentages) as well as the constructs related to the study variables (via means and standard deviations).

The second step involved bivariate analysis and testing for multicollinearity to establish whether the independent variables are not highly correlated before they are incorporated within

the model to estimate the outcome variable. The multicollinearity test is of significance in this study as it helps to identify instances where the independent variables within the model exhibit a strong correlation. Such correlation might suggest a lack of true independence among the independent variables, potentially leading to distorted or misleading outcomes (Midi et al., 2010). The multicollinearity test was conducted using Spearman's rank correlation to identify any strong correlations between independent variables. A correlation coefficient of 0.8 or higher woud be considered to be an indication of strong multicollinearity (Dormann et al., 2013).

After the multicollinearity test, the independent variables which are not collinear were entered into a multiple linear regression model to estimate the effect of innovative capability, innovative strategy, and innovative culture on the performance of SMEs in Namanve. Independent variables that have p-values less than the 0.05 significance level were regarded as statistically significant predictors of the outcome variable.

3.10 Ethical Considerations

The research adhered to a set of ethical considerations to ensure the protection of participants' rights and well-being. Some of these considerations include:

Prior to collecting any data, the research will involve obtaining informed consent from the participants. They were provided with comprehensive information about the study's objectives, the nature of their involvement, and potential advantages or risks. Participants were given the opportunity to seek clarifications and can choose to withdraw from the study without any obligation.

The study took measures to uphold the confidentiality of participants' data by implementing secure storage protocols and granting access solely to authorized individuals. This helped

safeguard the privacy of participants and their information. The data was anonymized so that it cannot be linked to individual participants.

There was respect for the privacy of the participants by ensuring that they are not subjected to intrusive or offensive questioning, and they had the option to abstain from responding to any questions they are not inclined to answer.

The study ensured that the Covid-19 SoPs are observed during data collection. There was social distancing and the use of appropriate PPE, such as face masks when interacting with participants.

CHAPTER FOUR

PRESENTATION, ANALYSIS, AND INTERPRETATION OF FINDINGS

4.0 Introduction

This section embarks on a comprehensive exploration of the gathered data, aiming to derive valuable insights that address the core objectives of this study. The analysis explores multiple facets, including response rates, descriptive analyses, and the revelation of findings tied to specific research objectives.

4.1 Response Rate

This section addresses the pivotal aspect of response rate within the context of the study. The primary aim of this study was to collect data from a targeted group of 233 participants. The study embarked on a systematic data collection process, employing rigorous methodologies to engage potential respondents and capture their valuable perspectives. While the original goal was to collect data from 233 respondents operating SMEs in Namanve, circumstances yielded interactions with 213 respondents which gave a response rate of 91.4%. The high participation rate could be indicative of the relevance of the study to the participants.

4.2 Findings of the Background Information of the Respondents

This section presents findings for respondents' characteristics who participated in the study. These demographic variables provide a comprehensive context for the subsequent analyses and findings presented in this study. The outcomes pertaining to the demographic attributes of the participants are precisely presented within Table 4.1 and 4.2.

Table 4. 1: Findings of the Demographic Attributes of Respondents

Variable		
Gender Status	**Frequency**	**Percentage**
Male	133	62.4
Female	80	37.6
Total	**213**	**100.0**
Age	**Frequency**	**Percentage**
18-25	39	18.3
26-35	59	27.7
36-45	90	42.3
Above 45	25	11.7
Total	**213**	**100.0**
Marital Status	**Frequency**	**Percentage**
Single	58	27.2
Married	134	62.9
Divorced/separated	21	9.9
Total	**213**	**100.0**
Education Level	**Frequency**	**Percentage**
No formal education	12	5.6
Primary	19	8.9
Secondary	38	17.8
Tertiary	79	37.1
Bachelor's degree	53	24.9
Other (Specify)	12	5.6
Total	213	100.0

Source: Primary Data (2023)

Table 4.1 presents the analysis of the demographic characteristics of the study's respondents. The results revealed that there is a notable gender distribution among the study respondents with majority of males constituting 62.4% and females accounting for 37.6%. The findings indicate a gender disparity in SMEs ownership within Namanve. This can be indicative of historical and societal factors that have led to unequal opportunities for female entrepreneurs. Addressing this disparity is essential for creating a more inclusive and equitable business environment.

The data presented in Table 4.1 illustrates that the largest portion of the participants (42.3%) fell within the age group of 36 to 45 years while the smallest percentage belonging to the 45 years and above. Respondents within the 36 to 45 age group likely possess a substantial level of business experience. Their presence in the study could imply a strong pool of entrepreneurs who have navigated various stages of business development, providing valuable insights into growth strategies, challenges, and resilience.

The results presented in Table 4.1 indicate that a larger proportion of respondents were married (62.9%), while a minority reported being divorced or separated (9.9%). The marital status distribution among respondents has implications for a wide range of areas including marketing, consumer behavior analysis, support services, and policy considerations, reflecting the diversity of life situations within the surveyed population.

Considering the respondents' education levels, it is evident that a significant majority held tertiary education qualifications (37.1%), whereas the lowest percentage had no formal education (5.6%). A higher proportion of SME operators with tertiary education suggests the potential for a diverse skill set among business owners in Namanve, which can lead to better decision-making and problem-solving.

Table 4. 2: Firm characteristics

Years of Existence of the Enterprise	**Frequency**	**Percentage**
Less than 1 year	12	5.6
1-5 years	30	14.1
6-10 years	105	49.3
Above 10 years	66	31.0
Total	**213**	**100.0**
Industry of Operation of the Enterprise	**Frequency**	**Percentage**
Service	55	25.8
Retail	33	15.5
Manufacturing	85	39.9
Construction	25	11.7
Others	15	7.0
Total	**213**	**100.0**

Source: Primary Data (2023)

Table 4.2 presents the analysis of the firm characteristics of the study's sample. The majority of the surveyed SMEs in Namanve had been in existence for a period ranging from 6 to 10 years (49.3%), while a small percentage had been operational for less than 1 year (5.6%). SMEs with longer operational histories (6 to 10 years) likely have a competitive advantage stemming from accumulated experience, market understanding, and established customer relationships. Similarly, businesses that have survived for several years have likely navigated challenges, showcasing their ability to adapt and remain resilient in the face of market uncertainties.

The study outcomes presented in Table 4.2 unveil that a significant portion of SME enterprises were operating within the manufacturing sector (30.9%), closely followed by the service sector (25.8%), while the construction sector had the lowest representation (11.7%). The higher representation of SMEs in the manufacturing sector suggests a focus on production and value addition, potentially contributing to local economic growth and trade balance.

4.3 Findings of the Descriptive Statistics of the Study Variables

In this section, the researcher provides descriptive statistics concerning the innovative capability, innovative strategy, innovative culture, and performance of SMEs in Namanve during the post Covid-19 pandemic. These statistics are presented in terms of means and standard deviations. Specifically, a mean score of 3 or below signifies respondents' disagreement with the constructs, while a mean score above 3 indicates agreement with the constructs.

4.3.1 Descriptive Statistics of Innovative Capability of SMEs in Namanve

The study evaluated the innovative capability of SMEs during the pandemic in Namanve. The study examined whether SMEs utilized creative methods for delivering products to their clients, if clients placed orders and made payments using electronic means, if management meetings regarding the products were conducted online during the pandemic, whether entrepreneurship training was provided to equip SME operators with the skills and tools to generate new ideas and identify opportunities in the market, if new ideas for manufacturing products were adopted during the pandemic to meet customer demands, and whether enterprises responded to feedback and made changes to existing products and services to address emerging demands. The results are presented in Table 4.3.

Table 4. 3: Descriptive Statistics of the Findings on Innovative Capability of SMEs in Namanve

Constructs on Innovative Capability	*Mean*	*Std. Dev*
We used creative ways of delivering products to our clients during the pandemic such as using safe boda and Uber	3.78	1.153
The clients were making orders and payments using electronic means during the pandemic	3.49	1.231
The management meetings about the products were conducted online during the pandemic i.e. Zoom, google meet, and WhatsApp among others.	3.75	1.384
Entrepreneurship training was conducted to equip SME operators with the skills and tools to generate new ideas and identify opportunities in the market during the pandemic	1.59	0.889
New ideas for manufacturing products were adopted during the pandemic to meet the customer demands	2.21	1.03
Our enterprise used to respond to feedback and make changes to existing products and services to meet emerging demands in the market during Covid-19	3.95	0.987

Source: Primary Data (2023)

Table 4.3 presents the descriptive statistics for the findings on the innovative capabilities of SMEs in Namanve. The results reveal that the majority of SMEs utilized creative methods to deliver products to their clients during the pandemic, such as utilizing services like Safe Boda and Uber (Mean = 3.78, S.D = 1.153). The widespread adoption of innovative product delivery methods highlights the ability of SMEs in Namanve to adapt and remain operational during challenging periods like the pandemic. Similarly, the use of platforms like Safe Boda and Uber indicates that SMEs explored diverse avenues for reaching their clients. This diversification not only ensures business continuity but also expands the customer base by leveraging established services.

The study found that the clients of the SMEs were making orders and payments using electronic means during the pandemic (Mean=3.49, S.D=1.231). The shift to electronic methods for orders and payments reflects an accelerated adoption of digital platforms among clients during the pandemic. This suggests an increasing comfort and familiarity with technology-enabled transactions among clients of SMEs. In addition, the willingness of clients to adapt to electronic means demonstrates a level of operational flexibility. SMEs that facilitate and encourage such adaptation might be better positioned to navigate changing customer preferences.

The findings presented in Table 4.2 reveal that the majority of respondents agreed that management meetings concerning the products were conducted online during the pandemic, utilizing platforms such as Zoom, Google Meet, and WhatsApp, among others (Mean = 3.75, S.D = 1.384). The widespread adoption of online platforms for management meetings indicates a swift digital transformation in business communication practices among SMEs in Namanve. This suggests that SME operators successfully embraced technology to ensure continuity and collaboration, even in challenging circumstances like a pandemic.

The largest proportion of respondents disagreed that entrepreneurship trainings were conducted to equip SME operators with the skills and tools to generate new ideas and identify opportunities in the market during the pandemic (Mean = 1.59, S.D = 0.889). The absence of entrepreneurship trainings might have led to missed opportunities for SMEs to innovate and identify market gaps. Implementing such trainings could unlock the potential for novel ideas and business expansion.

The study's outcomes reveal that a majority of the respondents disagreed with the notion that new ideas for manufacturing products were adopted during the pandemic to meet customer demands (Mean = 2.21, S.D = 1.03). The finding may imply that many businesses might have

missed opportunities to innovate and adapt their product offerings to changing customer needs during the pandemic. Embracing new ideas can be crucial for staying relevant and competitive.

(Utomo, 2020)In addition, the ability to swiftly implement changes based on feedback indicates agility and competitiveness of SMEs in Namanve during post Covid-19. SMEs that could adapt quickly were better positioned to capture new opportunities and navigate challenges.

4.3.2 Descriptive Statistics of Innovative Strategy of SMEs in Namanve

The study investigated the innovative strategies employed by SMEs in Namanve during the Covid-19 period. It sought to determine whether SMEs engaged in research and development activities to introduce new products and services to the market amid the pandemic, collaborated with others to drive innovation, developed new or improved processes for greater efficiency and reliability in operations—such as the adoption of new technology, software, or equipment—used new materials and incorporated fresh features into products, established effective distribution strategies for client outreach, conducted social media advertisements to connect with the market, and assessed how the use of e-commerce provided customers with the convenience of shopping from home, a factor that gained significance during the pandemic. The findings are presented in Table 4.4.

Table 4. 4: Descriptive Statistics of the Findings on Innovative Strategy of SMEs in Namanve

Constructs on Innovative Strategy	*Mean*	*Std. Dev*
Our organization conducted research and development activities to bring new products and services to market during the pandemic	1.55	0.854
Our enterprise collaborated with other organizations or stakeholders to drive innovation during the pandemic	2.00	1.285
The enterprise developed new/improved processes that were more efficient, effective, and reliable for the operation i.e. use of new technology, software, or equipment to streamline operations	2.41	1.197
There was use of new materials and incorporation of new features in our products during the pandemic	2.33	1.172
We developed effective distribution strategies for our products to our clients during the pandemic	3.37	0.975
We conducted social media advertisements during the pandemic to reach out to our clients in the market	3.37	1.255
The use of e-commerce provided customers with the convenience of shopping from home, which became increasingly important during the pandemic	4.11	1.172

Source: Primary Data (2023)

Table 4.4 presents the findings regarding the innovative strategies employed by SMEs in Namanve during the Covid-19 period. The results indicate that the majority of respondents disagreed with the concept that SMEs engaged in research and development activities to introduce new products and services to the market during the pandemic (Mean = 1.55, S.D = 0.854). The findings may imply that there might have been limited SMEs investment in

research and development during the pandemic. This suggests that SMEs might have missed opportunities to introduce new products and services that could have catered to evolving customer needs during the pandemic.

The study's findings revealed that the majority of SMEs did not collaborate with others to drive innovation during the pandemic (Mean = 2.00, S.D = 1.285). Lack of collaboration might have resulted in missed opportunities to leverage diverse perspectives and expertise from external partners. Collaboration often involves knowledge sharing. SMEs that do not collaborate might miss out on valuable insights, best practices, and industry trends shared by their peers.

The findings presented in Table 4.4 indicate that there was a lack of agreement among respondents regarding SMEs developing new or improved processes that aimed to enhance operational efficiency, effectiveness, and reliability i.e. the utilization of new technology, software, or equipment to streamline operations (Mean = 2.41, S.D = 1.197). The findings may imply challenges by SMEs in adopting new technologies, software, or equipment. SMEs facing barriers to technology integration could be at a disadvantage in terms of operational competitiveness during the pandemic.

A significant proportion of the study respondents expressed disagreement with the idea that new materials were utilized and new features were incorporated into products during the pandemic (Mean = 2.33, S.D = 1.172). The findings indicate a potential innovation gap, where SMEs might have missed opportunities to enhance their products with new materials and features. SMEs that do not evolve their products might face a competitive disadvantage compared to those that offer novel or improved features. This could affect their market share.

The study revealed that the majority of SMEs developed effective distribution strategies for their products to reach clients during the pandemic (Mean = 3.37, S.D = 0.975). The findings

highlight the resilience and adaptability of SMEs. Effective distribution strategies demonstrate the ability to navigate challenges and continue meeting customer needs. In addition, having efficient distribution strategies ensures that SMEs can continue reaching customers even during disruptive times. This could maintain market access and revenue streams.

The survey findings established that the majority of SMEs in Namanve engaged in social media advertisements during the pandemic to connect with their clients in the market (Mean = 3.37, S.D = 1.255). The prevalence of social media advertisements indicates SMEs' willingness to adapt to digital platforms for marketing, reflecting a response to changing consumer behavior during the hard times of Covid-19.

The study further revealed that the majority of respondents agreed that the use of e-commerce provided customers with the convenience of shopping from home, which became increasingly important during the pandemic (Mean = 4.11, S.D = 1.172). The agreement on e-commerce convenience suggests a shift in consumer preferences towards online shopping for its ease and accessibility during challenging times of Covid-19.

4.3.3 Descriptive Statistics of Innovative Culture of SMEs in Namanve

The study examined the innovative culture embraced by SMEs in Namanve during the Covid-19 pandemic. The investigation encompassed aspects such as the sharing of knowledge and information to generate ideas for new product development, the attitudes and behaviors of staff toward new technology, the enterprise's adaptability to technological change in production and delivery, open communication and collaboration with other enterprises, and the presence of strong leadership supporting product development and technological change. The outcomes of this investigation are detailed in Table 4.5.

Table 4. 5: Descriptive Statistics of the Findings on Innovative Culture of SMEs in Namanve

Constructs on Innovative Culture	*Mean*	*Std. Dev*
There was sharing of knowledge and information to generate ideas for the development of new products during the pandemic	3.6	1.283
The staff possessed good behaviors and attitudes toward new technology during the pandemic	4.62	0.754
The enterprise had low resistance to technological change on how to produce and deliver products to the clients during the pandemic	3.72	1.246
There was open communication and collaboration with other enterprises during the pandemic	2.49	1.235
The enterprise had strong leadership that supported product development and technological change during the pandemic	1.83	1.193

Source: Primary Data (2023)

Table 4.5 presents the findings related to the innovative culture of SMEs in Namanve during the Covid-19 pandemic. The results indicate that there was a practice of sharing knowledge and information to generate ideas for the development of new products amid the pandemic (Mean = 3.6, S.D = 1.283). The presence of knowledge sharing indicates a collaborative environment where SMEs leverage collective insights to drive innovation and product development. An environment that encourages knowledge exchange fosters an ideation culture, promoting the continuous generation of fresh and innovative product concepts.

The survey findings indicate that a majority of the respondents agreed that the staff possessed positive behaviors and attitudes toward new technology during the pandemic (Mean=4.62, S.D=0.754). The positive attitudes of staff may imply a high level of technological readiness,

facilitating the adoption and integration of new technologies among SMEs during the Pandemic. Similarly, the positive attitudes toward technology foster an environment conducive to innovation, as staff are more likely to explore and embrace novel technological solutions.

The study's investigations revealed that the SMEs exhibited low resistance to technological change in terms of how they produced and delivered products to clients during the pandemic (Mean = 3.72, S.D = 1.246). A lack of resistance may imply an innovation-focused mindset within SMEs, fostering an environment where new technologies were welcomed and explored during hard times. In addition, openness to technological change enhances business resilience by enabling quick adjustments during disruptions and uncertainties.

The results of the investigations indicate that there was no open communication and collaboration with other enterprises during the pandemic (Mean = 2.49, S.D = 1.235). The absence of open communication and collaboration may imply a potential lack of interaction with external entities, possibly isolating SMEs from beneficial partnerships and knowledge-sharing during Covid-19.

The study's investigations also revealed that SMEs lacked strong leadership to support product development and technological change during the pandemic (Mean = 1.83, S.D = 1.193). The findings may imply that insufficient leadership support could hinder innovative initiatives, slowing down product development and technological advancements during the pandemic.

4.3.4 Descriptive Statistics of Performance of SMEs in Namanve

The survey explored the performance of SMEs in Namanve during the Covid-19 pandemic. The study aimed to determine whether the SMEs experienced a notable increase in sales, achieved higher profitability, faced heightened demand for their products, gained a larger market share, and garnered elevated customer satisfaction due to robust branding and

packaging efforts during the pandemic. The outcomes of this investigation are detailed in Table 4.6.

Table 4. 6: Descriptive Statistics of the Findings on the Performance of SMEs in Namanve

Constructs on Performance of SMEs	***Mean***	***Std. Dev***
Our enterprise recorded a significant improvement in sales during the pandemic	1.92	1.198
There was higher profitability of the enterprise in Covid times	2.08	1.269
There was increased demand for the products during the pandemic	2.54	1.286
Our enterprise recorded a bigger market share during the pandemic	1.81	1.13
There was a high level of customer satisfaction with our products because of strong branding and packaging during the pandemic	2.08	1.036

Source: Primary Data (2023)

Table 4.6 presents the findings related to the performance of SMEs in Namanve during the Covid-19 period (Mean=1.92, S.D=1.198). The results indicate that SMEs did not record a significant improvement in sales during the pandemic. The lack of sales improvement may imply that the pandemic posed challenges to consumer spending and market demand, impacting revenue generation.

The majority of respondents indicated that there was no higher profitability of the SMEs during the Covid-19 period (Mean = 2.08, S.D = 1.269). The lack of higher profitability may imply that SMEs in Namanve faced financial challenges during the pandemic, which could have been caused by reduced sales, increased costs, or other factors. The findings show that there was no increased demand for the products of SMEs during the pandemic (Mean=2.54, S.D=1.286). The lack of increased demand points to the difficulty SMEs faced in generating additional interest and sales for their products during the pandemic. Maintaining consistent supply and

demand equilibrium might have been a challenge, as demand remained stagnant despite efforts to provide products.

The study's investigations revealed that SMEs did not achieve a larger market share during the pandemic (Mean = 1.81, S.D = 1.13). The inability to capture a larger market share may imply intense competition or challenges in distinguishing SMEs' products from those of competitors. Similarly, changes in customer preferences and behaviors during the pandemic could have influenced market share retention and growth.

The study's investigations further revealed that there was no high level of customer satisfaction with the products during the pandemic (Mean = 2.08, S.D = 1.036). The findings may imply that customers might have experienced product defects, poor workmanship, or inconsistent quality, leading to dissatisfaction. In addition, challenges in sourcing materials or delivering products on time due to pandemic-related disruptions could impact satisfaction.

4.4 Bivariate Analysis between the Innovative Capability, Innovative Strategy, Innovative Culture, and the Performance of SMEs in Namanve

The study conducted correlation analysis to assess the relationship between the independent variables and the dependent variable at the bivariate level. The purpose of this bivariate analysis was to identify significant predictor variables that could be considered for multivariate analysis. Additionally, during this stage, the researcher examined potential multicollinearity between the independent variables. The results of these analyses are presented in Table 4.7.

Table 4. 7: Bivariate Analysis between the Innovative Capability, Innovative Strategy, Innovative Culture, and the Performance of SMEs in Namanve

		Innovative Culture	Innovative Capability	Innovative Strategy	Performance
Innovative Culture	Correlation Coefficient	1.000			
	Sig. (2-tailed)	.			
Innovative Capability	Correlation Coefficient	.755**	1.000		
	Sig. (2-tailed)	.000	.		
Innovative Strategy	Correlation Coefficient	.682**	.695**	1.000	
	Sig. (2-tailed)	.000	.000	.	
Performance	Correlation Coefficient	.605**	.697**	.653**	1.000
	Sig. (2-tailed)	.000	.000	.000	.

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

Source: Primary Data (2023)

The results presented in Table 4.7 indicate that there were significant associations at the bivariate level between innovative capability (r = 0.697, P-value < 0.01), innovative strategy (r = 0.653, P-value < 0.01), and innovative culture (r = 0.605, P-value < 0.01) with the performance of SMEs in Namanve during the Covid-19 period. This indicates that the predictor variables are suitable for inclusion in the multivariate analysis. Furthermore, it's noteworthy that there was no evidence of multicollinearity among the independent variables, as their associations were all below the 80% threshold. This absence of multicollinearity enhances the reliability of the subsequent multivariate analysis, ensuring that the predictor variables

contribute independently to the understanding of the effect on SME performance during the Covid-19 period.

4.5 Multivariate Analysis Examining the Effect of Innovative Capability, Innovative Strategy, and Innovative Culture on the Performance of SMEs in Namanve

The second step after bivariate analysis was to run a multiple linear regression model to examine the effect of innovative capability, innovative strategy, and innovative culture on the performance of SMEs in Namanve during post covid-19.

Table 4. 8: Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.912	.145		6.299	.000
	Innovative Culture	.064	.075	.066	.852	.395
	Innovative Capability	.350	.067	.394	5.198	.000
	Innovative Strategy	.395	.074	.374	5.360	.000

a. Dependent Variable: Performance

Source: Primary Data (2023)

The analysis reveals that innovative capability and innovative strategy significantly boosted SME performance in Namanve during the post-Covid-19 period. Specifically, innovative capability ($B = 0.350$, $P < 0.05$) and innovative strategy ($B = 0.395$, $P < 0.05$) both showed a strong positive impact, leading to the rejection of the null hypotheses and underscoring their critical role in helping SMEs adapt, seize opportunities, and thrive amid challenging conditions. In contrast, innovative culture did not exhibit a significant effect ($P > 0.05$), affirming the null hypothesis that it did not meaningfully influence SME performance in this period. These results

highlight the strategic advantage of capability and strategy-driven innovation over cultural factors in driving post-pandemic resilience and growth among SMEs in Namanve.

Table 4. 9: Model Goodness of fit

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.768[a]	.589	.584	.49540

a. Predictors: (Constant), innovative Strategy, innovative Capability, innovative Culture

Source: Primary Data (2023)

The findings regarding the model fit indicate that innovative strategy, innovative capability, and innovative culture collectively account for 58.4% of the total variations in the performance of SMEs in Namanve during the post Covid-19 period. This implies that these variables contribute significantly to explaining the variations observed in SME performance within this context. On the other hand, 31.6% of the variations remain unexplained and could potentially be attributed to other factors not included in the model. These findings suggest that the model provides a reasonable or moderate fit to the data.

Table 4. 10: Overall Significance of the Model

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73.650	3	24.550	100.032	.000[b]
	Residual	51.294	209	.245		
	Total	124.944	212			

a. Dependent Variable: Performance

b. Predictors: (Constant), Strategy, Capability, Culture

Source: Primary Data (2023)

Table 4.10 assesses the overall significance of the independent variables. The ANOVA findings indicate that innovative strategy, innovative capability, and innovative culture collectively had an overall significant effect on the performance of SMEs in Namanve during the post Covid-19 period (P-value < 0.000). Recognizing the overall significance of these variables, SMEs should prioritize fostering innovative strategy, building innovative capabilities, and nurturing an innovative culture to enhance their performance, especially during challenging times like the post Covid-19 pandemic.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter, the researcher provides a comprehensive summary of the study's outcomes, discussions, conclusions, and recommendations.

5.1 Summary of Findings

The summary of findings is based on the insights gained from the extensive analysis conducted in the previous chapter.

5.1.1 The effect of Innovative Capability on the Performance of SMEs

The findings from the study revealed that innovative capability had a positive and statistically significant effect on the performance of SMEs in Namanve during the post Covid-19 period. This highlights the critical role of innovative capability in driving SMEs' performance even in challenging times like the pandemic. SMEs with strong innovative capabilities were better equipped to adapt, pivot, and capitalize on emerging opportunities, hence enhancing their overall performance.

5.1.2 The effect of Innovative Strategy on the Performance of SMEs

The findings from the study indicates that innovative strategy had a statistically significant effect on the performance of SMEs in Namanve during the post Covid-19 period. The findings favor the rejection of the null hypotheses in support of the alternative hypothesis that Innovative strategy has a significant effect on the performance of SMEs in Namanve during the post Covid-19 period. The findings may imply that SMEs that employed innovative strategies were better positioned to adapt to market changes, capitalize on emerging opportunities, and navigate uncertainties, leading to improved overall performance.

5.1.3 The effect of Innovative Culture on the Performance of SMEs in Namanve

The findings also showed that innovative culture did not have a notable impact on SME performance in Namanve during the post-Covid-19 period, leading to the retention of the null hypothesis. This outcome suggests that, according to the data and analysis conducted, there is no compelling statistical evidence indicating that innovative culture significantly influenced SME performance in Namanve within the challenging post-pandemic environment.

5.2 Discussion of Findings

The discussion of findings is based on the findings from the extensive analysis conducted in the previous chapter.

5.2.1 The effect of Innovative Capability on the Performance of SMEs

The findings from the study revealed that innovative capability had a positive and statistically significant effect on the performance of SMEs in Namanve during the post Covid-19 period. The findings may imply SMEs with strong innovative capabilities were better equipped to adapt, pivot, and capitalize on emerging opportunities, hence enhancing their overall

performance (Anggadwita et al., 2021; Rumanti et al., 2022; Utomo, 2020). The findings revealed that the majority of SMEs utilized creative methods to deliver products to their clients during the pandemic, such as utilizing services like Safe Boda and Uber. The widespread adoption of innovative product delivery methods highlights the ability of SMEs in Namanve to adapt and remain operational during challenging periods like the pandemic. The findings are consistent with the findings of Utomo (2020) who found that SMEs that found creative ways to deliver their products or services to customers during lockdowns or supply chain disruptions were more likely to maintain their customer base.

The study found that the clients of the SMEs were making orders and payments using electronic means during the pandemic. The shift to electronic methods for orders and payments reflects an accelerated adoption of digital platforms among clients during the pandemic. The findings are also in agreement with the findings of Rumanti et al. (2022) who found out in in Indonesia that customers of SMEs were making orders and payments using electronic methods in the Covid-19 times. The findings revealed that the majority of respondents agreed that management meetings concerning the products were conducted online during the pandemic, utilizing platforms such as Zoom, Google Meet, and WhatsApp, among others. The widespread adoption of online platforms for management meetings indicates a swift digital transformation in business communication practices among SMEs in Namanve during the pandemic. The findings concur with the findings of Anggadwita et al. (2021) who discovered that SMEs management meetings concerning the products were conducted online during the period of post Covid-19

The largest proportion of respondents disagreed that entrepreneurship trainings were conducted to equip SME operators with the skills and tools to generate new ideas and identify opportunities in the market during the pandemic. The absence of entrepreneurship trainings

might have led to missed opportunities for SMEs to innovate and identify market gaps which could affect the SMEs performance. The results are not in line with the findings of Anggadwita et al. (2021) who argued that entrepreneurship training could equip SME owners with the skills and tools to generate new ideas and identify opportunities in the market.

The study's outcomes revealed that a majority of the respondents disagreed with the notion that new ideas for manufacturing products were adopted during the pandemic to meet customer demands. The finding may imply that many businesses might have missed opportunities to innovate and adapt their product offerings to changing customer needs during the pandemic. The findings disagree with the findings of Ratnawati and Kholis (2021) who contended that improved ideas of manufacturing enhanced the brand reputation of SMEs by demonstrating their ability to innovate and create value for customers during the pandemic. The study also found that the SMEs were responsive to feedback and implemented changes to existing products and services to meet emerging demands in the market during post Covid-19. The responsiveness to feedback may imply that the SMEs understood the importance of aligning their offerings with evolving market demands. This adaptability can help maintain or improve their relevance in a changing landscape. The findings are consistent with the findings of Ratnawati and Kholis (2021) who found that SMEs were responsive to feedback and implemented changes to existing products and services to meet emerging demands in the market in the times of post Covid-19.

5.2.2 The effect of Innovative Strategy on the Performance of SMEs

The findings from the study indicates that innovative strategy had a statistically significant effect on the performance of SMEs in Namanve during the Covid-19 period. The findings may imply that SMEs that employed innovative strategies were better positioned to adapt to market changes, capitalize on emerging opportunities, and navigate uncertainties, leading to improved overall performance. The findings may imply that there might have been limited SMEs investment in research and development during the pandemic. The findings disagree with El Chaarani et al. (2022) who found that SMEs that engaged in research and development activities to introduce new products and services to the market during the pandemic were likely to have a better performance.

The study's findings revealed that the majority of SMEs did not collaborate with others to drive innovation during the pandemic. Lack of collaboration might have resulted in missed opportunities to leverage diverse perspectives and expertise from external partners. Collaboration often involves knowledge sharing. The findings are not in line with Sari et al. (2023) who found that SMEs collaborated with others to drive innovation during the post Covid-19 in West Java. The findings indicate that there was a lack of agreement among respondents regarding SMEs developing new or improved processes that aimed to enhance operational efficiency, effectiveness, and reliability i.e. the utilization of new technology, software, or equipment to streamline operations. The findings may imply challenges by SMEs in adopting new technologies, software, or equipment. SMEs facing barriers to technology integration could be at a disadvantage in terms of operational competitiveness during the pandemic. The findings are not in agreement with Sari et al. (2023) who contended that SMEs that proactively adopted digital technologies and restructured their business models exhibited greater resilience in adapting to the evolving business landscape.

A significant proportion of the study respondents expressed disagreement with the idea that new materials were utilized and new features were incorporated into products during the pandemic. The findings indicate a potential innovation gap, where SMEs might have missed opportunities to enhance their products with new materials and features. SMEs that do not evolve their products might face a competitive disadvantage compared to those that offer novel or improved features. The findings are not consistent with the findings of Ismanu et al. (2021) who found out in Indonesia that new materials were utilized and new features were incorporated into products during the pandemic which increased on the market share of SMEs.

The survey findings established that the majority of SMEs in Namanve engaged in social media advertisements during the pandemic to connect with their clients in the market. The prevalence of social media advertisements indicates SMEs' willingness to adapt to digital platforms for marketing, reflecting a response to changing consumer behavior during the hard times of post Covid-19. The findings are also in agreement with Pu et al. (2021) who found that SMEs in Bangladesh engaged in social media advertisements during the pandemic to connect with their clients in the market. The study further revealed that the majority of respondents were in agreement that the use of e-commerce provided customers with the convenience of shopping from home, which became increasingly important during the pandemic. The agreement on e-commerce convenience suggests a shift in consumer preferences towards online shopping for its ease and accessibility during challenging times of post Covid-19. The findings are consistent with Valdez-Juárez et al. (2022) who argued that E-commerce provided customers with the convenience of shopping from home, which became increasingly important during the pandemic.

5.2.3 The effect of Innovative Culture on the Performance of SMEs

The study's findings indicated that innovative culture did not have a meaningful impact on the performance of SMEs in Namanve in the period following Covid-19. This suggests that there is insufficient statistical evidence to conclude that innovative culture significantly influenced SME performance in this challenging post-pandemic context. These results contrast with previous research, where scholars like Huang & Xu (2020), Rahman et al. (2021), and Tang et al. (2020) found that innovative culture positively affected SME performance (Huang & Xu, 2020; Rahman et al., 2021; Tang et al., 2020).

The results indicate that there was a practice of sharing knowledge and information to generate ideas for the development of new products amid the pandemic. The presence of knowledge sharing indicates a collaborative environment where SMEs leverage collective insights to drive innovation and product development. An environment that encourages knowledge exchange fosters an ideation culture, promoting the continuous generation of fresh and innovative product concepts. The findings are in line with Rahman et al. (2021) argued that an innovation culture fosters information sharing, which is a crucial component of organizational learning. This atmosphere encourages the exchange of knowledge and ideas, subsequently motivating the generation of novel concepts for new product development.

The survey findings indicate that a majority of the respondents agreed that the staff possessed positive behaviors and attitudes toward new technology during the pandemic. The positive attitudes of staff may imply a high level of technological readiness, facilitating the adoption and integration of new technologies among SMEs during the Pandemic. The findings are in agreement with Huang and Xu (2020) who found that SMEs that had innovative habits, behaviors, and positive attitude were more likely to adapt to rapidly changing circumstances and find new ways of operating.

The study's investigations revealed that the SMEs exhibited low resistance to technological change in terms of how they produced and delivered products to clients during the pandemic. A lack of resistance may imply an innovation-focused mindset within SMEs, fostering an environment where new technologies were welcomed and explored during hard times. The results are supported by that of Tang et al. (2020) who found in China that SMEs exhibited low resistance to technological change in terms of how they produced and delivered products to clients in hard times of post Covid-19. The results of the investigations indicate that there was no open communication and collaboration with other enterprises during the pandemic. The absence of open communication and collaboration may imply a potential lack of interaction with external entities, possibly isolating SMEs from beneficial partnerships and knowledge-sharing during Covid-19. The findings are not in agreement with Halim et al. (2021) who found that there was open communication and collaboration between SMEs in Malaysia during the period of Covid-19 which played a critical role in improving performance of SMEs.

5.3 Conclusions

In conclusion, the study highlights the significant role of innovativeness in enhancing the performance of SMEs in Namanve during the post Covid-19 period. Specifically, both innovative capability and innovative strategy emerged as influential factors contributing to improved SME performance within this context. Nevertheless, the study underscores the importance of placing greater emphasis on nurturing an innovative culture, as the findings indicate that it did not demonstrate a significant effect on SME performance.

5.4 Recommendations

Recognizing the importance of skill development and idea generation, government should prioritize offering entrepreneurship training programs to SMEs in Namanve. These programs

can cover innovation, market analysis, adaptability, and other relevant skills to empower operators with the tools they need to navigate challenging situations.

Organize workshops, seminars, and conferences that bring together SMEs and potential collaborators. These events can serve as platforms for idea exchange, networking, and identifying potential collaboration opportunities in challenging times.

The SMEs in Namanve should embrace the adoption of new technology, software, and equipment to streamline their operations in challenging times.

Government should initiate collaborative efforts and platforms that facilitate communication and knowledge sharing among SMEs. This can include virtual forums, regular meetings, and networking events where businesses can exchange ideas and experiences.

SMEs should invest in leadership development programs to equip current and aspiring leaders with the skills and knowledge necessary to drive innovation and change. Leadership training can enhance their ability to inspire and guide teams.

5.6 Areas for Further Research

Further research should be conducted across different regions in Uganda, involving a diverse range of SMEs, to gain a broader perspective on how innovativeness has impacted their performance. This would provide a more comprehensive understanding of the role of innovation in SMEs' performance during post Covid-19.

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APPENDICES

Appendix I: Questionnaire

Dear Participant,

We sincerely appreciate your willingness to contribute to our study, which aims to investigate the "Effect of Innovativeness on the Performance of Small and Medium Enterprises (SMEs) in Namanve During COVID-19." As a student at Kyambogo University, this research is an integral part of our academic requirements, and your valuable insights play a crucial role in its success. Your participation involves responding to a series of questions designed to gather your individual viewpoint on the topic. Your candid and honest opinions are highly valued, and it's important to note that there are no right or wrong answers. We are eager to understand your unique perspective, and your input will contribute significantly to the quality of our research.

Thank you sincerely for your time and cooperation. Please rest assured that all the information you provide will be treated with the utmost confidentiality and anonymity. The data collected will be used exclusively for the purposes of this study. Your identity and personal details will remain completely confidential throughout the research process.

Instructions

Please tick and fill in the blank spaces provided for your possible answer to the corresponding question.

Section 1: Demographic Characteristics

1. Gender status:

a) Male ☐ b) Female ☐

2. How old are you?

a) 18-25 ☐ b) 26-35 ☐ 36-45 ☐ d) Above 45 ☐

3. What is your Marital Status?

a) Single ☐ b) Married ☐ c) Divorced/separated ☐

4. What is your highest Educational level?

a) No formal education ☐

b) Primary ☐

c) Secondary ☐

d) Higher ☐

5. How long has the business been in existence?

a) Less than 1 year ☐

b) 1-5 years ☐

c) 6-10 years ☐

d) Above 10 years ☐

6. In which industry is this enterprise?

a) Service ☐

b) Retail ☐

c) Manufacturing ☐

d) Construction ☐

e) Others specify_____

Section 2: Innovative Capability of SMEs in Namanve

Using a scale of 1-5, 1=Strongly Disagree, 2=Disagree, 3=Not sure, 4=Agree, 5=Strongly Agree, please indicate your level of agreement or disagreement on the following statements on the innovative capability of SMEs in Namanve

Code	Statements	1	2	3	4	5
C1	We used creative ways of delivering products to our clients during the pandemic such as using safe bodas and Uber					
C2	The clients were making orders and payments using electronic means during the pandemic					
C3	The management meetings about the products were conducted online during the pandemic i.e. Zoom, google meet, and WhatsApp among others.					
C4	Entrepreneurship training was conducted to equip SME operators with the skills and tools to generate new ideas and identify opportunities in the market during the pandemic					
C5	New ideas for manufacturing products were adopted during the pandemic to meet the customer demands					
C6	Our enterprise used to respond to feedback and make changes to existing products and services to meet emerging demands in the market during Covid-19					

Section 3: Innovative Strategy of SMEs in Namanve

Using a scale of 1-5, 1=Strongly Disagree, 2=Disagree, 3=Not sure, 4=Agree, 5=StronglyAgree, please indicate your level of agreement or disagreement on the following statements on the innovative strategy of SMEs in Namanve

Code	Statements	1	2	3	4	5
S1	Our organization conducted research and development activities to bring new products and services to market during the pandemic					
S2	Our enterprise collaborated with other organizations or stakeholders to drive innovation during the pandemic					
S3	The enterprise developed new/improved processes that were more efficient, effective, and reliable for the operation i.e. use of new technology, software, or equipment to streamline operations					

S4	There was use of new materials and incorporation of new features in our products during the pandemic					
S5	We developed effective distribution strategies for our products to our clients during the pandemic					
S6	We conducted social media advertisements during the pandemic to reach out to our clients in the market					
S7	The use of e-commerce provided customers with the convenience of shopping from home, which became increasingly important during the pandemic					

Section 3: Innovative Culture of SMEs in Namanve

Using a scale of 1-5, 1=Strongly Disagree, 2=Disagree, 3=Not sure, 4=Agree, 5=Strongly Agree, please indicate your level of agreement or disagreement on the following statements on the innovative culture of SMEs in Namanve

Code	Statements	1	2	3	4	5
IC1	There was sharing of knowledge and information to generate ideas for the development of new products during the pandemic					
IC2	The staff possessed good behaviors and attitudes toward new technology during the pandemic					
IC3	The enterprise had low resistance to technological change on how to produce and deliver products to the clients during the pandemic					
IC4	There was open communication and collaboration with other enterprises during the pandemic					
IC5	The enterprise had strong leadership that supported product development and technological change during the pandemic					

Appendix 2: Introduction Letter

Appendix 3: Plagiarism Test