



UGANDA MANAGEMENT INSTITUTE

**BUSINESS STRATEGY AND SURVIVAL OF  
MEDIUM SCALE MANUFACTURING ENTERPRISES IN KAMPALA  
CAPITAL CITY AUTHORITY, UGANDA**

**BY**

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**JANUARY, 2015**

**DECLARATION**

I, Aloysius Barugahare, do declare that this report is my original work and has never been presented to any institution for any academic award.

**Signed**.....

**Date**.....

**APPROVAL**

This report by has been submitted for examination with our approval as supervisors.

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**SIGN.....**

**Date.....**

**MR. MICHAEL KIWANUKA**

## **DEDICATION**

I dedicate this work to my dear wife Ester and children Annette, Allen, Albert and Aidan for being such great friends to me always and ever.

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## **LIST OF ABBREVIATIONS/ACRONYMS**

<b>BCG:</b>	Boston Consulting Group
<b>KCC:</b>	Kampala Capital City
<b>KCCA</b>	Kampala Capital City Authority
<b>MMEs:</b>	Medium Manufacturing Enterprises
<b>SMEs:</b>	Small and Medium Enterprises
<b>SPSS:</b>	Statistical Package for Social Scientists
<b>UIA:</b>	Uganda Investment Authority
<b>UMA:</b>	Uganda Manufacturers' Association
<b>USSIA:</b>	Uganda Small Scale Industries Association

## **ABSTRACT**

The aim of the study was to examine the influence of business strategy on survival of medium manufacturing enterprises (MMEs) in Kampala Capital City (KCC). The specific objectives of the study were to examine the influence of the cost leadership strategy on the survival of MMEs in KCC; to assess the influence of market focus strategy on the survival of MMEs in KCC and to determine the influence of the product differentiation strategy on the survival of MMEs in KCC. The study was a cross sectional survey that used questionnaires and interview guide to collect data from a sample of 265 respondents. Quantitative data were analyzed using the SPSS computer based software using both descriptive and inferential techniques, while qualitative data were summarized into themes and quotes. The study revealed that cost leadership strategy and MME survival were significantly and positively related; focus on market strategy and MME survival were significantly positively related and product differentiation strategy was significantly positively related with MME survival. The study concluded that MME survival increases with increased adoption of the cost leadership strategy; MME survival increases with increased adoption of the focus on market strategy and that MME survival increases with the increased adoption of the product differentiation strategy among MMEs in KCC. The study recommended that MMEs in KCC should continue pursuing cost leadership; focus on market and product differentiation strategies if they are to survive.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

This study examined the influence of business strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City (KCC). In this study, business strategy is the independent variable and survival of medium scale manufacturing enterprises (MMEs) is the dependent variable. Chapter one presents the introduction, background to the study, theoretical, conceptual and contextual background, statement of the problem, general and specific objectives of the study, research questions and hypotheses, conceptual framework, significance and justification of the study, scope of the study and definition of key terms and concepts.

### **1.2 Background to the study**

#### **1.2.1 Historical Background**

Traditional views on strategy were borne from a military definition of the word 'strategy' that historically referred to the manner in which troops would be deployed prior to battle (Peters & Waterman 1982 ). In the business world, this was translated into the manner in which resources would be deployed to beat the competition (Berkshire Strategic, 2012). There are two distinct historical phases in the evolution of thought on corporate strategy. Until the early 1980s, the primary aim of corporate strategy was the creation of a diversified business portfolio (Kay, 1995). Such a portfolio might encompass related diversification motivated by synergy between old and new businesses and unrelated diversification supported by portfolio planning techniques. But by the early 1980s, evidence had accumulated that unrelated diversification added little value

and many of the conglomerates created in these earlier decades had succumbed to financial pressures (Kay, 1995). By the 1980s' attitudes had changed; the trend of the 1980s was one for focus on the core business; 'stick to the knitting', as the graphic phrase used by Peters and Waterman (1982). Debate on corporate strategy then centered on a view of what the core business is. For instance, is a computer company a manufacturing business, or a provider of information management systems? Is a brewer in beer or in leisure?

In formulating business strategy, the 'experience curve' popularized by the Boston Consulting Group (BCG 1968 , 1972 ; Yelle, 1979 ) led firms to focus on the critical importance of market share. This emphasis was reinforced by the observation in the PIMS database of a strong positive correlation between market share and returns (Buzzell, Gale, & Sultan, 1975 ). PIMS also identified a correlation between relative product quality and return on investment (Buzzell & Gale, 1987 ). With the awakened, or renewed, emphasis on competitive issues, the choice of market position was seen as a central element in strategic decision-making.

Many authors offered a number of classifications of generic strategies checklists from which corporations could choose the most relevant objectives for particular markets. One early list was proposed by Ansoff (1965), who identified market penetration, product development, market development, and diversification as alternative strategic objectives. The Boston Consulting Group's alternatives were; invest, hold, harvest, divest, and Little as cited by Wright (1974) offers a list of no less than twenty-four strategic options. Porter's (1980 ) classification of generic strategies proved particularly influential. In Porter's framework there are two dimensions of choice. Firms can pursue either cost leadership, the same product as competitors but at lower cost or differentiation. They can range narrowly, or broadly, thus generating a range of



alternatives encompassing cost leadership, product differentiation, and focus on market strategies (Pearce, 1983 ; Galbraith & Schendel, 1983 ; Karmani, 1984 ; White, 1986) as some of the generic strategies. Thinking in the 1980s came to support simple sharp statements of objectives in terms of the corporate vision (Campbell & Yeung, 1990 ) or an assertion of ‘strategic intent’ (Prahalad & Hamel, 1985). Today, a debate on the content of the corporate mission is a common starting-point for a discussion of strategy. Business strategy has been linked to a number of business related outcomes like firm profitability (Kekre & Srinivasan, 1990), growth (Zotti & Amiti, 2007) and performance (Amoka-Gampya & Acquaaah 2007). Despite the extensive research on the influence of business strategy on a number of business related variables, research on the influence of business strategy on the survival of medium scale manufacturing enterprises in a developing world context is scanty. The current study sought to fill this knowledge gap by examining the influence of business strategy on the survival of selected medium scale manufacturing enterprises in Kampala Capital City, Uganda.

### **1.2.2 Theoretical Background**

The study was underpinned by Generic Strategies Theory. The Generic Strategies Theory is a framework for industry analysis and business strategy development. Porter’s Theory describes how a company pursues competitive advantage in a chosen market scope. The three generic strategies are cost leadership, focus on market and product differentiation. The choice of any of these depends on competitive advantage of the firm and the scope. According to Porter (1980), an industry has multiple segments that can be targeted by a firm. Porter argues that for a firm to achieve competitive advantage it must cope with five forces of competition better than its rivals. The five forces are; threat of new competition, threat of substitute product or service, bargaining

power of customers, bargaining power of suppliers and intensity of competitive rivalry. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry (Porter, 1980).

Accordingly, the objective of corporate strategy should be to modify these competitive strategies in a way that improves the position of the organization in the market. Porter's model supports analysis of the driving forces in an industry. Based on the information derived from the Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry. The model is based on the insight that a corporate strategy should exploit the opportunities and meet the threats in the organization's external environment. Specifically, competitive strategy should be based on an understanding of industry structures and the way they change.

The Generic Strategies Theory is a simple but powerful mechanism for understanding where power lies in a given business situation. This is important, as it helps management understand both the strength of the organization's current competitive position, and the strength of a position an organization is looking to move into. With a clear understanding of where power lies, the organization can take fair advantage of a situation of strength, improve a situation of weakness, and avoid taking wrong steps. This makes it an important tool for business strategizing.

Porter's Generic Strategies Theory was adopted by this study because it has been used and validated in a number of studies with emphasis on organizational, environmental, and performance-related variables (Campbell-Hunt, 2000; Dess & Davis, 2004; Kotha & Vadlamani, 2005; Ward & Duray, 2010). Thus this study focused on three of the competitive strategies

suggested by the theory namely; cost leadership, focus on market and product differentiation strategies because they were the most commonly used dimensions as suggested by Dess and Davis (2004) and Nayyar, (2011).

### **1.2.3 Conceptual Background**

The key concepts in the study were business strategy and the survival of medium scale manufacturing enterprises in Uganda. Business strategy is a long term plan of action designed to achieve a particular goal or set of goals or objectives (Watt, 2011). Strategy is management's game plan for strengthening the performance of an enterprise. It states how business should be conducted to achieve the desired goals (Watt, 2011). According to Rajput, Singh, and Singh (2012), strategy is the direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. Business Strategy, which is the focus of this study looks at how a business competes successfully in a particular market. It is concerned with strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors and exploiting or creating new opportunities. In addition, Coveney, Ganster, Harten and King (2003) contend that business strategy is concerned with low cost production, market segmentation and competition. For this study therefore, business strategy was measured in terms of cost leadership, focus on market and product differentiation strategies.

The cost leadership strategy is an integrated set of actions taken to produce goods or services with unique features that are acceptable to customers at the lowest cost relative to that of competitors (Porter, 1980). Cost leadership aims at reducing costs throughout the value chain

and reaching the lowest cost structure possible. A cost leader enterprise puts products with an acceptable quality and limited standard features on the market in order to gain competitive advantage and to maximize its market share (Porter, 1980; Hambrick, 1983; Huang, 2001; Hitt et al., 2007). Such kinds of enterprises appeal to a wide group of customers. Cost leadership necessitates a reduction of costs in fields such as research and development (R & D) and advertising (Summer & Bayrackter, 2012). Besides economies of scale, cost reduction efforts through the experience curve, strict control over costs and overhead costs are important in this strategy (Utterback & Abernathy, 1975). Cost leadership was measured in terms of the importance of reducing production costs, minimizing operational costs, construction of efficient scale facilities, cost and overhead cost control to the firm.

Focus on market strategy is a type of marketing strategy that breaks down the overall market into segments (Ferreira, 2009). This is called market segmentation. These market segments can be broken down into various ways to best suit a firm's needs. The idea is to find a targeted group of consumers who will be the most likely to buy a product or service. The focus on market strategy differs from the other strategies in one aspect. While in the differentiation and cost leadership strategies wide fractions of customers are being appealed to, the firms that follow a focus on market strategy prefer to appeal to a certain geographical area or a certain fraction of customers (Porter, 1985). Focus on market strategy was measured in terms of the importance that the firm places on market segmentation, strategic marketing, competitive pricing, research and development, customer care and product quality, among others.

The product differentiation strategy calls for differentiating a product or service from the competitor's products or services. The differentiation may be in the product form, the brand image, features, technology, customer care service, pricing or distribution channels (Bayraktar, 2012). According to Heard (2003), product differentiation is a competitive business strategy whereby firms attempt to gain a competitive advantage by increasing the perceived value of their products and services relative to the perceived value of other firms' products and services. Differentiation consists of offering unique products and services in various forms, such as design, brand image, customer service and technology (Lillo & Lajara, 2002). This strategy aims at enhancing product quality, performance and design. In this strategy, enterprises attempt to operate above the sector average by producing a product regarded as unprecedented in the industry and, in return, charging a higher price that the customer would agree to pay. This group has various denominations namely: product development and diversification (Ansoff, 1965), performance maximizing (Utterback & Abernathy, 1975), prospector (Miles & Snow, 1978; Hambrick, (1983) quality enhancement (Schuler & Jackson, 1987), quality differentiation and design differentiation (Mintzberg, 2004), product innovation and development (Robinson & Pearce, 1988), product differentiators (Kim & Lim, 1988), innovator and broad liner (Douglas & Rhee, 1989), preemptive/first Mover (Chang et al., 2002). Product differentiation was measured in terms of the importance that the firm places on the following; strategic advertising, innovative marketing, utilizing highly skilled sales force and agents, emphasis on product quality, customer service and influencing/controlling distribution channels.

Firm survival refers to the ability of a firm to survive in the long run (Okpara, 2011; Tukashabomwe-Kazooba, 2006; Arinaitwe, 2006). Medium manufacturing enterprises (MME) survival refers to the ability of MMES to grow and survive beyond the first five years of its establishment. According to Watson (2003) MMEs that survive are the ones that are less likely to fail. Survival means the business continues to operate as a self-sustaining activity, is effectual in achieving profitability, effective in attracting resources, and is tailored properly to the environment (Chrisman et al., 1998). Cooper (1993) asserts that the question of why some businesses survive and others do not is still the centre of focus in entrepreneurship study. Bruderl and Schussler (1990) see business survival as a constitutive indicator of business success. Kalleberg and Leicht (1991) view organizational survival as a necessary aspect of performance and an essential condition for sustained business success. Churchill and Lewis (1983) cited in Young (2009), recognize survival as a major strategy of SMEs that continued until the business had a divisional management style. Alasadi and Abdelrahim (2007) on the other hand affirm that survival is a significant performance criterion for newly established enterprises that reflects successful business creation.

In the study of SME long-term survival, many researchers have brought forth vital factors that can be used to measure the perceived long term survival of an SME. Neneh (2011) found that firm's survival rates increase with the age of the business. McPherson (1996) in his analysis considered the number of employees to have a positive relationship with the long term survival of SMEs, by stating that SMEs that added more workers were more likely to survive than SMEs that maintain their start up sizes. This is because new employees bring in new experiences and can revolutionize production and methods of work. Furthermore, the start-up size in terms of the

number of equipment or assets a business owned was seen to have a positive relationship with the long term survival of SMEs. In this consideration, the start-up size is one of the most important characteristics for the survival of SMEs based on López-García and Puente (2006) view point. Reid (1993) established that a key variable to consider in an analysis of a small firm's long run survival criterion is net profit. With regards to the number of business owners, Irastorza (2006) established that firms created by two or more entrepreneurs survived longer than those created by individuals.

Drawing from the previous literature, the following variables (business age; number of employees; number of customers; net profit; equipment/ assets) are considered in this study as determinants of survival. It is presumed that a number of these factors that positively impacted on the SME determine the SMEs perceived probability of achieving long term survival. For the firm to be considered to have long term survival, the SME has to relate to the following criteria: (1) the number of employees of the firm must have increased from the time of creation. (2) The net profit of the firm must have increased by at least 20% from time of creation to date. (3) The number of customers of the firm must have increased by at least 20% from time of creation to date. (4) The assets of the firm must have increased by at least 10% from the time of creation to date (Neneh & Vanzyl, 2012). Thus according to this study MME survival refers to the ability of the MME to survive in the long run. MME survival was measured in terms of; increase in the MMEs net profit by 20% from the time of creation to date; increase in the firm's customers by at least 20% from time of creation; increase in the firms' assets by at least 10% from the time of creation to date and survival of the MME for at least more than five years from the time of creation to date.

#### **1.2.4 Contextual Background**

The growing significance of SMEs in Uganda's economy is difficult to ignore. Because of their flexibility and resilience, and their potential to influence the growth of domestic demands, SMEs are pivotal to the current development of the Ugandan economy. A study by Hatega, (2007) estimated that SMEs in Uganda constitute 90 percent of the private sector, with 80 percent of them located in urban areas. These SMEs, which according to Hatega, (2007) are largely involved in trade, agro-processing, and small scale manufacturing, contribute approximately 75 percent of the Gross Domestic Product (GDP). SMEs in Uganda employ approximately 2.5 million people. This signifies their importance in the economic development and growth of Uganda's economy as well as creation of employment that can otherwise forestall potential social unrest (Hatega, 2007).

However, although SMEs influence many government's economic and developmental strategies (Tang et al, 2007), Uganda is ranked second highest in terms of business startups in a year but with one of the highest business failure rates in the world (GEM Report, 2004). This suggests that SME growth in Uganda is not sustainable. With a GDP contribution of 75%, the challenges faced by SMEs in Uganda include low productivity and profitability, lack of market competitiveness and low survival rate, (Hatega, 2007; Kigozi, 2009; KPMG, 2009).

Kampala City is home to 9823 SMEs (Uganda Investment Authority, 2011). The, SMEs account for 80% of the private sector, and provide employment to approximately 2.5 million people (Ntayi & Eyaa, 2010). Despite the high startup rate of SMEs in Kampala City, most small and medium scale business units in Kampala City collapse within the first five years of operation. A



study by the Private Sector Foundation Uganda (2006) found that less than 10% of the SMEs in Kampala City survive beyond their first year of existence and only 5% survive and make it to maturity. Although a number of factors could be responsible for the high failure rate of SMEs, there was need to investigate the influence of business strategy on the survival of medium manufacturing enterprises in Kampala City, since no similar study has been conducted.

### **1.3 Statement of the Problem**

Business strategy is expected to engender MME survival by enabling a firm to gain competitive advantage over its rivals by allowing it have significantly lower cost structures in an industry without ignoring other areas such as product and service quality (Porter, 1980; Kim, Song and Koo, 2008). It is also expected to enhance the development of new products/services for existing markets; achieve a low-cost position and emphasize innovative manufacturing processes which improve profitability and lead to increased survival of MMEs (Watt, 2011; Summer & Bayrackter, 2012). In a bid to improve performance and survival, medium manufacturing enterprises in Kampala Capital City have adopted strategies like; cost leadership, focus on market and product differentiation (Ntayi & Eyaa, 2010; UIA, 2011). Despite this, about 90% MMEs in Kampala City collapse with in the first five years of operation. Studies by Private Sector Foundation Uganda (2006) Enterprise Uganda (2010) and the Uganda Bureau of Statistics (2012) indicate that less than 10% of the SMEs in Kampala Capital City survive beyond their first year of existence and only 5% survive and make it to maturity. It is against this background that the study sought to examine the influence of business strategy on the survival of medium manufacturing enterprises in Kampala Capital City. Without this knowledge, MMEs are likely to

continue facing survival challenges with resultant negative consequences to the country's economy.

#### **1.4 General Objective**

The general objective of this study was to examine the influence of business strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City.

#### **1.5 Specific Objectives**

1. To analyze the influence of cost leadership strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City.
2. To determine the influence of focus on market strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City;
3. To assess the influence of product differentiation strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City.

#### **1.6 Research Questions**

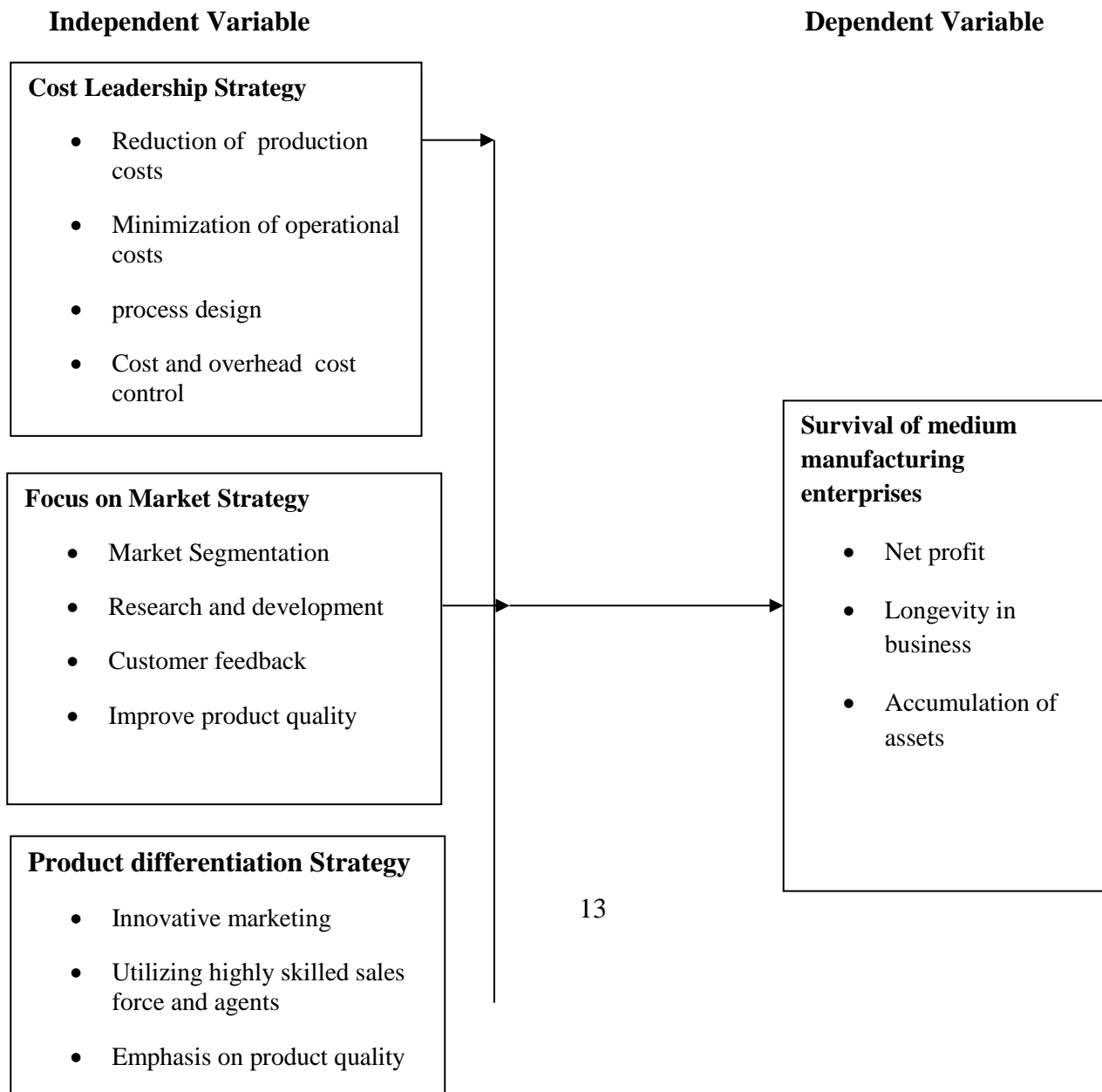
1. To what extent does cost leadership strategy have influence on the survival of medium scale manufacturing enterprises in Kampala Capital City?
2. How does focus on market strategy influence the survival of medium scale manufacturing enterprises in Kampala Capital City?
3. To what extent does product differentiation strategy have influence on the survival of medium scale manufacturing enterprises in Kampala Capital City?

## 1.7 Study Hypotheses

1. Cost leadership strategy has positive significant influence on the survival of medium scale manufacturing enterprises in Kampala Capital City.
2. Focus on market strategy has positive significant influence on the survival of medium scale manufacturing enterprises in Kampala Capital City.
3. Product differentiation strategy has a positive significant influence on the survival of medium scale manufacturing enterprises in Kampala Capital City.

## 1.8 Conceptual Framework

**Figure 1:** Conceptual framework showing the influence of business strategy on the survival of MMEs





**Source:** Adopted with modification from Porter's Generic Strategic Theory (1980)

The dependent variable in this study is MME survival. MME survival is conceptualized as the ability of the firm to survive for a long time after its establishment. The above conceptual framework assumes that MME survival is dependent on effective and efficient business strategy. The model assumes that efficient cost leadership, focus on market and Product differentiation strategies influence MME survival. Although there are several indicators of firm survival, this study focused on profit margins, firm's longevity in business and accumulation of assets to measure the survival of medium scale manufacturing enterprises.

According to the conceptual framework, it is presumed that the independent variables which include cost leadership, focus on market and Product differentiation strategies will influence the survival of medium scale enterprises.

Cost leadership is conceptualized as a strategy used by businesses to create a low cost of operation within their niche. The model hypothesizes that increased cost leadership strategy influences firm survival by reducing operational costs below that of others in the same industry.

Focus on market strategy is conceptualized as a type of marketing strategy that breaks down the overall market into different segments. These market segments can be broken down in various

ways to best suit a firm's needs. The aim is to find a targeted group of consumers who will be served by the firm. The model assumes that focus on market strategy influences firm survival in that it helps a firm concentrate its efforts on key market niche which has specific needs, wants, characteristics and interests, and therefore a firm can offer a wide range of products/services to the market.

Product differentiation is conceptualized as differentiating a product or service from the competitor's products or services aimed at certain market segments with different personal preferences and tastes. The conceptual framework assumes that product differentiation influences firm survival in that it allows a firm to gain a competitive advantage by increasing the perceived value of their products and services relative to the perceived value of other firms' products and services.

### **1.9 Significance of the Study**

The findings of the study are expected to provide management of medium scale manufacturing enterprises with information on the extent to which business strategy has influence on the survival of firms. With this knowledge, they will be able to improve and enhance appropriate business strategy and firm survival. The study will also provide information that could enable policy makers to address the high failure rate of SMEs in Uganda.

The study is expected to furnish information to stakeholders namely; the government, policy makers, development partners, entrepreneurs, as well as owner-managers in the capacity building of medium scale manufacturing enterprises in the context of their sustainable development as a vital sector in the economy.

The study is expected to benefit the researcher through acquiring more knowledge and understanding about the influence of business strategy on the survival of medium scale manufacturing enterprises. The study will also contribute to the researcher's academic and professional advancement in business strategic planning and MME survival.

The study is expected to extend the frontiers of knowledge by contributing to the understanding of the influence of business strategy on the survival of medium scale manufacturing enterprises. Future researchers and practitioners will benefit from the findings of the study by filling the gaps that may result from this study.

### **1.10 Justification of the Study**

The choice of relevant business strategy is essential in ensuring sustainability and survival of MMEs in Uganda. Appropriate business strategic development is vital in multiplier effects of viable MMEs to the economy and the individual entrepreneur. Therefore, decisions about the choice of appropriate strategy should be based on correct and researched information for individual owner-managers, policy makers and development partners.

Earlier studies indicate business strategy has a significant influence on a number of business related outcomes like firm performance, productivity and profitability among others. These studies however do not address themselves on how business strategy impacts on MME survival, hence the need for this study. Furthermore, the studies have contextual gaps. They were conducted in large manufacturing firms in the developed world and not in medium sized firms in a developing country like Uganda. This study, therefore examined the relationship between business strategy and the survival of medium scale enterprises in a developing world context.



## **1.11 Scope of the Study**

### **1.11.1 Content scope**

The study focused on the influence of business strategy on the survival of medium scale manufacturing enterprises. Specifically the study undertook to determine the influence of cost leadership, focus on market and product differentiation strategies on the survival of medium scale manufacturing enterprises in Kampala Capital City.

### **1.11.2 Geographical scope**

Geographically, the study was conducted in Kampala Capital City. Kampala Capital City was chosen because it is where most of the medium scale enterprises in Uganda are located. The study specifically focused on the medium scale manufacturing enterprises located in the area under investigation.

### **1.11.3 Time scope**

The study focused on the period 2008-2013 because studies had shown that most small and medium enterprises in Uganda collapse before the fifth year of establishment. In addition, this is a period in which relevant information and records were available.

## **1.12 Operational Definition of Key Terms and Concepts**

**Business Strategy** refers to a scheme for handling a firm's relationship with its environment namely clients, customers, and competitors both real and potential. Business strategy will be conceptualized in terms of cost leadership, focus on market and product differentiation strategies.



**Cost Leadership strategy** refers to strategy used by businesses to create a low cost of operation within their niche. For this study, cost leadership strategy was operationally defined in terms of; reduction of production costs, reduction of operational costs, process design and control of overhead costs.

**Focus on market strategy** refers to a strategy that breaks down overall markets into narrow market segments and within this, the firm hopes to have a cost advantage or differentiation. For this study, focus on market strategy was operationalized in terms of; market segmentation, competitive pricing, research and development, customer care feedback and service, and improving product quality.

**Product Differentiation** strategy refers to competitive business strategy whereby firms attempt to gain a competitive advantage by increasing the perceived value of their products and services relative to the perceived value of other firm's products and services. For this study, product differentiation was measured in terms of; innovative marketing, utilization of highly skilled sales force and agents, emphasis on product quality and customer service.

**MME survival** refers to the ability of the medium manufacturing enterprise to survive for a period of more than five years after its establishment. MME survival was measured in terms of; net profits, longevity in business and accumulation of assets.

**Medium Manufacturing Enterprises are** enterprises with an asset base of between 12 million and 360million and employing between 50 and 100 employees.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The study examined the influence of business strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City. This chapter presents the theoretical and related literature of the study problem. The aim of this chapter is to present theoretical dimensions related to the topic under investigation, and to specifically review relevant literature on the influence of cost leadership, focus on market and product differentiation strategies on MME survival.

#### **2.2 Theoretical Review**

The study was guided by Porter's Generic Strategic Strategies Theory. Porter's (1980) theory suggests that product differentiation, cost leadership and focus on market strategies provide firms with the ability to attain a competitive advantage and outperform rivals in an industry. A cost leadership strategy aims for a firm to be a low-cost producer in the industry. Firms following this strategy place emphasis on cost reductions in every activity of the value chain. Product differentiation consists of offering unique products and services in various forms, such as design, brand image, customer service and technology. A focus on market strategy aims at a segment of a market within which a firm develops uniquely low-cost or well-specified products for the market. Porter (1980) claims that organizations that follow one of these three generic strategies can show

above average performances in the long-term, while firms that are stuck in the middle perform less well.

Although Porter's theory is widely acknowledged and used, it has encountered criticisms from a number of scholars. The theory assumes that firms adopt cost leadership as a way of gaining competitive advantage. However, Galbraith and Schendel (1983), argue that enterprises might reduce their costs for other reasons as well. For example, if an enterprise is considering ending the activities of a product it manufactures soon, if the manufactured product is in the maturity or recession stages of the product-life cycle and it is anticipated that it will not be preferred by the customer, or if demand for the product has declined, costs might be reduced accordingly in order to obtain the maximum return from the product and to increase cash flow.

Secondly, the differentiation strategy of Porter is referred to differently as building (Buzzell et al., 1975), develop (Herbert & Deresky, 1987), prospector (Miles et al., 1978), multiplication (Vesper, 1989) and integrated marketer (Douglas & Rhee, 1989). Yet, Porter discusses the differentiation strategy from a broad perspective. However, firms today can make product differentiation without changing their product qualities and performance by developing their marketing techniques or focusing only on issues such as product quality and performance.

Thirdly, focus on market strategy was revised in 1985 owing to its ambiguities and continuous debates about its applicability. Although Porter advised not to implement cost leadership and differentiation strategies simultaneously, because of their inherent content in nature, studies on application of quality management and flexible production

systems as well as networks would enable the two strategies to be implemented together because the business environments are not constant. In another study by Fatih (2010) on the effect of competitive strategies on firm performances in Gaziantep carpeting industry cluster, results suggest that in order to improve performance and to get sustainable competitive advantage in global markets, competitive strategies should be used resolutely and cost and differentiation strategies implemented simultaneously by decision makers. In addition, high demand for a product would force a firm to cut its costs (Kim, Nam & Stipent, 2004). The model also does not explain business strategy in the current competitive environment. Further business strategies in the service sector are not well documented.

Despite the shortcomings of Porter's theory, it has been used and validated in a number of studies with emphasis on organizational, environmental, and performance-related variables (Campbell-Hunt, 2000; Dess & Davis, 2004; Kotha & Vadlamani, 2005; Ward & Duray, 2010). Thus, this study adopted the theory to examine the influence of business strategy on MME survival in Kampala City. The study examined the influence of three of the competitive strategies that were suggested by Porter namely; cost leadership, focus on market and product differentiation strategies because they were the most commonly used dimensions (Dess & Davis, 2004; Nayyar, 2011).

### **2.3 Cost leadership strategy and the survival of medium scale manufacturing enterprises**

The cost leadership strategy is an integrated set of actions taken to produce goods or services with unique features that are acceptable to customers at the lowest cost relative to that of competitors or the reducing of cost structure in order to achieve superior profitability (Amoka-

Gampya & Acquaaah 2007). The cost leadership strategy represents attempts by firms to generate competitive advantage by achieving the lowest cost in the industry. The focus of firms implementing a cost leadership strategy is on stringent cost controls and efficiency in all areas of operation (Porter, 1980). A cost leadership strategy is aimed at enabling a firm to be a low-cost producer in the industry. Companies following this strategy place emphasis on cost reductions in every activity of the value chain (Summer & Bayrackter, 2012). A firm that successfully pursues a cost leadership strategy emphasizes “aggressive construction of efficient-scale facilities, vigorous, pursuit of cost reductions from experience, tight cost and overhead cost control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, service delivery, sales force, advertising, and so on” (Porter, 1980, p.35). A firm can, therefore, gain a competitive advantage over its rivals by having significantly lower cost structures in an industry without ignoring other areas such as product and service quality. Thus, the maintenance of a strong competitive position for an organization pursuing a cost leadership strategy places a premium on efficiency of operations and scale economies that enable them to achieve and sustain their performance for a considerable period of time (Amoka-Gampya & Acquaaah 2007).

A number of studies have been conducted to determine the influence of cost leadership strategy on a number of business related outcomes like profitability, growth and firm performance. Zotti and Amiti (2007) examined the fit between a firm’s product market strategy and its business model. They developed a formal model in order to analyze the contingent effects of product market strategy and business model choices on firm performance. They investigated a unique, manually collected dataset, and found that novelty-centered business models coupled with product market strategies that emphasize differentiation, cost leadership, or early market entry

could enhance firm performance. Deane et al. (1992) found a strong relationship between cost leadership and manufacturing strategy for high performing new venture organizations. Nangoli et al (2013) found a strong link between cost leadership strategy and the survival of SMEs in Uganda. They observed that firms that minimized costs survived longer than those which did not. While these studies provide evidence that pursuing a cost leadership strategy enhances firm performance, the focus was on firm performance and not survival.

Gupta and Somers (2006) found that a low cost strategy leads to improvements in efficiencies that a firm can use to reduce its price and all other things being equal achieve an increase in sales growth and market share. Kekre and Srinivasan, 2010 contend that a firm that develops a strategy that allows it to achieve volume and mix flexibility while keeping costs low and quality high will be able to respond faster to market changes and thus achieve higher performance. These studies were conducted in manufacturing industries in the developed world. It was not clear if pursuing a cost leadership strategy would have the same impact on the survival and performance of medium sized manufacturing enterprises in a developing world setting like Uganda.

#### **2.4 Focus on market strategy and the survival of medium scale manufacturing enterprises**

Focus on market strategy is a type of marketing strategy that breaks down the overall market into segments (Ferreira, 2009). This is called market segmentation. These market segments can be broken down in various ways to best suit a firm's needs and capabilities. Focus on market is part of strategic marketing strategy. Osuagwu (2004) observes that strategic marketing is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. Akinyele (2011),

reports that newly invented strategic marketing displaced long range planning because of the growing discontinuity of the environment. Strategic marketing on the other hand does not necessarily expect an improved future or extrapolated past.

Akinyele (2011) investigated the impact of strategic marketing and firm performance of the Nigerian oil and gas industry. Using a survey research methodology to examine strategic marketing and firm performance of Nigerian oil and gas marketing companies the author found that strategic marketing is a driver of organizational positioning in a dynamic environment, and that it helps to enhance the development of new product/service for existing markets. However, Akinyele's study focused on the oil and gas companies which are largely organized, formal and are capital intensive with ready market for their products. Most medium sized manufacturing enterprises have to struggle with other firms for market share. As such, focus on market strategy may not have the same influence on large established firms similar to that on medium sized manufacturing enterprises in a developing economy like Uganda.

Apolot (2012) in a study of the influence of organizational learning and innovative marketing among SMEs in Uganda found that SME survival improved with better innovative marketing strategies like focus on target market. This improved firm profitability and SME survival. However, Apolot's focus was not on business strategy hence the need to fill the knowledge gap.

Kim et al., (2008) investigated the strategic marketing positions that exist in the e-business context and how these strategies affect firm performance. Kim et al found that strategic positioning influences firm performance. The major implication of this study is that innovative differentiation strategies together with technological resources strongly affect firm performance

in the e-business context, a context where there is considerable turbulence in technological development. While Kim et al (2008) provide important insight on the role of strategic marketing in business, their focus was on e-business among large manufacturing firms and not medium sized manufacturing enterprises hence providing a contextual gap for this study to fill.

Slater, Tomas, Hult and Olson (2007) in a study that examined the importance of matching strategic behavior and target market selection to business strategy in high-tech markets found that the strategic behavior firm performance relationship is contingent on the firm's strategy by examining this relationship in high tech markets and by considering the incremental contribution of appropriate target market selection. However, Slater et al's study was not about how business strategy impacts on SME survival. The focus was in large manufacturing firms. It remained to be seen how business strategy impacts on the survival of MMEs in a developing world context like Uganda.

## **2.5 Product differentiation strategy and the survival of medium scale manufacturing enterprises**

Product differentiation strategy is an integrated set of actions taken to produce goods or services (at acceptable cost) that customers perceive as being different in ways that are important to them. A profit impact of marketing strategy (PIMS) study by Phillips, Chang, and Buzzell (1983) finds a significant and positive relationship between differentiation and market share. Firms choose from among two business-level strategies to establish and defend their desired strategic positioning against rivals. However, Porter (1998) and the PIMS study by Phillips, Chang, and Hill (1983, *ibid*) suggest that differentiation can be a way of achieving a low-cost position.



A differentiation strategy can be based on many dimensions such as brand image, innovativeness and design features, product quality, reliability, durability, customer service and firm reputation. But a successful differentiation strategy must be based on features that are difficult for rivals to imitate. A firm that pursues a differentiation strategy may attempt to create a unique image in the minds of customers that the firm or its products are superior to those of its competitors (Miller, 2008). A firm creates these perceptions through advertising programs, marketing techniques and methods, and charging premium prices. Moreover, a firm may pursue a differentiation strategy by creating a perception in the minds of customers that its products possess characteristics that are unique from those of its competitors in terms of differences in design, physical attributes/features, and durability (Mintzberg, 2004; Dean & Evans, 2004). A firm focusing on these characteristics performs innovative activities to constantly improve upon the design and physical attributes and performance of its products. A firm may also offer superior customer service or create the perception that it pays attention to and empathizes with customers' needs and desires so as to differentiate itself from competitors (Dangayach & Deshmukh, 2007). This enables a firm implementing a differentiation strategy to create a positive reputation, brand image and customer loyalty.

Boehe (2009) examined the influence of product differentiation strategy on export performance among medium and large sized Brazilian exporters and found that product differentiation strategies positively contribute to export performance in international markets, especially in times of fierce cost competition (for example, caused by low cost competitors entering international markets) or reduced-cost competitiveness due to macro-economic conditions (for example, exchange rate appreciation of the exporter's home country). While, Boehe provides evidence that product differentiation strategy impacts on firm performance, his focus was on an

agricultural commodity like coffee whose price is determined by seasons. It is not clear if differentiation strategy will have the same influence on commodities that are produced by manufacturing firms.

Brakman and Wagner (2009) investigated the relationship between product differentiation and profitability in German manufacturing firms and found that an increase in the degree of product diversification has a positive impact on profitability when observed and unobserved firm characteristics are controlled for. The effects are statistically significant and large from an economic point of view. In a similar study, Amoka-Gampya and Acquaah (2007) observe the pursuit of a differentiation strategy helps firms to avoid potentially severe price competition because of their ability to offer products with greater reliability, greater durability, greater features and aesthetics, superior performance thus creating customer and brand loyalty (Porter, 1980). To Amoka-Gampya and Acquaah (2007) differentiators are thus able to generate competitive advantage over their rivals and achieve superior performance. Williams et al. (2005) found a strong relationship between business strategy and manufacturing strategy. Specifically, they observed that business units that choose higher levels of differentiation (as part of the business strategy) would also tend to emphasize innovative manufacturing processes, product quality and variety of product offerings to prevent misalignment of strategies.

While Brakman and Wagner (2009), Amoka-Gampya and Acquaah (2007) and Williams et al (2005) provide important insight into the impact of product differentiation on firm performance, the focus was on large manufacturing firms. It was not clear if product differentiation would

have the same impact on medium sized manufacturing enterprises and their survival in a developing world context.

## **2.6 Summary of literature review**

The review of literature cited indicates that cost leadership, focus on market and product differentiation strategies have a significant influence on a number of business related outcomes like firm performance, productivity and profitability among others. These studies however did not address themselves on how these strategies impact on MME survival, hence the need to close this knowledge gap. The studies also have contextual gaps. They were conducted in large manufacturing firms in the developed world and not in medium sized firms in a developing country like Uganda.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

The study examined the influence of business strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City. This chapter describes the methods that were used in the study. The chapter presents the research design, the sample size and selection, data collection methods used and their corresponding data collection instruments, data management and analysis procedure as well as steps that were taken to ensure validity and reliability during the study and measurement of variables.

#### **3.2 Research design**

The study adopted a cross sectional design which enabled collection of data and making generalizable inferences about influence of business strategy on the survival of a cross section of MMEs in Kampala City at a given point in (Oso & Onen,2008); Amin, 2005); Mugenda & Mugenda, 1999). Since the study sought to examine the relationship between two variables, a simple correlation design was adopted to determine the influence of business strategy on the survival of medium scale manufacturing enterprises as suggested by Amin (2005).

The study adopted both quantitative and qualitative approaches. The quantitative approach was adopted because the study sought to establish the effect of one variable on another. Such an endeavor could best be achieved when a quantitative approach is used because it allows for collecting numeric data on observable individual behavior of samples, then subjecting these data to statistical analysis (Amin, 2005).

The qualitative approach was adopted to enable the study capture data from key informants that may be left out when using the quantitative approach.

### **3.3 Study population**

The target population consisted of 1373 medium sized manufacturing enterprises in Kampala City as listed by the Uganda Investment Authority (2011). The sampling frame for the medium scale manufacturing enterprises was obtained from the Uganda Investment Authority, Private Sector Foundation Uganda (PSFU) and Enterprise Uganda. It should be noted that in the current study, the unit of analysis was the medium scale manufacturing enterprises and the unit of inquiry was the individuals who were mainly owners, executive managers, marketing managers and planners among others. The study population also consisted of 10 officials from the PSFU, 10 from the Uganda Investment Authority, 10 from Enterprise Uganda, 5 from Uganda Manufactures Association (UMA), and 5 the Uganda Small Scale Industries Association (USSIA) because they were deemed to be knowledgeable about the SME sector in Uganda.

### **3.4. Sample size and selection**

The sample size was 337 determined using the statistical tables of Krejcie and Morgan (1970) as cited in Amin (2005). The details are summarized in Table 1:

**Table 1: Sample Size Table**

<b>Category of Medium Scale Enterprises and Key Informants</b>	<b>Population</b>	<b>Sample size</b>	<b>Sampling technique</b>
Medium scale enterprises	1373	297	Simple Random
Key Informants from the PSU	10	10	Purposive
Key Informant from UIA	10	10	Purposive
Key Informant from Enterprise Uganda	10	10	Purposive
Uganda Manufacturers Association	5	5	Purposive
Uganda Small Scale Industries Association	5	5	Purposive
<b>Total</b>	<b>1403</b>	<b>337</b>	

*Source: Uganda Investment Authority, PSFU and Enterprise Uganda, Uganda Manufacturers Association and USSIA.*

### **3.5. Sampling technique and Procedure**

A number of sampling techniques were used in the study. The enterprises that participated in the study were selected using simple random sampling technique. Simple random selection was used in choosing the firms because it eliminated any personal bias and would ensure that all firms had an equal chance of being represented in this study (Mbaaga, 2000). A list of medium sized manufacturing enterprises was obtained from the Private Sector Foundation Uganda, UIA, Enterprise Uganda, UMA, and USSIA, the names were put in a rota and a total of 297 MMEs were randomly selected to participate in the study. This was done to ensure that each of the firms had an equal chance of participating in the study in order to eliminate bias and make the findings more generalizable across MMEs in Kampala City.

Purposive sampling was used to select the key respondents from PSFU, UIA, Enterprise Uganda, UMA, and USSIA because they were believed to be more knowledgeable about the subject

under investigation by the virtue of the positions they held in these organizations as suggested by Oso and Onen (2008).

### **3.6 Data collection Methods**

#### **3.6.1 Questionnaire survey method**

The study used the questionnaire survey method to collect data from the respondents in the medium scale manufacturing enterprises. The use of a questionnaire in this study was important mainly because the purpose of the study was to examine the influence of business strategy on the survival of medium scale manufacturing enterprises. Such information could best be collected on a closed ended questionnaire which allowed for easy correlation and regression of the respondents attitudinal disposition on the independent and dependent variables. Secondly the use of a questionnaire method allowed busy respondents fill it at their convenient time. It also allowed respondents express their views and opinions without fear of being victimized or exposed.

#### **3.6.2 Interview Method**

Amin (2005) defines an interview as an oral questionnaire where the investigator gathers data through direct verbal interactions with participants. The interviewees did not get the planned sequence of questions to be asked in advance. This method was of advantage because it offered the researcher an opportunity to adapt questions, clarify the questions by using the appropriate language, clear doubts and establish rapport and probe for more information (Sekaran, 2003). Interviews in this study helped the researcher obtain more information on the influence of business strategy on MME survival from the key informants from the PSFU, UIA, UMA, USSIA

and Enterprise Uganda. The key informants included the Executive Directors, Managers, Policy Analysts and other Officers in charge of SMEs from the above mentioned organizations.

### **3.6.3 Documentary Review Method**

The researcher reviewed documents in order to obtain recorded information that was related to the issue under investigation. This method was adopted because it enabled the researcher access data at a convenient time, obtain data that was thoughtful in that the informants had given attention in obtaining it and it was also obtained data in the language well understood by the respondent as suggested by Oso and Onen (2008). The researcher reviewed a number of documents which included; business plans, annual reports, budgets and memos among others.

### **3.7 Data collection instruments**

The instruments used in this study were the questionnaire, interview guide and documentary review checklist.

#### **3.7.1 Questionnaire**

The study used a closed ended questionnaire to collect data from the respondents. The questionnaire was organized in five sections. Section A focused on the demographic information of the respondents and their MMEs; section B was concerned with the respondents' opinion on cost leadership strategy, section C was concerned with opinion on focus on market strategy, section D focused on product differentiation strategy while Section E was concerned with firm survival.

The data was collected using a closed ended five point Likert scale. Closed ended questions were developed to help respondents make quick decisions to choose among several alternatives



provided to them. In addition, they also helped the researcher to code the information easily for subsequent analysis and this narrowed down the error gap while analyzing data as observed by Sekaran (2003).

### **3.7.2 Interview Guide**

An unstructured interview guide was used as a tool for collecting in depth information from the key informants. The guide had a list of topical issues and questions which were explored in the course of conducting the interviews. The guide was drawn with the questions soliciting for the perception of the key informants regarding the topic under investigation. The interview guide was used to provide in-depth data which would not be possible to obtain when using self-administered questionnaires as suggested by Mugenda and Mugenda (1999) and Kakooza (1999).

### **3.7.3 Documentary Review Checklist**

A documentary review checklist was used to collect more in-depth data on the topic under investigation. The checklist was important because it provided in-depth qualitative information which was not possible to collect either by use of the closed ended questionnaire or interview guide. It included business plans, budgets, annual reports and memos among other documents.

## **3.8. Reliability and Validity of the Research Instruments**

### **3.8.1. Validity**

Validity refers to the extent to which a measurement procedure actually measures what it is intended to measure rather than measuring something else or nothing at all (Mugenda & Mugenda, 1999). To ensure validity, the questionnaire was developed and given to three expert

judges to score the relevance of each question in providing answers to the study. After the expert opinion, a content validity index (CVI) was computed using the formula;

$$\text{CVI} = \frac{\text{No of Item declared valid by the judges}}{\text{Total No of items on the questionnaire}}$$

Total No of items on the questionnaire

Judge 1:

$$\text{CVI} = \frac{32}{35} = 0.9$$

Judge 2:

$$\text{CVI} = \frac{31}{35} = 0.9$$

Judge 3:

$$\text{CVI} = \frac{32}{35} = 0.9$$

Therefore, the average content validity index was:

$$\text{CVI} = \frac{2.7}{3} = 0.9$$

The CVI of 0.9 means that the tool was valid and acceptable as suggested by Amin (2005)

### 3.8.2. Reliability

Reliability refers to the consistency of the measuring instrument (Sekaran, 2003). To ensure reliability, the research instrument were pre-tested on 10 MMEs in Kampala which were not included in the study. Thereafter, Cronbach's Alpha Reliability Coefficients were generated using the statistical package for social scientists (SPSS) computer program to estimate the reliability of the items in the questionnaire.

Table 2: Cronbach Alpha Reliability Coefficients

<b>Item</b>	<b>Reliability Coefficients</b>
Cost Leadership	0.723
Market Focus	0.757
Product Differentiation	0.725
MME Survival	0.707
<b>Overall Reliability</b>	<b>0.716</b>

Source: Primary Data

The overall reliability tests for the results was 0.716, indicating great internal consistence of the responses on the tool. Specifically all the items scored high reliability results; the responses to the items under cost leadership scored a reliability coefficient of 0.723, the items under market focus scored 0.757, product differentiation scored 0.725, and the items under MME survival scored 0.707. All the items on the questionnaire were above 0.70, indicating a great internal consistence. The results of the reliability analysis mean that the items on the tool could be relied on to provide reliable answers to the study questions as suggested by (Sekaran, 2003).

### 3.9 Data collection procedure

The researcher obtained a list of medium sized manufacturing MMEs from the Private Sector Foundation Uganda UIA, Enterprise Uganda UMA and USSIA. After obtaining this list, the

medium sized enterprises were randomly selected to participate in the study. A letter of introduction was obtained from Uganda Management Institute and presented to management of the firms. After seeking the approval of management to conduct research in their organizations, the researcher purposively selected respondents to the study who were mainly owners, general managers, marketing managers and planners among others. A self-administered questionnaire was given to the respondents who were expected to respond to the questionnaire within two weeks. Interviews were also conducted with key informants from the PSFU, UIA, Enterprise Uganda, UMA and USSIA. After data collection, data were coded, and entered into the SPSS computer program for analysis. After data analysis, a report was written with respect to research findings, interpretation, discussion and conclusion and submitted to UMI for review and approval.

### **3. 10 Data Analysis**

#### **3.10.1 Quantitative Data Analysis**

The statistical package which was used for analysis of data in this study was the SPSS version 16.0. Different statistical techniques were used namely: descriptive, correlation and regression analysis. The upper level of statistical significance for hypothesis testing was at 5%.

Simple descriptive statistics like frequency counts and percentages were computed to document the demographic information of the respondents and MMEs. The respondents' opinions on the variables under study were computed using measures of central tendency and dispersion namely the mean and standard deviation.

The Pearson Product-Moment Correlation analysis was used to determine the relationship between the independent and dependent variables. Regression analysis technique was employed

to examine the magnitude of the influence of business strategy on firm survival. Regression and correlation analyses were used in this study because respondents' opinions on the independent and dependent variables were measured on scaled/ interval variables. Sekaran (2003) observes that when testing the relationship between such variables, correlation and regression analyses should be used.

### **3.10.2 Qualitative Data Analysis**

Qualitative data were analyzed using content analysis. Responses from key informants were grouped into emerging issues. The recurrent issues which emerged in relation to each guiding questions were presented in the results, with selected direct quotations from participants offered as illustrations.

### **3.11 Measurement of variables**

Data on the respondent's views and opinions about the study variables were obtained using scaled variables from a self-developed questionnaire that was developed after extensive review of literature. A five point-Likert scale of 1= strongly disagree, 2= disagree, 3= not sure, 4= agree and 5= strongly agree was used to obtain the respondents' opinion on the variables under study. A detailed presentation of the measurement of variables is highlighted in Section 1.2.3 of this study.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

#### 4.1 Introduction

The study examined the influence of business strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City. This chapter presents and discusses the findings of the study. The chapter also presents the analysis and interpretation of results. The presentations are done according to the specific objectives and hypotheses. The first section presents the response rates. The second section presents the background information of the respondents. The third section presents descriptive and inferential statistical results along the three study objectives.

#### 4.2 Response Rates

The response rate of the study was calculated using a formula:  $\text{response rate}/\text{targeted response rate} \times 100\%$ . The response rate findings using tools are presented in Table 2 below.

**Table 2: Response Rates**

Tool	Targeted response	Actual response	Response rate
Questionnaire	297	240	80%
Interviews	40	25	70%
Total	337	265	79%

According to Table 2 above, out of the 297 questionnaires administered, 240 were returned fully completed giving a response rate of 80%. Out of 40 respondents targeted for interviews, 25 were actually interviewed implying a response rate of 70%. The overall response rate of was, thus, 79%. With that high response rate of 79%, the findings of the study were representative of the actual population and could therefore be generalized as observed by Sekaran (2003).

### 4.3 Background Information

The respondents' demographic characteristics in terms of level of education, total work experience and length of service with the MMEs were observed and presented in Table 3.

**Table 3: Demographic characteristics of the respondents**

<b>Characteristics</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Level of Education</b>	Secondary	1	.4
	Diploma	41	17.2
	University	165	69.3
	Post Graduate	31	13.0
	<b>Total</b>	<b>238</b>	<b>100</b>
<b>Total Work Experience</b>	Less than 1 Year	2	0.8
	1-5 years	46	19.3
	6-10 Years	183	76.8
	More than 10 Years	7	2.9
	<b>Total</b>	<b>238</b>	<b>100.0</b>
<b>Length of service with the Firm</b>	Less than 1 Year	1	0.4
	1-5 Years	44	18.5
	6-10 Years	185	77.7
	More than 10 Years	7	2.9
	<b>Total</b>	<b>283</b>	<b>100.0</b>

Source: Primary Data

#### 4.3.1 Academic level of respondents

According to the results in Table 3, only 0.4% of the respondents to the study were educated up to secondary school level, 17.2% were diploma holders, 69.3% were degree holders and only

13% were educated up to post graduate level. The results indicate that most of the managers and owners of medium manufacturing enterprises in Kampala are educated and are therefore believed to have the expertise to effectively manage the firms to attain long term survival.

#### **4.3.2 Working Experience**

The results indicated that the majority 76.8% of the respondents reported having working experience of between 6 and 10 years, 19.3% had experience of between 1 and 5 years, 2.9 had experience of more than 10 years and only 0.8% had working experience of less than one year. The results indicate that the managers of medium manufacturing enterprises in Kampala have enough experience in managing MMEs. Experienced managers are likely to steer firms to higher levels of profitability and subsequent long term survival

#### **4.3.3 Length of Service**

The results indicated that more than three quarters (77.7%) of the respondents worked for a period of between 6 and 10 years, 18.5% mentioned a period of between 1 and 5 years, 2.9% worked for more than 10 years. The results indicate that most of the managers of MMEs in Kampala had enough experience managing the firms in question. Experienced managers who had worked with respective firms were likely to steer firms to higher levels of profitability and maintain long term survival.



## 4.4 Empirical Findings on the Research Questions

### 4.4.1 Cost Leadership Strategy and the Survival of Medium Scale Manufacturing

#### Enterprises in Kampala Capital City

The first objective of the study was to analyze the influence of cost leadership strategy on the survival of medium scale manufacturing firms in Kampala Capital City. The respondents were asked to respond to a number of statements regarding cost leadership strategy. The responses are summarized in Table 4 below. This objective was analyzed by using the descriptive statistics namely the mean and the standard deviation. The mean portrays the average response on a statement and standard deviation portrays the extent to which scores deviate from the mean. The rating scale was; 1.00-2.74 (strongly disagree), 2.75-3.24 (disagree), 3.25-4.24 (agree) and 4.25-5.00 (strongly agree).

**Table 4: Respondents' Opinion on Cost Leadership Strategy**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
The firm places importance on minimization of costs in sales	4.04	1.06
The firm places importance on minimization of operational costs	4.01	1.11
The firm places importance on reduction of production costs	3.98	1.26
The firm places importance on cost and overhead control like electricity, water and communication among others	3.94	1.28
The firm places importance on minimization of costs in research and development	3.87	1.12
The firm places importance on minimization of human resource costs	3.87	1.09
The firm places importance on attaining of efficient scale facilities	2.84	1.26
The firm places importance on minimization of advertising costs	2.76	1.35
The firm places importance on	2.19	1.35

attaining efficiency in procurement		
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Source: Primary Data

According to the results in Table, 4 the respondents noted that their firms placed importance on the minimization of costs in sales (mean=4.04, SD=1.06). The results mean that the medium manufacturing enterprises place emphasis on the minimization of sales costs. This implies that the firms are able to reduce costs and save. This is likely to result into increased profitability and subsequent survival of the firm.

When asked if the firms placed importance on minimization of operational costs, they agreed (mean=4.01, SD=1.11). The results suggest that the firms minimize operational costs. Firms that place emphasis on reduction of operational costs are likely to be low cost producers in the industry. As a result of this, firms can, therefore, gain a competitive advantage over their rivals by having significantly lower cost structures in an industry without compromising other areas such as product and service quality.

The respondents noted that their firms placed importance on the reduction of production costs (mean=3.98, SD=1.26). The results suggest that firms aim at reducing production costs. Reduction of production costs may result into development of a strategy that allows firms to achieve volume and mix flexibility while keeping costs low and quality high and will be able to respond faster to market changes and thus achieve higher performance and longer existence.

The study respondents noted that their firms placed importance on controlling overhead costs like electricity, water and communication among others (mean=3.94, SD=1.28). This means that the medium manufacturing enterprises emphasize the reduction of overhead costs. Reducing

common overhead costs can make a substantial and sustainable contribution to profitability and subsequent firm survival.

When asked whether the firms placed importance on the minimization of costs in research and development, the respondents answered in the affirmative (mean=3.87, SD=1.12). This means that firms do not invest heavily in research and development. The more firms reduce costs that go into activities like research and development without compromising product and service quality, the more likely they are to earn more profits and to survive in the long run.

It was noted by the respondents that firms placed importance on minimization of human resource costs (mean=3.87, SD=1.09). This means that the MMEs in Kampala Capital City place importance on the minimization of human resource costs. The more firms reduce human resource costs, the more likely they are to earn more profits and to survive in the long run. However, reduction of human resource costs can have a down side if not done properly as it may result into reduced morale and low productivity among employees.

The respondents noted that their firms did not place importance on the attainment of efficient scale in production (mean=2.84, SD=1.26). This means that medium scale manufacturing enterprises do not place emphasis on attainment of efficient scale in production. Attainment of efficient scale in production refers to the smallest amount of production a company can achieve while still taking full advantage of economies of scale with regards to supplies and costs. When firms do not place emphasis on attainment of efficient scales in production they are likely to incur high costs which may result into reduced profitability and short lived survival.

When asked whether the firms placed importance on minimization of advertising costs, the respondents disagreed (mean=2.76, SD=1.35). This means that medium manufacturing

enterprises in Kampala City invest heavily in advertising. However, advertisement is a costly function. When the cost of advertising is too high, it may force the firm to increase the price of the products. This has the potential of reducing sales, reducing profits and subsequent firm collapse. This finding is reinforced by one key informant respondent who noted that “high costs of advertisement are likely to impact negatively on the firms’ profitability and lead to subsequent failure among the firms”

The respondents strongly disagreed with the statement that the firm place importance on attaining efficiency in procurement (Mean=2.19, SD=1.35). This finding is supported by one key informant who noted that “the inefficiencies in the procurement function in most of the MMEs in Kampala lead to losses and subsequent failure among MMEs.” This means that the procurement function in the medium scale manufacturing enterprises in Kampala City is not efficient due to high costs incurred in the process. Attaining efficiency in procurement means engaging in procurement processes that are less costly. High costs of procurement are likely to result into increased costs on the side of the MME which may result into reduced profitability and subsequent failure of the MME.

#### **4.4.1 Hypothesis One: Cost Leadership Strategy has influence on the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

In order to determine the influence of cost leadership strategy and firm survival, correlation and regression analyses were conducted. The results are summarized in Tables 5 and 6.

**Table 5: Correlation Coefficient showing the Influence of Cost Leadership Strategy on the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

		Cost Leadership	Firm Survival
Cost Leadership	Pearson Correlation	1	.621**
	Sig. (2-tailed)		.000
	N	240	240
Firm Survival	Pearson Correlation	.621**	1
	Sig. (2-tailed)	.000	
	N	240	240

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

Source: Primary Data

According to the results in Table 5 above, cost leadership strategy and firm survival were found to have a significant positive relationship ( $r=0.621$ ,  $p<0.05$ ). Thus, the hypothesis that cost leadership strategy would have a significant influence on firm survival is accepted. This means that adopting a cost leadership strategy has a positive effect on firm survival. This finding is supported by findings from key informant interviews where one respondent noted that:

Firms which have pursued strategies are able to perform better than those which do not have any of the above business related strategies in place. They have also been able to survive longer than those that lack strategy.

This practically implies that the survival of MMEs in Kampala Capital City increases with increased adoption of a cost leadership strategy.

In order to determine the magnitude of the influence of cost leadership strategy and firm survival, regression analysis was conducted. The results are summarized in the Table 6.

**Regression Analysis**

**Table 6: Regression Results showing the magnitude of the Influence of Cost Leadership Strategy on the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

R square=0.386, F=149.754, P=0.000		
	Standardized Coefficients	Sig.
	Beta	
Cost Leadership	0.621	0.000

Source: Primary Data

According to the results in the summarized Table 6 above, the coefficient of determination/  $r^2$  for cost leadership is equal to 0.386. This means that 38.6% of the variation in firm survival among MMEs in Kampala City is explained by the cost leadership strategy.

Table 6 also shows that cost leadership strategy significantly affects firm survival (F=149.754, P=0.000). This means that cost leadership strategy is a significant determinant of firm survival among MMEs in Kampala Capital City.

The standardized beta coefficient of ( $\beta =0.621$ ,  $p<0.05$ ) mean that cost leadership strategy is significantly positively related with the survival of MMEs in Kampala Capital City. The results suggest that cost leadership strategy has a positive effect on firm survival among MMEs in Kampala Capital City. This implies that firm survival among medium manufacturing enterprises in Kampala Capital City increases with increased adoption of a cost leadership strategy.

#### **4.5 Objective Two: Focus on Market Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

The second objective of the study was to determine the influence of market focus strategy on the survival of medium scale manufacturing firms in Kampala Capital City. The respondents were asked to respond to a number of statements regarding market focus strategy. This objective was analyzed by using the descriptive statistics namely the mean and the standard deviation. The mean portrays the average response on a statement and standard deviation portrays the extent to which scores deviate from the mean. The rating scale was; 1.00-2.74 (strongly disagree), 2.75-3.24 (disagree), 3.25-4.24(agree) and 4.25-5.00(strongly agree). The responses are summarized in Table 7 below.

**Table 7: Respondents' Opinion on Focus on Market Strategy**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
The firm places importance on competitive pricing	3.87	1.01
The firm places importance on strategic marketing	3.82	1.10
The firm places importance on improving product quality	3.80	1.04
The firm places importance on market Segmentation	3.78	1.37
The firm places importance on providing customer feedback	2.23	1.31
The firm places importance on research and development	2.22	1.31

Source: Primary Data

The respondents to the study noted that their firms placed importance on competitive pricing (mean=3.87, SD=1.01). This means that the MMEs place importance on competitive pricing. One advantage of competitive-based pricing is that it avoids price competition that can damage the company.

It was noted by the respondents that the firm placed importance on strategic marketing (mean=3.82, SD=1.10). This means that the medium manufacturing firms in Kampala adopt strategic marketing as a strategy. Strategic marketing is a driver of organizational positioning in a dynamic environment, and it helps to enhance the development of new product/service for existing markets.

The respondents to the study indicated that their firms placed importance on improving product quality (mean=3.80, SD=1.04). This means that the medium manufacturing enterprises in Kampala place importance on improving product quality. Improving product quality is likely to result into increased customer satisfaction, repeated purchase, positive word of mouth and subsequent profitability for the firm which may lead to firm survival.

The respondents to the study reported that the firms placed importance on market segmentation (mean=3.78, SD=1.37). This means that the medium manufacturing firms in Kampala emphasize market segmentation. The advantage of market segmentation is that a firm can market its products to a certain type or group of customers and the company can better fulfill the marketing plan objectives. This is likely to result into improved profitability and subsequent survival.



The study respondents indicated that the firms did not place importance on providing customer feedback (mean= 2.23, SD=1.31). The findings suggest that medium manufacturing enterprises in Kampala do not provide for customer care and information feedback. When correctly given, feedback helps improve customer satisfaction while promoting customer loyalty by knowing customers' perception about the product.

According to the study respondents, the firm did not place importance on research and development (mean=2.22, SD=1.31). This means that the medium manufacturing firms in Kampala do not place importance on research and development. This finding is supported by one key informant who noted that:

MME management suffers from an insufficient business-related knowledge base that top managers in MMEs possess. Indeed, formal plans or cost controls are often only provided on an irregular basis and planning instruments are usually only used by a small number of individuals and developed rather intuitively.

The above findings indicate that MMEs in Kampala Capital City do not put emphasis on research and development implying that they may not benefit from improved ways of manufacturing, adoption of new technology, decreased costs and product innovation. When firms do not engage in research and development they are likely to miss out on the benefits which come with the process like; gaining competitive advantage over competitors, long term income, new opportunities, and enhanced reputation that comes with conducting strong scientific research and development.

#### 4.5.1 Hypothesis Two: Focus on Market Strategy has influence on the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City

In order to determine the influence of focus on market strategy and firm survival, correlation and regression analysis were conducted. The results are summarized in Tables 8 and 9.

**Table 8: Correlation Coefficient showing the Influence of Focus on Market Strategy on the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

		Market Focus	Firm Survival
Market Focus	Pearson Correlation	1	.560**
	Sig. (2-tailed)		.000
	N	240	240
Firm Survival	Pearson Correlation	.560**	1
	Sig. (2-tailed)	.000	
	N	240	240

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

Source: Primary Data

According to the results in Table 8, focus on market strategy and firm survival were found to have a significant positive relationship ( $r=0.560$ ,  $p<0.05$ ). Thus, the hypothesis that focus on market strategy would have a significant influence on firm survival is accepted. This means that adopting a focus on market strategy has a positive effect on firm survival. This practically implies that the more medium manufacturing enterprises in Kampala Capital City adopt a focus on market strategy, the more likely they are to survive.

In order to determine the influence of focus on market strategy and firm survival, regression analysis was conducted. The results are summarized in the Tables 9.

## Regression Analysis

**Table 9: Regression results showing the Influence of Focus on Market Strategy on the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

R square=0.314, F=107.973, P=0.000		
	Standardized Coefficients	Sig.
	Beta	
Focus on Market Strategy	0.560	0.000

Source: Primary Data

According to the results in the summarized Table 9 above, the coefficient of determination/  $r^2$  for focus on market strategy is equal to 0.314. This means that 31.4% of the variation in firm survival among MMEs in Kampala is explained by the focus on market strategy.

The Table also shows that focus on market strategy significantly affects firm survival (F=107.973, P=0.000). This means that focus on market strategy is a significant determinant of firm survival among MMEs in Kampala Capital City.

The standardized beta coefficient of ( $\beta = 0.560$ ,  $p < 0.05$ ) means that focus on market strategy is significantly positively related with the survival of MMEs in Kampala Capital City. The results suggest that focus on market strategy has a positive effect on firm survival among MMEs in Kampala Capital City. This practically implies that the more medium manufacturing enterprises in Kampala adopt a focus on market strategy, the more likely they are to survive. This finding is supported by one key informant who stated that: “Firms which have these strategies have

survived longer than those which do not have any of these strategies in place.” This means that firm survival increases with better business strategy.

#### **4.6 Objective Three: Product Differentiation Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

The third objective of the study was to assess the influence of product differentiation strategy on the survival of medium scale manufacturing firms in Kampala Capital City. The respondents were asked to respond to a number of statements regarding product differentiation strategy. The mean portrays the average response on a statement and standard deviation portrays the extent to which scores deviate from the mean. The rating scale was; 1.00-2.74 (strongly disagree), 2.75-3.24 (disagree), 3.25-4.24(agree) and 4.25-5.00(strongly agree). The responses are summarized in Table 10

**Table 10: Respondents’ opinion on Product Differentiation Strategy**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
The firm places importance on utilizing highly skilled sales force and agents	3.89	0.92
The firm places importance on strategic advertising	3.80	1.09
The firm places importance on innovativeness	3.00	1.40
The firm places importance on innovative marketing	2.78	1.37
The firm places importance on customer service before, during and after sale of products	2.43	1.31

Source: Primary Data

According to the results in Table 10, the respondents noted that their firms placed importance on utilizing highly skilled sales force and agents (mean=3.89, SD=0.92). This means that the medium manufacturing firms utilize highly skilled sales force and agents. Utilizing highly skilled sales force and agents is likely to increase sales, improve profitability and improve chances of firm survival.

The study respondents noted that their firms placed importance on strategic advertising (mean=3.89, SD=1.09). This means that the medium manufacturing firms place importance on strategic advertising. Strategic marketing and advertising makes customers aware of what products or services a business has to offer. It is used to bring in potential customers. Special advertising strategies can be used to gain the upper hand. A company can win sales by doing a better job at advertising than competitors.

The results in Table 10 indicate that the firms did not place importance on innovativeness (mean=3.00, SD=1.40). This is corroborated by findings from key informant interviews where one respondent noted that:

There is limited or nonexistent innovation among Ugandan SMEs since most of them are characterized by the copycat syndrome in many businesses. SMEs in Uganda operate in an environment which lacks efficient, formal organizational systems to address performance and innovative issues.

Another key informant remarked that:

Despite efforts by government to provide support to SMEs in order to attain performance sustainability through different government programmes, there has been marginal improvement caused in the performance of SMEs. The deterioration in performance and survival may be explained by poor organizational learning culture of the SMEs, where owners do not learn from past business experiences and take long to adapt to business environment changes. SMEs still report stagnated and/ or reducing profits, sales growth, market share, low return on investment and low value for money which has made them

less competitive on both local and international markets. This may be explained by the lack of innovation, and strategic planning.

Another respondent noted that:

SMEs often do not have the means to ensure the successful continuous application of strategic planning. In contrast to larger companies, SMEs normally maintain a lower level of resources, have more limited access to human, financial and customer capital, and lack a well-developed administration. Thus, the application of formal planning instruments are often missing, especially up to a certain 'critical size'

The above findings indicate that the medium manufacturing firms do not place emphasis on innovativeness. Innovation enables a firm to identify, apply and exploit new products this increases its capability to generate wealth and strengthens its competitive position. Without being innovative, firm may miss out on the advantages that come with innovativeness. This may have negative implications on the firms' profitability and subsequent survival.

According to the study respondents, the firms did not place importance on innovative marketing (mean=2.78, SD=1.37). This finding is in line with findings from key informant interviews where one respondent noted that:

SMEs still have a long way to go in terms of designing and implementing effective strategies. Unless most of the informal SMEs in Uganda formalize their operations and come up with more strategic operations, they may continue failing.

Another key informant respondent noted that:

SMEs in Uganda fail because of poor business strategy. Many small businesses fail because of fundamental shortcomings in their business planning. It must be realistic and based on accurate, current information and educated projections for the future.

Another key informant remarked that:

Many decision-makers in SMEs are convinced that real entrepreneurs do not plan. Instead, it is assumed that they use their limited time resources more effectively for operational or sales activities. Additionally, formal planning is often regarded as limited to large enterprises and thus not transferable to the requirements of the fast-moving and flexibly-structured SMEs.

From an entrepreneur's perspective, three major objections are expressed against the use of strategic processes in SMEs. Strategic instruments limit the flexibility and the ability for improvisation; it is preferable to use the limited time resources for operational, sales or R&D activities rather than for strategy development processes and that strategic management is too bureaucratic.

The above results mean that the medium manufacturing firms do not engage in innovative marketing. Failure to innovate in marketing is likely to result into adopting ineffective marketing techniques.

The study respondents reported that their firms did not place importance on customer care service before, during and after sale of products (mean=2.43, SD=1.31). This indicates that the medium manufacturing firms do not place importance on providing customer care service. Lack of customer care service may impact negatively on customer satisfaction and loyalty. This is likely to result into reduced repeated purchases and negative word of mouth would be passed on.

#### **4.6.1 Hypothesis Three: Product Differentiation Strategy has influence on the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

In order to determine the influence of product differentiation strategy and firm survival, correlation and regression analysis were conducted. The results are summarized in the Tables 11 and 11 and 12 below.

**Table 11: Correlation coefficient showing the Influence of Product Differentiation Strategy on the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

		Product Differentiation	Firm Survival
Product Differentiation	Pearson Correlation	1	.627**
	Sig. (2-tailed)		.000
	N	240	240
Firm Survival	Pearson Correlation	.627**	1
	Sig. (2-tailed)	.000	
	N	240	240

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

Source: Primary Data

According to the results in Table 11, product differentiation strategy and firm survival were found to have a significant positive relationship ( $r=0.627$ ,  $p<0.05$ ). Thus, the hypothesis that product differentiation strategy would have a significant influence on firm survival is accepted.

This is corroborated by one key informant who remarked that:

Generally firms which have adopted a more formal business unit strategy in terms of minimizing costs, strategic marketing and improving product quality perform better and tend to outlive those that are not strategic in their operations.

This means that adopting a product differentiation strategy has a positive effect on firm survival.

This practically implies that the more medium manufacturing enterprises in Kampala Capital City adopt a product differentiation strategy, the more likely they are to survive.

In order to determine the influence of cost leadership strategy and firm survival, regression analysis was conducted. The results are summarized in Table 12 below.



## Regression Analysis

**Table 12: The Magnitude of the Influence of Product Differentiation Strategy on the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

R square=0.393, F=154.227, P=0.000		
	Standardized Coefficients	Sig.
	Beta	
Product Differentiation	0.627	0.000

Source: Primary Data

According to the results in the summarized Table 12 above, the coefficient of determination/  $r^2$  for product differentiation strategy is equal to 0.393. This means that 39.3% of the variation in firm survival among MMEs in Kampala Capital City is explained by the product differentiation strategy.

The Table also shows that the product differentiation strategy significantly affects firm survival (F=154.227, P=0.000). This means that the product differentiation strategy is a significant determinant of firm survival among MMEs in Kampala Capital City.

The standardized beta coefficient of ( $\beta =0.627$ ,  $p<0.05$ ) means that the product differentiation strategy is significantly positively related with the survival of MMEs in Kampala Capital City.

The results suggest that the product differentiation strategy has a positive effect on firm survival among MMEs in Kampala Capital City. This practically implies that the more medium manufacturing enterprises in Kampala Capital City adopt a product differentiation strategy, the more likely they are to survive.

#### 4.7 The overall Magnitude of the Influence of Business Strategy on the Survival of MMEs in Kampala

In order to determine the overall influence of business strategy on the survival of MMEs in Kampala, multiple regression analysis was conducted. The findings are summarized in Table 13 below.

**Table 13: The overall Influence of Business Strategy on the Survival of MMEs in Kampala**

R square=0.473, F=69.911, P=0.000		
	Standardized Coefficients	Sig.
	Beta	
Cost Leadership Strategy	.310	.000
Market Focus Strategy	.229	.000
product differentiation Strategy	.244	.002

Source: Primary Data

Table 13 above shows the coefficient of determination  $R^2=0.473$  which indicates that 47.3 % of the variation in the survival of MMEs in Kampala is explained by business strategy. A variation of 52.7% is explained by other variables not under study.

Table 13 above also reveals that business strategy has a significant influence on the survival of MMEs in Kampala City (F=69.911, P=0.000). This means that business strategy is a significant determinant of MME survival in Kampala City. This practically implies that MME survival improves with better business strategy.

According to the results in Table 13, the standardized Beta coefficient of ( $\beta =0.310$ ,  $p<0.05$ ) for cost leadership strategy, ( $\beta =0.229$ ,  $p<0.05$ ) market focus and ( $\beta =0.244$ ,  $p<0.05$ ) for product

differentiation indicate that the three business strategies of cost leadership, product differentiation and market focus have a significant influence on the survival of MMEs in Kampala. In the model, cost leadership strategy has the greatest influence on the survival of MMEs in Kampala ( $\beta = 0.310$ ,  $p < 0.05$ ), followed by product differentiation strategy ( $\beta = 0.244$ ,  $p < 0.05$ ) and market focus ( $\beta = 0.229$ ,  $p < 0.05$ ). Overall, the results indicate that the business strategies of cost leadership, product differentiation and focus on market strategy have a significant influence on the survival of MMEs in Kampala City.

## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The study examined the influence of business strategy on the survival of medium manufacturing enterprises in Kampala Capital City. The study specifically examined the influence of cost leadership, focus on market and product differentiation strategies on the survival of MMEs in Kampala Capital City. This chapter presents the summary, discussion, conclusions and recommendations arising out of the study findings according to the objectives.

#### **5.2 Summary of Findings**

The study examined the influence of business strategy on the survival of MMEs in Kampala. The specific objectives of the study were to examine the influence of cost leadership, focus on market and product differentiation strategies on the survival of MMEs in Kampala Capital City. The summary of findings is presented in the proceeding subsections.

##### **5.2.1 Cost Leadership Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

The first objective of this study was to examine the effect of cost leadership strategy on the survival of medium scale manufacturing firms in Kampala Capital City. The study found that cost leadership strategy has a positive significant influence on the survival of medium scale manufacturing enterprises in Uganda. This findings supports hypothesis one which stated that cost leadership strategy has a significant influence on the survival of MMEs in Kampala. This

means that adopting a cost leadership strategy has a positive and significant effect on the survival of medium manufacturing enterprises.

### **5.2.2 Focus on Market Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

The second objective of the study was aimed at determining the influence of focus on market strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City. Focus on Market strategy and firm survival were found to have a significant and positive relationship. This findings supports hypothesis two which stated that focus on market strategy has a significant influence on the survival of MMEs in Kampala. This means that adopting a focus on market strategy has a positive and significant effect on the survival of medium manufacturing enterprises in Kampala City.

### **5.2.3 Product Differentiation Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

The third objective of the study was aimed at assessing the influence of the product differentiation strategy on the survival of medium manufacturing enterprises in Kampala Capital City. Product differentiation strategy and firm survival were found to have a significant and positive relationship. This findings supports hypothesis three which stated that product differentiation strategy has a significant influence on the survival of MMEs in Kampala. This means that adopting a product differentiation strategy has a positive and significant effect on the survival of medium manufacturing enterprises in Kampala City.

## **5.3 Discussion of Findings**

### **5.3.1 Cost Leadership Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

Cost leadership strategy and firm survival were found to have a positive significant relationship. This means that adopting a cost leadership strategy has a positive effect on firm survival. This practically implies that the survival of MMEs in Kampala Capital City increases with increased adoption of a cost leadership strategy. The findings of this study were in line with Porter (1980) who observes that the cost leadership strategy improves the firm's competitive advantage over its rivals. According to Porter, a firm can, therefore, gain a competitive advantage over its rivals by having significantly lower cost structures in an industry without ignoring other areas such as product and service quality

The findings of the study also corroborate earlier findings by Zotti and Amiti (2007) who argue that a cost leadership, or early market entry can enhance firm performance. Deane et al (1992) also agree that cost leadership strategy and manufacturing strategy are strongly positively related. Gupta and Somers (2006) contend that a low cost strategy leads to improvements in efficiencies that a firm can use to reduce its price and all other things being constant they can achieve an increase in sales growth and market share. Kekre and Srinivasan, (2010) agree that a firm that develops a strategy that allows it to achieve volume and mix flexibility while keeping costs low and quality high will be able to respond faster to market changes and thus achieve higher performance. However, unlike earlier studies which were conducted in large manufacturing firms in the developed world, this study makes an important contribution to the frontiers of knowledge regarding the influence of adopting the cost leadership strategy on the

survival of medium manufacturing firms in the developing world context. This underscores the need for management of medium manufacturing enterprises to adopt a cost leadership strategy in terms of aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead cost control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, service delivery, sales force, advertising among others.

### **5.3.2 Focus on Market Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

Focus on Market strategy and firm survival were found to have a significant positive relationship. This means that adopting a focus on market strategy has a positive effect on MME survival. This practically implies that the more medium manufacturing enterprises in Kampala Capital City adopt a focus on market strategy, the more likely they are to survive. The study is in line with Porter (1980) who claims that organizations that follow the focus on market strategy achieve above average performance in the long-term, while firms that are stuck in the middle perform less well. The study is in line with Akinyele (2011) who found out that strategic marketing is a driver of organizational positioning in a dynamic environment, and that it helps to enhance the development of new product/service for existing markets. Kim et al (2008) also agree that strategic positioning influences firm performance. However, unlike earlier studies which were conducted in large manufacturing firms in the developed world, this study makes an important contribution to the frontiers of knowledge regarding the influence of adopting the focus on market strategy on the survival of medium manufacturing firms in the developing world

context. This underscores the need for management of medium manufacturing enterprises to adopt a focus on market strategy if they are to survive for a long time.

### **5.3.3 Product Differentiation Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

Product differentiation strategy and firm survival were found to have a significant positive relationship. This means that adopting a product differentiation strategy has a positive effect on firm survival. This practically implies that the more medium manufacturing enterprises in Kampala Capital City adopt a product differentiation strategy, the more likely they are to survive. The study is in line with a number of studies like Boehe (2009) who found that product differentiation strategies positively contribute to export performance in international markets, especially in times of fierce cost competition (for example, if caused by low cost competitors entering international markets) or reduced-cost competitiveness due to macro-economic conditions (for example, exchange rate appreciation of the exporter's home country).

Brackman and Wagner (2009) contend that an increase in the degree of product diversification has a positive impact on profitability when observed and unobserved firm characteristics are controlled for. Amoka-Gampya and Acquah (2007) agree that the pursuit of a differentiation strategy helps firms to avoid potentially severe price competition because of their ability to offer products with greater reliability, greater durability, greater features and aesthetics, superior performance, creating customer and brand loyalty (Porter, 1980). Williams et al. (2005) contend that business units that choose higher levels of product differentiation (as part of the business strategy) would also tend to emphasize innovative manufacturing processes, product quality and variety of product offerings to prevent misalignment of strategies.



However, unlike earlier studies which were conducted in large manufacturing firms in the developed world, this study makes an important contribution to the frontiers of knowledge regarding the influence of adopting the product differentiation strategy on the survival of medium manufacturing firms in the developing world context. This underscores the need for management of medium manufacturing enterprises to adopt a product differentiation strategy if they are to survive for a long time.

## **5.4 Conclusions**

### **5.4.1 Cost Leadership Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

The results of this study indicate that there is a significant and positive relationship between the cost leadership strategy and the survival of medium scale manufacturing enterprises in Kampala Capital City. This supports hypothesis one which stated that cost leadership strategy has a significant influence on the survival of MMEs in Kampala. This suggests that the more MMEs adopt a cost leadership strategy, the more likely they are likely to survive. This therefore implies that medium manufacturing enterprises can survive longer when they adopt the cost leadership strategy that is aimed at reducing operational and production costs thus, giving a firm a competitive edge over its rivals.

#### **5.4.2 Focus on Market Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

The results of this study indicate that there is a significant and positive relationship between the focus on market strategy and the survival of medium scale manufacturing enterprises in Kampala Capital City. This supports hypothesis two which stated that focus on market strategy has a significant influence on the survival of MMEs in Kampala. This suggests that the more MMEs adopt a focus on market strategy, the more likely they are likely to survive. This therefore implies that medium manufacturing enterprises can survive longer when they adopt the focus on market on strategy.

#### **5.4.3 Product Differentiation Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

The results of this study indicate that there is a significant and positive relationship between the differentiation strategy and the survival of medium scale manufacturing enterprises in Kampala Capital City. This supports hypothesis three which stated that product differentiation strategy has a significant influence on the survival of MMEs in Kampala. This suggests that the more firms adopt a product differentiation strategy, the more they are likely to survive. This therefore implies that medium manufacturing enterprises can survive longer when they adopt the product differentiation strategy.

### **5.5 Recommendations**

The findings of this study may provide MME managers and / or owners with an insight into how to improve on the survival of MMEs.

### **5.5.1 Cost Leadership Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

- Management of the Medium manufacturing enterprises should endeavor to attain efficient scale in production by engaging in the smallest amount of production while still taking full advantage of economies of scale with regards to supplies and costs
- It was established that medium manufacturing companies in Kampala Capital City invest heavily in advertising hence there is little minimization of advertising costs. Manufacturing firms should reduce advertising costs by going in for cheaper options like placing classified adverts in the media, adopting word of mouth and use of cheap materials like fliers which can be distributed by the company's distribution outlets countrywide.
- It was also noted that MMEs did not place importance on attaining efficiency in procurement. Management of MMEs should ensure reduction in procurement costs by adopting the following measures, among others. They should put in place a procurement plan to guide the procurement process; ensure that value is realized through contract management and supplier relationship management frameworks which are operationalized and conduct procurement within an operating model that connects commercial and technical capability to drive optimal outcomes.
- Since cost leadership strategy has a significant influence on the survival of medium manufacturing enterprises, MMEs should continue pursuing the cost leadership strategies if they are to survive.

### **5.5.2 Focus on Market Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

- It is recommended that management of the MMEs should ensure endeavor to create opportunities for customers to give feedback information about their products. The MMEs should also attempt to provide the customers with feedback information. This can be attained by use of electronic platforms like social networking sites where the MMEs interact with their customers. The MMEs can also get toll free lines to enable customers give their feedback information. The company should hire client/customer relations managers to handle customer complaints and compliments.
- The MMEs should attempt to segment their markets in order to manufacture products that best suit the needs of the different segments of the market. The firms should make an attempt to produce products that appeal to the different segments of the market like the high, middle and lower income earners; the young and the old; and the rural and the urban population among others.
- Since focus on market strategy has a significant influence on the survival of medium manufacturing enterprises, MMEs should continue pursuing focus on market strategies if they are to survive.

### **5.5.3 Product Differentiation Strategy and the Survival of Medium Scale Manufacturing Enterprises in Kampala Capital City**

- It is recommended that management of the medium manufacturing firms should endeavor to be more innovative in the way they produce their products. This can be attained through increased research and development.
- The study found that the firms did not emphasize customer care service. This can be forestalled by introducing customer care service centers in key strategic points across the country. Such centers can be used to attend to customers by providing before and after sale services.
- Since product differentiation strategy has a significant influence on the survival of medium manufacturing enterprises, management of the MMEs should continue pursuing product differentiation strategies if they are to survive.

### **5.5 Areas for further research**

The study focused on the influence of business strategy on the survival of medium scale manufacturing enterprises in Kampala Capital City. However, these findings should be generalized cautiously to other MMEs in the other regions of Uganda probably due to the different contexts, Kampala being unique as both the business and administrative capital of Uganda. Replication of this study to other MMEs outside Kampala is suggested for cross validation purposes.

The study was limited to the influence of business strategy on the survival of MMEs. However, because survival of MMEs is a major concern to all stakeholders, other factors affecting MME survival should be researched into.

### **5.6 Contribution of the study**

The study shows that business strategy has a significant influence on the survival of medium manufacturing enterprises. Management of MMEs in Kampala Capital City and elsewhere should consider improving business strategies in order to improve chances of firm survival.

Theoretically, the study contributes to the body of knowledge regarding the influence of business strategy on the survival of MMEs. The findings of the study have demonstrated that the business strategies that were suggested in Porter's Theory are still relevant as they have a significant influence on survival of MME survival. The study has therefore filled the research gap that provided the justification of this study. While earlier studies focused on a number of business related outcomes like firm performance, productivity, and profitability, this study has demonstrated that business strategy has a significant influence on MME survival.

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## **APPENDIX A: QUESTIONNAIRE**

Dear respondent, I am a Student at UGANDA MANAGEMENT INSTITUTE undertaking a study on the influence of business strategy on the survival of medium scaled manufacturing enterprises in Kampala Capital City. The purpose of the study is exclusively to collect information on medium scale enterprises in Uganda with the aim of establishing the relationship between business strategy and their survival. Based on the findings from the study recommendations will be made to stakeholders to address firm survival of SMALL and MEDIUM ENTERPRISES in Uganda. Business Strategy is a long term plan of action designed by firms to achieve a particular goal or set of goals or objectives, purposely to strengthen a firm's performance. Firm survival refers to the ability of a firm to grow in terms of achieving profitability, increase the asset base and operate beyond the first five years of its establishment.

The study is in partial fulfillment of the requirements for the award of Master's Degree in Management Science (Project Planning and Management).

I kindly request you to answer the following questions sincerely and accurately. The information given will only be used for academic purposes and will be treated with maximum confidentiality.

Thank you for your kind cooperation.

Yours faithfully,

Aloysius Barugahare

## **Section A: General information about the respondent**

1. Your Functional Position in the company:
2. Level of Education
  - a) Secondary
  - b) Diploma
  - c) Bachelors
  - d) Post Graduate
  - e) Others (specify).....
3. Total work experience: .....
4. Length of time with the company
  - a) Less than 1 year
  - b) 1-5 years
  - c) More than 5 years

## **Background information of the firm**

### **Section B: Cost Leadership Strategy**

The following statements are designed to understand the extent to which your company/enterprise adopts a cost leadership strategy. Cost leadership strategy is an integrated set of actions taken by firms to produce products at the lowest cost relative to that of competitors.

The scale used for these statements should be viewed as a continuum with 1=strongly disagree, 2= disagree, 3=not sure, 4=agree, 5=strongly agree.

1	The firm places importance on reduction of production costs	1	2	3	4	5
2	The firm places importance on minimization of operational costs	1	2	3	4	5
3	The firm places importance on minimization of human resource costs	1	2	3	4	5
4	The firm places importance on minimization of advertising costs	1	2	3	4	5
5	The firm places importance on minimization of costs in sales	1	2	3	4	5
6	The firm places importance on minimization of costs in research and development	1	2	3	4	5
7	The firm places importance on attaining efficiency in procurement	1	2	3	4	5
8	The firm places importance on construction of efficient scale facilities	1	2	3	4	5
9	The firm places importance on cost and overhead control like electricity, water and communication among others	1	2	3	4	5

### Section C: Focus on Market Strategy

The following statements are designed to understand the extent to which your company adopts a market focus strategy. Focus on Market Strategy is a type of strategy that breaks down the overall market into segments which have common characteristics and /or needs. The scale used for these statements should be viewed as a continuum with 1=strongly disagree, 2=disagree, 3=not sure, 4=agree, 5=strongly agree.

1	The firm places importance on market Segmentation	1	2	3	4	5
2	The firm places importance on strategic marketing	1	2	3	4	5
3	The firm places importance on competitive pricing	1	2	3	4	5
4	The firm places importance on research and development	1	2	3	4	5
5	The firm places importance on providing customer feedback	1	2	3	4	5
6	The firm places importance on improving product quality	1	2	3	4	5

## Section D: Product Differentiation Strategy

The following statements are designed to understand the extent to which your company adopts a product differentiation strategy. Differentiation strategy refers to differentiating a product or service from the competitors' products or services in terms of branding, packaging, pricing, positioning, or other marketing strategies. The scale used for these statements should be viewed as a continuum with 1=strongly disagree, 2=disagree, 3=not sure, 4=agree, 5=strongly agree.

1	The firm places importance on strategic advertising	1	2	3	4	5
2	The firm places importance on innovative marketing	1	2	3	4	5
3	The firm places importance on utilizing highly skilled sales force and agents	1	2	3	4	5
4	The firm places importance on emphasis on product quality	1	2	3	4	5
5	The firm places importance on customer service before, during and after sale of products	1	2	3	4	5
6	The firm places importance on influencing/controlling distribution channels	1	2	3	4	5
7	The firm places importance on innovativeness	1	2	3	4	5

## Section E: Firm Survival

In your current position, please rate the survival chances of your firm. Firm survival refers to the ability of a firm grow in terms of profitability, increase the asset base and sustain itself in business beyond the first five years of its existence . The scale used for these statements should be viewed as a continuum with 1=strongly disagree, 2=disagree, 3=not sure, 4=agree, 5=strongly agree.

1	The number of employees of the firm have increased by 20% from the time of creation to date	1	2	3	4	5
2	The net profit of the firm has increased by at least 20% from creation to date.	1	2	3	4	5
3	The number of customers of the firm has increased by at least 20% from creation.	1	2	3	4	5
4	The assets of the firm have increased by at least 10% from creation.	1	2	3	4	5
5	The firm has been in existence for more than 5 years since creation to date.	1	2	3	4	5

**Thank you for the response.**

## **APPENDIX B: INTERVIEW GUIDE**

Dear respondent, I am a Student at UGANDA MANAGEMENT INSTITUTE undertaking a study on the influence of business strategy on the survival of medium scaled manufacturing enterprises in Uganda taking a case study of Kampala Capital City. The study is in partial fulfillment of the requirements for the award of master's degree in Management Science (Project Planning and Management).

I kindly request you to answer the following questions sincerely and accurately. The information will only be used for academic purposes and will be treated with maximum confidentiality.

Thank you for your kind cooperation

Yours faithfully,

Aloysius Barugahare

1. What is your position in this organization?
2. What is your highest level of education?
3. How long have you been in this organization?
4. To what extent do medium scale manufacturing firms in Kampala Capital City adopt a cost leadership strategy?
5. How do medium scaled firms adopt a cost leadership strategy?
6. What is the influence of focus on target market strategy on the survival of medium sized manufacturing enterprises in Kampala Capital City?
7. To what extent do medium scale manufacturing firms in Kampala Capital City adopt a focus on target market strategy?

8. How do medium scaled firms adopt a focus on target market strategy?
9. What is the influence of the focus on target market strategy on the survival of medium sized manufacturing enterprises in Kampala Capital City?
10. To what extent do medium scale manufacturing firms in Kampala Capital City adopt a product differentiation strategy?
11. How do medium scaled firms adopt a product differentiation strategy?
12. What is the influence of adopting a product differentiation strategy on the survival of medium sized manufacturing enterprises in Kampala Capital City?
13. What can be done to improve the business strategy of medium scale manufacturing enterprises in Kampala Capital City?
14. What can be done to improve the survival of medium scale manufacturing enterprises in Uganda?

**Thank You for your time**



## **APPENDIX C: DOCUMENTARY REVIEW GUIDE**

The documentary review guide is to answer the following questions:

1. To what extent do the MMEs in Kampala Capital City adopt a cost leadership strategy?
2. What is the effect of adopting a cost leadership strategy on the survival of MMEs in Kampala Capital City?
3. To what extent do the MMEs in Kampala Capital City adopt a market focus strategy?
4. What is the effect of adopting a focus on market strategy on the survival of MMEs in Kampala Capital City?
5. To what extent do the MMEs in Kampala Capital City adopt a product differentiation strategy?
6. What is the effect of adopting a product differentiation strategy on the survival of MMEs in Kampala Capital City?

## APPENDIX D: COMPUTATION OF THE CONTENT VALIDITY INDEX

CVI = No of Item declared valid by the judges

Total No of items on the questionnaire

Judge 1:

$$\text{CVI} = \frac{32}{35} = 0.9$$

Judge 2:

$$\text{CVI} = \frac{31}{35} = 0.9$$

Judge 3:

$$\text{CVI} = \frac{32}{35} = 0.9$$

Therefore, Average of content validity index was:

$$\text{CVI} = \frac{2.7}{3} = 0.9$$

## APPENDIX E: RESULTS

### Level of Education

	Frequency	Percentage
Secondary	1	.4
Diploma	41	17.2
University	165	69.3
Post Graduate	31	13.0
<b>Total</b>	<b>238</b>	<b>100</b>

### Total Work Experience

	Frequency	Percentage
Less than 1 Year	2	0.8
1-5 years	46	19.3
6-10 Years	183	76.8
More than 10 Years	7	2.9
<b>Total</b>	<b>238</b>	<b>100.0</b>

### Length of Service

	Frequency	Percentage
Less than 1 Year	1	0.4
1-5 Years	44	18.5
6-10 Years	185	77.7
More than 10 Years	7	2.9
<b>Total</b>	<b>283</b>	<b>100.0</b>

## Cost Leadership Strategy

	N	Min	Max	Mean	Std. Deviation
The firm places importance on minimization of costs in sales	239	1.00	5.00	4.04	1.06
The firm places importance on minimization of operational costs	236	1.00	5.00	4.01	1.11
The firm places importance on reduction of production costs	228	.00	5.00	3.98	1.26
The firm places importance on cost and overhead control like electricity, water and communication among others	221	1.00	5.00	3.94	1.28
The firm places importance on minimization of costs in research and development	228	1.00	5.00	3.87	1.12
The firm places importance on minimization of human resource costs	240	1.00	5.00	3.87	1.09
The firm places importance on attaining of efficient scale facilities	232	1.00	5.00	2.84	1.26
The firm places importance on minimization of advertising costs	238	1.00	5.00	2.76	1.35
The firm places importance on attaining efficiency in procurement	236	1.00	5.00	2.19	1.35

## Focus on Market Strategy

Statement	N	Min	Max	Mean	Std. Deviation
The firm places importance on competitive pricing	230	1.00	5.00	3.87	1.01
The firm places importance on strategic marketing	238	1.00	5.00	3.82	1.10
The firm places importance on improving product quality	232	1.00	5.00	3.80	1.04
The firm places importance on market Segmentation	236	1.00	5.00	3.78	1.37
The firm places importance on providing customer feedback	233	2.00	5.00	2.23	1.31
The firm places importance on research and development	236	1.00	5.00	2.22	1.31

## Product Differentiation Strategy

	N	Minimum	Maximum	Mean	Std. Deviation
The firm places importance on utilizing highly skilled sales force and agents	36	1.00	5.00	3.89	0.92
The firm places importance on strategic advertising	236	1.00	5.00	3.80	1.09
The firm places importance on innovativeness	236	1.00	5.00	3.00	1.40
The firm places importance on innovative marketing	236	1.00	5.00	2.78	1.37
The firm places importance on customer service before, during and after sale of products	238	1.00	5.00	2.43	.31
	234	1.00	5.00		

## Correlations

		cost leadership	firm survival
cost leadership	Pearson Correlation	1	.621**
	Sig. (2-tailed)		.000
	N	240	240
firm survival	Pearson Correlation	.621**	1
	Sig. (2-tailed)	.000	
	N	240	240

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

**Correlations**

		market focus	firm survival
market focus	Pearson Correlation	1	.560**
	Sig. (2-tailed)		.000
	N	238	238
firm survival	Pearson Correlation	.560**	1
	Sig. (2-tailed)	.000	
	N	238	240

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

**Correlations**

		cost leadership	firm survival
cost leadership	Pearson Correlation	1	.621**
	Sig. (2-tailed)		.000
	N	240	240
firm survival	Pearson Correlation	.621**	1
	Sig. (2-tailed)	.000	
	N	240	240

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

**Correlations**

		product differentiation	firm survival
product differentiation	Pearson Correlation	1	.627**
	Sig. (2-tailed)		.000
	N	240	240
firm survival	Pearson Correlation	.627**	1
	Sig. (2-tailed)	.000	
	N	240	240

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

**Regressions**

**Cost leadership and firm survival**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.621 <sup>a</sup>	.386	.384	.59804

a. Predictors: (Constant), cost leadership

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53.560	1	53.560	149.754	.000 <sup>a</sup>
	Residual	85.121	238	.358		
	Total	138.681	239			

a. Predictors: (Constant), cost leadership

b. Dependent Variable: firm survival

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.101	.216		5.093	.000
	cost leadership	.659	.054	.621	12.237	.000

a. Dependent Variable: firm survival

### Market Focus and Firm Survival

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.560 <sup>a</sup>	.314	.311	.63124

a. Predictors: (Constant), market focus

#### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.024	1	43.024	107.973	.000 <sup>a</sup>
	Residual	94.039	236	.398		
	Total	137.062	237			

a. Predictors: (Constant), market focus

b. Dependent Variable: firm survival

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.447	.220		6.569	.000
	market focus	.591	.057	.560	10.391	.000

a. Dependent Variable: firm survival



## Product Differentiation and Firm Survival

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.627 <sup>a</sup>	.393	.390	.59336

a. Predictors: (Constant), product differentiation

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.159	1	54.159	153.826	.000 <sup>a</sup>
	Residual	83.795	238	.352		
	Total	137.954	239			

a. Predictors: (Constant), product differentiation

b. Dependent Variable: fs

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.947	.226		4.194	.000
	product differentiation	.716	.058	.627	12.403	.000

## Overall Influence of Business Strategy on the Survival of MMEs in Kampala

a. Dependent Variable: fs

**Variables Entered/Removed<sup>b</sup>**

Model	Variables Entered	Variables Removed	Method
1	product differentiation, mf, cl <sup>a</sup>		Enter

a. All requested variables entered.

b. Dependent Variable: firm survival

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.688 <sup>a</sup>	.473	.466	.55432

a. Predictors: (Constant), product differentiation, mf, cl

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	64.444	3	21.481	69.911	.000 <sup>a</sup>
	Residual	71.900	234	.307		
	Total	136.345	237			

a. Predictors: (Constant), product differentiation, mf, cl

b. Dependent Variable: firm survival

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.403	.231		1.745	.082
	cl	.329	.073	.310	4.486	.000
	mf	.241	.068	.229	3.533	.000
	product differentiation	.281	.089	.244	3.175	.002

a. Dependent Variable: firm survival