



MAKERERE UNIVERSITY BUSINESS SCHOOL

**STRATEGIC MARKETING, BUSINESS NETWORKING AND THE GROWTH OF
SMALL AND MEDIUM SIZED**

MANUFACTURING ENTERPRISES IN CENTRAL REGION

BY

KICONCO NANCY

REG. NO.: 2014/HD10/171U

MBA

**CONTACT: +256 774381608
nancy.kiconco@gmail.com**

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PLAN A

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DECLARATION

I, Kiconco Nancy hereby declare that this dissertation is my original work and has not been presented for a degree in any other university.

Signed 

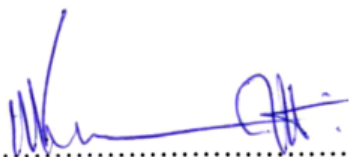
Date..... 09/04/2022

Kiconco Nancy

Reg No. 2014/HD10/171U

APPROVAL

This dissertation has been submitted with the approval from the following academic supervisors.

Signed


Prof. Ngoma Muhammed

Date.....11/04/22.....

Signed


Dr. Ahmad Walugembe

Date.....11/04/2022.....

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ABSTRACT

Small and Medium Enterprises (SMEs) are considered a sector with significant contribution to the economic growth of both developed countries and emergent countries. However, SMEs are facing challenges for their survival due to limited resources. There is also considerable lack of empirical studies focusing on business networking between SMEs in developing countries. Promotion of business networking approaches with other organizations could be a good start to developing and increasing the competitiveness of manufacturing SMEs. The primary objective of this research is to identify strategic marketing and business networking factors that influence the growth of SMEs and to develop a hypothesized model that can be tested on manufacturing SMEs. The outcomes of strategic marketing and business networking factors can help to improve the survival rate of manufacturing SMEs, and may offer great opportunities for business growth, locally and globally. Proportionate sampling was used in the study and results revealed that there is a positive and significant relationship between strategic marketing, business networking and the growth of SMEs and positive significant results of a combined effect between strategic marketing and business networking. The study concludes that engaging in strategies to improve the marketing of SMEs in Uganda is a vital factor for their growth as well as strengthening their business networks. The study recommends that SMEs in the Manufacturing Industry invest in strategic marketing plans and be part of business networks to stimulate growth.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

One of the most important trends in the world economy has been the globalization of economic and business activity driven by a range of policy; economic and technological variables (UNCTAD, 2010). As the global market is becoming more trade liberal, opportunities for small and medium sized enterprises have increased (Gilmore, 2001). Small and medium sized enterprises (SMEs) are a vital part of the world economy. In the European Union (E.U) SMEs account for 65% of the whole EU turnover and in the United States of America they are estimated to generate 50% of the total American GDP (UNCTAD, 2010). In 2009, SMEs manufacturing was the third largest sector in the UK economy, representing over 11% of the UK economy.

Building on this global business perspective, it is important to focus on the survival and growth of small and medium sized enterprises (Jorge et al., 2016). Evidence from UBOS (2010) statistical abstracts pronounce the contribution of SMEs as significant and having the potential to change the economy of Uganda for the better, however the SME manufacturing sector's growth index in Uganda as compared to its peers in the East African Community is not appealing. Whereas SME manufacturing performance in Kenya averages 6.8% with manufactured exports at 49% of the exported merchandise and Tanzania manufacturing performance averaging 7% and 36.9% of exported merchandise, Uganda's SME manufacturing performance is 0.5% with 24% of the export merchandise (UMA, 2017) which is a sign of relatively slow growth compared to the other East African countries. The contribution to national GDP by SMEs to their economies is significant however in Uganda this largely varies when compared to the contribution SMEs in the global and regional markets make. While the contribution of SMEs to development in Uganda is generally acknowledged, these enterprises face many challenges that limit their long-term survival and development hence the study was intended to show if strategic marketing and business networking can aide to bridge this gap.

The resource-based view of a firm explains the concept of growth as the availability of key firm resources i.e. networking, marketing resources and incentives. The Resource-based view theory contends that the possession of strategic resources provides an organization with a golden opportunity to develop competitive advantages over its rivals. These competitive advantages in turn can help the organization enjoy strong

profits and growth. Furthermore, in order to improve business growth, joining a business network and engaging in strategic marketing is acknowledged as a valuable path for SMEs in the manufacturing industry, striving to gain a sustainable competitive advantage, lower transaction costs, create social capital, enter foreign markets and achieve economies of scale within their business environment (Leek, 2002).

According to Ellis et al. (2012) firms that have resources and effective business networks can easily expedite growth for their SME enterprises. Kotler and Peterson (2004) contextualize strategic marketing as the process of analyzing the environment, the market competitiveness and business factors that affect an enterprise and its business units. It also involves identifying market opportunities and threats and forecasting future trends in business areas of interest for the enterprise, participating in setting objectives and formulating corporate and business unit strategies, and selecting target market strategies for the product to succeed (Pearce & Robinson, 2007).

Business networking is considered as a set of connected business relationships where the firms share knowledge, resources and coordinate their activities. Prominent examples of business networking arrangements among SME firms can be found in the inter-firm relationships and informal credit arrangements in many Asian countries, as well as in the satellite networks of Japan, the industry clusters of Taiwan and the industrial districts of Italy and the United States.

In Uganda, Business associations such as the Federation of small and medium sized enterprises (FSME), The Uganda Small Scale Industries Association (USSIA), the Uganda Manufacturer's Association (UMA), the Private Sector Foundation Uganda (PSFU), the Uganda Investment Authority (UIA) exist to equip small and medium-sized enterprises especially for economic growth as well as represent and support professional small and medium enterprises that want to grow and become large enterprises. Furthermore the government of Uganda through the National Development Plan (2008) has also clearly laid down strategies for supporting SMEs in the country for example through incentives like tariff reduction on inputs. However, many small and medium enterprises have failed to survive and perform even after some years of protection by the government (National Development Plan, 2008). Despite the fact that small-scale business enterprises are being supported and protected by the government under the industrialization policy, some factors still hinder the small-scale business growth in Uganda. Business networking and strategic marketing within the manufacturing industry have played a pivotal role in supporting SME growth by providing new ideas, access to industry information, enhancing capacity for research

and development and cultivating adequate managerial skills (Fernhaber & Li, 2013). Examples of business networks in Africa include; The Eagle lager Uganda & Zambia (SABMILLER) business linkage program; SME development and linkages in Chad and incentive by Exxon Mobil and The Sustainable Tea initiative in Kenya (Kabagambe-Kaliisa, 2010). Such business networks as well as strategic marketing processes may be relevant in the growth of SMEs in Uganda.

1.2 Statement of the Problem

Even though there is an increase in the number of small and medium sized manufacturing enterprises in Uganda (UMA, 2017), in comparison to their counterparts in Kenya and Tanzania, these firms are not growing (Kiiza, 2007). This is evident in the number of years that they have been in operation compared to their growth interim, profits, firm age, export Intensity, market diversification etc. (Jorge et al., 2016). Small medium enterprises for example Cougar industries, Crystal beverages and Delight Uganda limited that manufacture beverages; Dalem (u) ltd, Delight Uganda limited and Everest manufacturing company ltd are some of the many SMEs increasingly struggling to grow and stay afloat. According to (UMA report, 2016) these companies have in the past five years registered big drops in product sales. Delight Uganda limited registered a surge in revenue from 650 million Ugx to 300 Million in 2016, Crystal beverages moved from a 7.7% sales growth to 3.2 % in the same year, dragged down by weak demand for its Crystal Juice. This challenge could be attributed to the limited use of strategic marketing tactics like strategic situation analysis, ineffective marketing strategies and limited utilization of business networks (Kabagambe-Kaliisa, 2010). A lot has been written by researchers about SME growth including topics on Finance and Capital Markets development, credit accessibility (Kasekende and Opondo, 2003), Kibuka, Kiweena, Nakate and Kizza, 2013) however there seems to be a gap in Strategic marketing and business networking as areas of challenges. It is therefore, against this background that this study seeks to examine the effect of strategic marketing and business networking on the growth of small and medium sized enterprises in the manufacturing industry.

1.4 Purpose of the Study

The purpose of this study was to examine the effect of strategic marketing and business networking on the growth of small and medium sized enterprises in the manufacturing industry in Uganda.

1.5 Specific Objectives of the Study

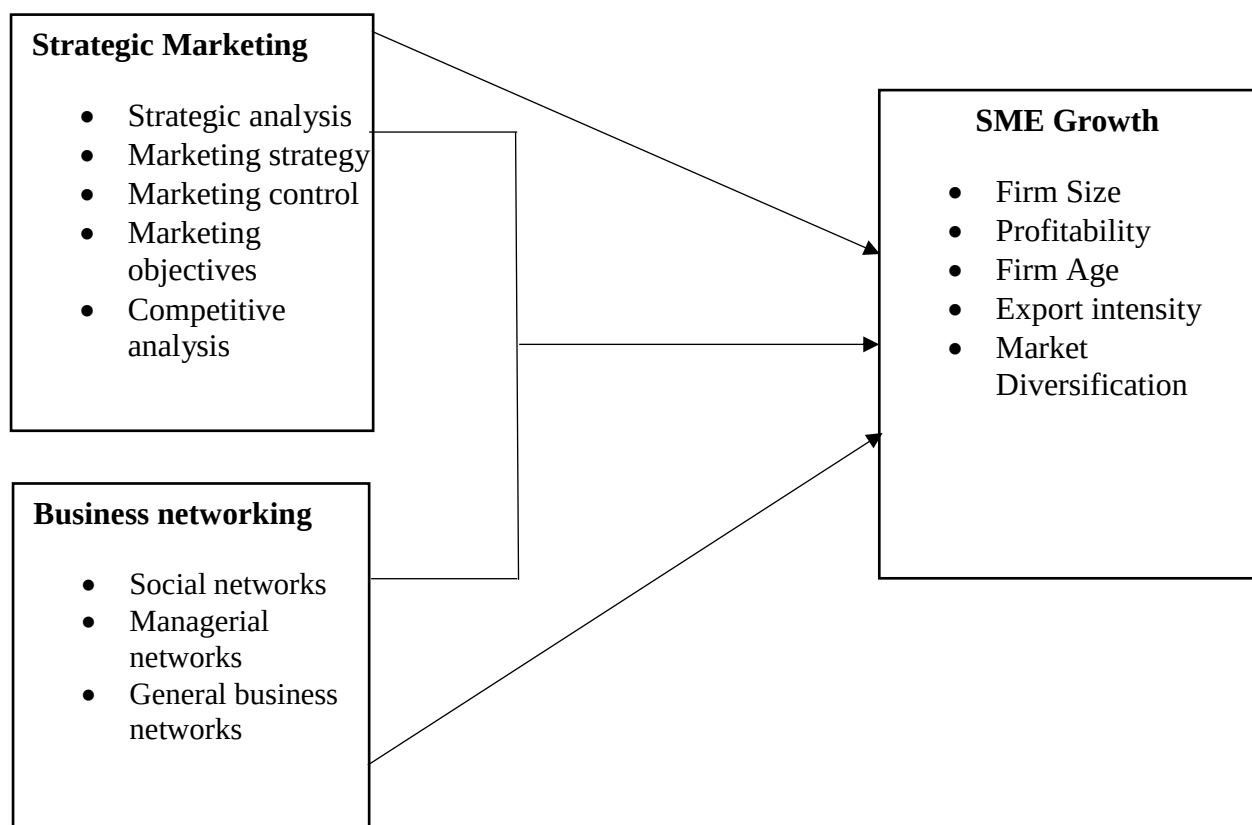
- a) To examine the relationship between strategic marketing and growth of small and medium sized manufacturing enterprises.
- b) To examine the relationship between business networking and the growth of small and medium sized manufacturing enterprises.
- c) To establish the combined effect of Strategic marketing and Business Networking on the growth of SME manufacturing enterprises.

1.6 Research Questions

The research questions that guided this study are:

- a) What is the influence of strategic marketing on the growth of small and medium sized enterprises in the manufacturing industry in the central region of Uganda?
- b) What is the influence of business networking on the growth of small and medium sized enterprises in the manufacturing industry in the central region of Uganda?
- c) What is the combined effect of strategic marketing and business networking on the growth of SME manufacturing enterprises?

1.8 Figure 1: Conceptual Framework



Source: Adopted with modifications from the literature of Leroy (2012); Jorge et al., 2016 and Haley (1997)

According to the conceptual framework above, strategic marketing and business networking play a pivotal role in enhancing business growth. The study attempted to establish the relationship between strategic marketing, business networking and business growth in small and medium size manufacturing enterprises in the central region of Uganda. The independent variables were strategic marketing and business networking whereas the dependent variable was business growth.

1.8 Justification of the Study

SMEs in Uganda could be the potential drivers of the country's development. SMEs especially in the manufacturing industry could better position themselves for growth through strategic marketing and business networking. Therefore, this study suggests insights into how SMEs in the manufacturing industry could utilize strategic marketing and business networking as strategies to achieve business growth.

1.9 Significance of the Study

The study enables small and medium sized enterprises to understand the need for strategic marketing for business growth. Additionally, the study enables SMEs to appreciate the need for business networking to grow their businesses. Determining the benefits accruing due to strategic marketing and business networking in their operations and providing empirical and practical contributions for SMEs on how to effectively apply the concepts in their operations may enable them to enhance business growth. By understanding how SMEs benefit from strategic marketing & business networks, policy makers can use this information to design SME support programmes and trainings. It can also help in the development of a model on how best to promote the growth of small businesses.

1.10 Scope of the Study

1.10.1 Content Scope

The study covered strategic marketing and business networking as the independent variables and business growth as the dependent variable. Under business growth, the study focused on firm size, profitability, firm age, export intensity and market diversification.

1.10.2 Geographical Scope

The study was conducted in Kampala district located in the central region of Uganda.

1.10.3 Time Scope

The study was conducted between April and August 2021.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses in detail the relevant theory used in the study and the literature related to the research; arrayed systematically following each objective of the study. Specifically, the chapter discusses the resource-based view theory and presents related literature comprising of differing arguments, criticism, findings and explanations from different scholars with regards to the concepts of strategic marketing, business networking and the growth of SMEs.

2.2 Theoretical Review

With respect to firm growth, a couple of theories have been advanced by notable scholars to better inform on the concept. Scholars have utilized theories such as the Ansoffian Theory (Ansoff, 1965), Managerial theory (Coad, 2007; Marris, 1963), Transaction cost theory, the resource-based view theory (Penrose, 1959) and other theories in this regard. However in this study, focus was set on the resource-based view theory to inform the study. This is particularly because the theory considers that firms have incentive not only to engage in operations large enough to eliminate pools of idle resources, but also to use the most valuable specialized services of its resources to grow.

Resource Based View Theory

The resource-based view is a managerial framework that is thought by most scholars to have been developed by Penrose (1959), to determine strategic resources that have the potential to deliver comparative advantage to a firm. During the 1990s, the resource-based view theory of the firm pioneered by Penrose (1959) became the dominant paradigm in strategic planning. The theory explains how firm resources can be exploited in order to achieve sustainable competitive advantage. According to Kotler et al. (2004) Barney's 1991 article "Firm Resources and Sustained Competitive Advantage" is widely cited as a pivotal work in the emergence of the resource-based view. The principal contribution of the resource-based view theory about SME firms has been as a hypothesis of competitive advantage, its basic logic starting with the assumption that the desired outcome of managerial effort within the manufacturing SME firm is a sustainable competitive advantage. Achieving a sustainable competitive advantage allows the firm to earn economic rents or above-average returns (Blankson & Cheng, 2005). In turn, this focuses attention on how manufacturing SME firms can achieve and sustain advantages. The resource-based view contends that the answer to

this question lies in the possession of certain key resources that have characteristics such as value, barriers to duplication and appropriability. Brooks bank and Taylor (1999) argue that sustainable competitive advantage can be obtained if the firm effectively deploys these resources in its product and service markets. The resource-based view theory emphasizes strategic choice, charging the firm's management with the important tasks of identifying, developing and deploying its key resources to maximize returns (Blankson & Cheng, 2005).

Penrose (1959) provides arguably the most detailed exposition of a resource-based view in the marketing literature through her book "The Theory of the Growth of the Firm". She notes that, a firm is more than an administrative unit; it is also a collection of productive resources, the disposal of which between different users and over time is determined by an administrative decision. When we regard the function of the private business firm from this point of view, the size of the firm is best gauged by some measure of the productive resources it employs. This implies that according to the theory, resources are allocated heterogeneously within an industry. Manufacturing Small and Medium size Enterprises therefore must be aware of their strengths and weaknesses, as they have to develop strategies on how to outperform their competition with the given resource bundles and capabilities (Phelps, Adams & Bessant, 2007).

Furthermore, it is argued that a firm's resources are not perfectly mobile across firms. Resources such as assets, capabilities, and organizational processes should be controlled by the firm to enable a firm to conceive and implement strategies that improve its efficiency and effectiveness (Penrose, 1959).

The resource-based view theory perspective has recently received some criticism by management scholars (Deligonul & Cavusgil, 1997; Godfrey & Hill, 1995). The resource-based view of the firm has been criticized for presenting a very static view of what is essentially a dynamic process (Dickson, 1996). Dickson notes that, heterogeneity in supply and demand is a virtuous cycle with no clear beginning or end as firms respond to changing demand by experimenting with new ways of serving customers (Godfrey & Hill, 1995). Markides et al. (1996) argues that the lack of empirical validation of its core propositions is perhaps the most critical issue facing the resource-based view.

The resource-based view theory is portrayed to use resources to understand and explain firm growth. A company has to combine different resources including strategic

marketing and business networks in order to compete successfully in the market. According to the theory, a firm's strategic advantage is derived through its unique set of competencies and resources. Daunfeldt and Elert, (2013) suggest five resource categories: Human capital, social capital of the entrepreneur or manager, physical capital, financial capital and organizational capital. These resources are leveraged, developed and deployed in such a way that the 'right' combination of resources is created which provides the firm a competitive advantage.

Based on this resource-based view perspective, several researchers have argued that effective positioning of strategic marketing, business networks and government incentives can spur firm growth in a rapid manner transforming the enterprise (Daunfeldt & Elert, 2013).

2.3 The Concept of SMEs in Uganda

There is no universally agreed upon definition of Small & Medium Enterprises (SMEs) (Boschmans & Pissareva, 2017). Definitions range from those based on number of employees to business turnover and assets. According to the Uganda Investment Authority in Uganda, a micro enterprise is an enterprise employing up to four people with an annual sales/revenue turnover or total assets not exceeding Uganda shillings 10 million. On the other hand small enterprises are defined as those employing between 5 and 49 people and have total assets between Uganda shillings 10 million but not exceeding 100 million. The medium enterprise therefore employs between 50 and 100 people with total assets more than 100 million but not exceeding 360 million.

(Source: UIA website.)

SMEs in Uganda are spread across all sectors of the economy; they are distributed with 49% in the service sector, 33% in the commerce and trade, 10% in manufacturing and 8% in other fields. SMEs in Uganda make up over 70% of the economy and contribute above 20% of Uganda's GDP (UMA, 2018). SME's in Uganda are seen as the engine for growth, economic development, innovation, and wealth creation for the country. There is no empirical data indicating that small enterprises have grown into medium-size enterprises and according to the Ministry of Trade, Industry and Cooperatives, majority of SMEs (69%) life span ends within their first 5-10 years, signifying a mortality rate of small businesses in Uganda (UMA, 2018).

2.4 Growth of SMEs in the Manufacturing Industry

Firm growth is an increase in attributes, such as sales, volumes, employment and or profit of an organization. (Hakkert & Kemp, 2006) Firm growth according to the resource based view can be determined by the degree of effectiveness and capability

with which a firm's specific resources such as labour, capital and knowledge are organized and transformed into sellable products, services through organizational routines, practices and structure (Nelson and Winter, 1982; Nickel, Nicolitsas & Dryden, 1997)

Firm size

According to the Resource based view there is a positive relationship between firm growth and firm size. According to Daunfeldt and Elert (2013) one of the most discussed aspects in the literature is the effect exerted by a firm's size, evidenced by the 1931 Gibrat's Law or "the law of proportionate effect", dealing with the autonomy of size on the growth rate within the same industrial sector (Davidsson et al., 2010). Studies have shown that size affects growth although no agreement has been reached on whether small enterprises tend to grow more than bigger ones (Bentzen et al., 2012; Brito et al., 2007; Teruel-Carrizosa, 2010).

Bentzen et al. (2012) analyzed a group of Danish industries during 15 years and concluded that big enterprises had a relatively bigger growth rate than smaller ones. Similarly, Brito et al. (2007) investigated a database with 13,221 firms' from 46 countries, based on 9-year data and identified a positive relationship between size and growth rate. However, the relationship between size and growth according to Teruel-Carrizosa (2010) is a rather complex affair. In industries with a great number of new firms, small firms are at a disadvantage and are obliged to grow faster or quit. On the other hand, small firms in mature industries have a greater probability of obtaining lower growth rates due to reduced levels of opportunities. Innovation and market structure determine growth. Daunfeldt & Elert (2013) argue that there is a great probability that small innovating firms grow faster than big firms that shun innovations. To Daunfeldt & Elert (2013) market structure has an influence on the firm's growth capacity especially service ones which are more heterogeneous and tend to grow less than industrial firms. Although industries require heavy investments, service firms quit the market quickly (Teruel-Carrizosa, 2010). If on one hand, small enterprises require specialists and counseling firms with increasing chances of growth (Davidsson et al., 2010), the use of their abilities to enhance growth derives from the learning process acquired by experience over time. The firm's growth will depend on the use of their learning capacity to develop efficiency.

Firm Age

Lall (1976) theorized that the age of firms in operation would exercise some influence on their growth. The theory of the resource based view proposed by Penrose (1959) and later extended by Ericson and Barney (1991); Lynch (2000) and Farinas and Moreno (2000) predicted a negative correlation between the age of a firm and its growth. Age of the firm has an inverse relationship with growth of the firm and this has been empirically supported by many studies (Evans 1987; Dunne & Hughes, 1994; Glancey 1998; Yasuda 2005). Decreasing returns to learning over time is one major reason that an aging firm will achieve additional efficiency gains. The probability diminishes that an aging firm will achieve additional efficiency gains (Jovanovic, 1982; Ericson & Pakes, 1995; Das, 1995; Farinas & Moreno, 2000). The question of whether older SME firms in the manufacturing sector register a longer trajectory of growth and profit compared to their smaller counterparts has been in the interest of numerous researchers for decades according to (Barba et al., 2014). Large amounts of theoretical as well as empirical research in different disciplines (economics, strategic management, finance) have been conducted in order to demystify this relationship. However, while some authors found a positive influence of firm age on its growth, the others found this relationship to be negative or non-existent. According to Carter and Evans, (2006) smaller, younger firms are more likely to grow faster than larger, older firms (in terms of the number of employees or amount of sales), while Jorge et al. (2016) found evidence supporting both, improvements of firms with age (i.e. older firms experiencing rising levels of profits, productivity, larger size, etc.) and deteriorations of firms' performance with age. Similarly, Taymaz (2002) argues that new SME firms in the manufacturing sector become aware of their actual productivity after observing their performance in the industry. If their performance is insufficient, they either grow or exit. New firms, which survive experience higher productivity growth rates than existing firms. Taymaz (2002) also found that productivity growth rates are negatively correlated with age and size of firms. Firms that are newly entering the market show high productivity growth rates for a number of years. Growth gradually declines over the first years of the firm's life to stabilize at a value which differs between sectors. Substantial variation around the stable growth rate is observed, but shows no clear trend.

Export Intensity

Davidsson (1989) and Storey (1994) have argued that exporting is an important determinant of firm growth although exporting has not emerged as a significant variable in some empirical works that tested firm growth. According to Popkin and Company (1991) it is a key indicator of growth of SMEs in the manufacturing industry (Almus and Nerlinger, 1999; Davidsson et al., 2002). It is possible that in many cases the local market may bind firm growth but a firm does not necessarily restrain its sales to its local market. As long as firms can access modern channels of communication and logistics, the firm can expand into other geographical markets. Therefore, it is the intensity into alternative geographic markets, such as national markets and international markets that will have an impact on the growth of a firm instead of the firm's location. Becchetti and Trovato (2002) brought some evidence of this when they found a positive correlation between firm growth and access to export markets.

Market Diversification

Diversification into new products is not just an important vehicle of competition but also the major engine to firm growth (Ansoff, 1965; Marris and Wood 1971). Chen, Babb and Schrader (1985) found that firm growth was constrained due to lack of product diversification and this was one of the reasons why some firms performed poorly in terms of growth compared to firms that were more diversified. Diversification into several products gives firms more opportunities to sell in diverse markets, attain a larger number of customers and reduce variability on sales. A larger demand directed to the firm and more stability would impact on larger rates of growth. Diversification also affects the growth process positively. It helps firms to cope with demand constraints on a specific product line and creates new opportunities for growth. Harabi (2003) reported diversification and market share expansion as significant factors of firms' growth.

Profitability

The basis of the resource-based view is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities (Daunfeldt & Elert, 2013). According to the resource-based view theory, firm resources should have some capability to generate profits or to avoid losses. The most salient characteristic of the resource-based view is focus on the internal forces of the firm. This approach is rather linked to the pioneering work of Penrose (1959). Penrose (1959)

accentuates the condition of a firm not to be just a unit, but also a group of resources. Frequently, the term resource is limited to those attributes that enhance profitability of the firm (Wernerfelt, 1984).

For Barney (1991) if all the firms were equal in terms of resources there would be no profitability differences among them because any strategy could be implemented by any firm in the same industry. The underlying logic holds that the sustainability of effects of a competitive position rests primarily on the cost of resources and capabilities utilized for implementing the strategy pursued. Since customer and market needs are the primary keys for the maximization of profitability, managers have to develop and apply such strategies that maximize customers' utility.

2.3.1 Strategic Marketing and Growth of SMEs in the Manufacturing Industry

Strategic marketing typically starts with product dimension as the product or service is the heart of a company's marketing strategy. Even if all other dimensions of the strategic marketing plan are designed and executed in an excellent manner, a small medium enterprise in the manufacturing industry would not be successful or achieve growth with a poorly developed core product (Woodward, 2004). In Gabrenya and Hwang (1996)'s study on the Impact of Marketing Strategies and Behavior of Small and Medium Enterprises on Business Growth, strategic marketing plays a critical role in generating profits for SMEs in the manufacturing industry. Mintzberg (1994) suggests that strategic marketing practices like strategic management, strategic visions, strategy formulation are key drivers to business growth since they are aimed at directing plans based on a set of goals, objectives and policies. As the environment becomes increasingly turbulent, Micro and Small Enterprises (MSEs) need competitive skills in marketing in order to survive. Several key strategic marketing practices are needed at every stage in the lifetime of an enterprise whether small or large (Kotler, 2009). Strategic marketing practices are a rational series of activities that involve the setting up of marketing objectives, the formulation of plans to attain them and the determination of benchmarks against which marketing fulfillment can be judged Pearce (2007). Adoption of strategic marketing practices helps organizations to formulate effective marketing objectives, effective strategies on products, pricing, promotion, distribution, processes and people enabling organizations to understand their competitors in the industry and respond proactively rather than reactively (Kotler, 2003). For strategic marketing to influence business growth as observed by Chaston et al. (2002), it should follow a deep internal analysis of the organization to see tangible and intangible resources. The findings of Chaston et al. (2000) reveal that successful

SME manufacturers engage in long-term strategic marketing planning in order to register sustainable business growth. According to Ferrell & Michael (2005) the role of strategic marketing is to lead the firm towards attractive economic opportunities that are adapted to its resources and know-how and offer potential for growth and profitability.

Strategic marketing as indicated by Woodward (2004) aims to provide Small and Medium size Enterprises in the manufacturing industry with useful knowledge on how to change, adapt and implement successful long-term plans and strategies to achieve organizational goals and objectives which in turn contribute to business growth. Marketing managers have been found to be convinced about the benefits that businesses gain by following a strategic approach towards marketing. In the UK, research data indicates that most SMEs in the manufacturing industry are involved in planning activities. Moreover, Morgan (1994) upholds that critical to the survival and growth of smaller entrepreneurial companies is their ability to think and plan strategically in the development of a sustainable competitive advantage for the business. Strategic marketing practices help manufacturing SMEs to cope with increasing environmental turbulence and complexity, more intense competitive marketing and the pace of technological change. Kotler (2003) argues that strategic analysis, marketing control and setting marketing objectives all of which can be effectively performed in enterprises of high market orientation, is the essence of strategic marketing. Thus, the secret to successful strategic marketing and how it influences business growth is to understand and establish a robust strategic marketing practice plan (Kotler, 2009).

According to Pearce & Robinson (2007) marketing control as an aspect of strategic marketing is the process of monitoring the market plan as it proceeds and then acting to adjust the plan through changes in the marketing mix. If an objective states where the firm should be, then the market plan sets out the preferred direction. Marketing control involves measuring, evaluation and monitoring of the scarce resources of the firm. It involves setting standards where management compares actual progress against the standards.

Siu and Liu (2005) have shown that successful companies set long term strategic objectives (i.e. short-run profits are not sought at the expense of longer run strategic objectives). This may be different in Uganda and as such this study sought to cover this research gap by providing insights into how the manufacturing SME industry can take advantage of strategic marketing. According to UMA (2018) there has not been

scientific research development in the context of Uganda that shows the benefits of a firm having long-term plans and strategies which also indicated a research gap. This study sought to show the benefits of these concepts in Uganda's manufacturing SME industry.

2.3.2 Business Networking and Growth of SMEs in the Manufacturing Industry

The significance of business networks and networking for manufacturing small and medium sized enterprises (SMEs) on growth has been noted by several authors, given SME's need to gain access to other organizations' resources (Cova et al., 1994; Tikkanen, 1998; Partanen et al., 2008). Business network refers to a free business association, capable of creating structures and processes, joint decision making and integrating the efforts of members to design and produce goods and services and exchanging information and other resources (Trequattrini et al., 2012). Networking in SMEs refers to the network process that is undertaken by SME owner-manager in managing the business activities (Hakimpoor et al., 2011). Several scholars working from other perspectives have examined the factors influencing the profitability and performance of manufacturing SMEs (e.g. Hughes and Morgan, 2007; Qian and Li, 2003). Evidence from these studies suggest that the benefits of business networking such as; entrepreneurial style (Soininen et al., 2012; Wiklund, 1999), business intelligence (Li and Sheng, 2011; O'Boyle et al., 2011), innovation capability (O'Dwyer et al., 2009; Weerawardena et al., 2006), as well as social capital and networking activities (Westerlund and Svahn, 2008; Partanen et al., 2008) can all impact the growth of SMEs. Networking with others according to Kotler, Kerin, and Peterson (2004) is carried out because the manufacturing SME firms mostly depend on innovation, raw materials and advancement in technology to make the enterprises continuously develop and be acceptable in the market. Numerous researchers found that business networking provided many benefits and encourages growth of an enterprise. Hite and Hesterly (2001) in their research found that networking increases profit from investment and access to growth, particularly for newly founded manufacturing SMEs.

In another study by Lechner et al. (2005) the findings indicate that business networking is strongly needed to develop entrepreneurial capabilities since networking enhances learning. According to Kotler, Kerin and Peterson (2004), the entrepreneurs should be able to open or to have internal business networking within their enterprises or external networking with other parties including individuals and existing firms. They argue that networking is carried out because the manufacturing SME mostly relies on the information, resources and the competitive advantage that comes along with belonging

to a business network. This may not be the case in Uganda and as such this study sought to cover this research gap by providing insight into how the manufacturing SMEs industry can take advantage of such business networks and spur growth.

The economic literature emphasizes the benefits of social networks and other forms of business networks such as general business and managerial networks in the reduction of transaction costs, the reinforcement of collective action and the generation of learning spinoffs which factors are all well identified to influence business growth (Fafchamps, 2002). Numerous examples illustrate the important role that social networks can play in supporting growth of Small and Medium Enterprises.

Leek (2002) emphasizes that there are several channels through which networking can sustain business growth of SMEs in the manufacturing industry. For instance, networking reduces transaction costs (Lin and Lin, 2016), fosters supply of resources in a flexible manner and at a reduced cost (Li et al., 2015), facilitates knowledge flows and technological improvements (Vanhaverbeke et al., 2009), as well as helps to stimulate product or process innovation (Schott and Jensen, 2016; Mazzola et al., 2016).

However, despite a strong convergence on the general positive effects of business networking on growth, the empirical results are still strongly dependent on specific networks; kinds of firms analyzed and on the economic context in establishing the potential effect business networking can have on manufacturing SMEs growth. The consensus on the positive effect of networks conversely is mainly driven by the strength of the SME in a particular network as recently argued by (Schoonjans et al. 2013). In the case of formal business networks created on strong voluntary basis, firms truly decide to cooperate in production or marketing and their relationship configures itself as a strong tie in the relational-structural embeddedness framework (Granovetter, 1985; Gulati, 1998). Frequent interactions, common or explicit objectives and closeness among firms increase reciprocal trust, reduces opportunistic behaviour and facilitates operational advantages of networking, especially for small and medium firms and thus contributing to their business growth (Julien, 1995).

Networks in this study have been conceptualized to include the following underlying clusters; social, general business and managerial, as made by Leroy (2012).

Social Networks

Social networks are framed by social bonds which depend on network ties and adjustment to collective value (Nieman, 2006). A person's interpersonal organization is for the most part comprised of relatives, family, companions and colleagues (Allen, 2000). In these systems, there are ties which connect one individual from the system to others (Kristiansen, 2004). In this manner, informal organizations are a mix of social ties that are made by entrepreneurs through social associations. Social networks, in this study incorporate connections with which SMEs managers or owners have with relatives, friends and companions. Nichter & Goldmark (2005) assert that Social networks are accepted as essential structures in which monetary exchanges are implanted and impact the underlying independent work decision (Allen, 2000).

Business owners obtain information from various sources before starting their businesses. They begin with ideas to test and look for information and knowledge to start the business (Salaff, Greve, Wong & Li ping, 2002). They draw upon their social networks to obtain information and knowledge. By using social networks, manufacturing SME managers can identify information on viable business opportunities and act on them (Nichter & Goldmark, 2005). However, despite the above-mentioned advantages of social networks, some studies show that there are downsides to these networks. For instance, Yu and Chiu (2010) found that costs associated with engaging in social networks may be too expensive for small scale businesses at times and gradually as social networks of a business owner become too many, business performance may start to decrease. Yu and Chiu (2010)'s study was done based on firms in china and these findings may not directly apply to manufacturing SMEs in Uganda. As such this study sought to cover this research gap by providing insight into how manufacturing SMEs industry can take advantage of social business networks to grow.

General Business Networks

According to Huang, Li and Ferreira (2003), business networks are linkages, whether formal or informal, which facilitate the exchange of resources. Besser, Miller and Perkins (2006) define business networks as formal relationships that are created by business owners or managers to help them facilitate the success of their business. In the context of this study, general business networks refer to networks which manufacturing SMEs have with governmental/non-governmental enterprises that are for development and expansion of new ideas and innovations.

Business networks provide access to resources, knowledge and skills required for the development and exploitation of new business opportunities and are also known to impact on the growth of a business. This view is supported by Chittithaworn, Islam, Keawchana and Yusuf (2011) who pointed out that business networks play an important role in helping businesses gain organizational legitimacy and build a good reputation. The relationships formed in business networks create an opportunity where manufacturing SMEs can access information about industry trends and future business opportunities (Cooney & Flynn, 2008). In emerging economies, the market is highly affected by a government led redistributive mechanism, implying that officials have an influence over business practices (Li & Zhang, 2007; Nguyen, Weinstein & Meyer, 2005). Thus, in these countries, managers' ties with government officials have special advantage (Lin & Siu, 2002). Networks with government entities assist SMEs in enhancing their performance by providing small and medium firms with scarce resources and helping them enter highly regulated industries (Chung, 2006; Peng & Luo, 2000).

Managerial Networks

Ahuja (2005) describes managerial networks as “the structure in which top managers of firms connect with other managers of other firms who are directly or indirectly connected with the organization”. Ngoc and Nguyen and Freeman (2006) emphasize that managerial networks are relationships with suppliers, customers and other businesses that enhance legitimacy of the business. According to Li et al. (2005), managerial networks require a tie between managers of a business and other managers of other businesses. They are the networks which are created and maintained by managers. Ahuja (2005) adds that managerial networks require managers to perform certain activities that can help them build and sustain an ongoing relationship with other parties.

Networks with customers have the potential to improve customer satisfaction and retention (Li et al, 2005). By creating networks with customers through managerial ties, businesses can easily get information on customer preferences and needs. Networks with suppliers help businesses receive quality materials, good services, and timely delivery (Li et al, 2005). Networks with managers of similar businesses often smooth the progress of possible inter-firm collaboration (Croft, 2003). Inter-firm collaborations can serve as a solution to reduce transaction costs. In addition, networking with other managers can help manufacturing SMEs grow by assisting them in ways such as

creating credibility, Carter and Evans (2006), which is important in receiving external finance. Management studies indicate that recommendation from respected business managers creates a positive image of a business (Clayton, 2010; Ngai & Ellis, 1998). This also becomes relevant when firms apply for bank loans. This is especially important in developing countries where bankers in order to mitigate the lack of public data must rely on informal channels to get information about borrowers (Huang & Brown, 1999). Banks as asserted by Clayton (2010) are more likely to give loans to SMEs that have positive recommendations from networks in which they belong. Managerial networks according to David (2003) also contribute to improving the business's strategic position, helping it to focus on its core business, enter international markets, learn new skills and help them adapt to the rapid technological changes (David, 2003). Moreover, within managerial networks, managers can engage in business transactions, social interactions or exchange of information (Clayton, 2010). These interactions are vital for business growth. Côté (2011) also posits that the business owner's ability to create ties with other individuals who have a prestigious position in the market has a direct influence on the business's ability to access information and opportunities that are vital for business growth. For these reasons, SME managers must cultivate and maintain the right networks for their businesses.

2.3.3 The combined effect of Strategic Marketing and Business Networking on Growth of SMEs.

Small and medium-sized enterprises (SMEs) are universally acknowledged as effective instruments for economic growth and employment generation (Basil, 2005; Damirchi and Rahimi, 2011; Johan, 2007). In Uganda, SMEs play a crucial role in creating job opportunities that make the attainment of equitable and sustainable growth and development possible (Turyakira, 2012). It is estimated that there are over 1,069,848 SMEs in Uganda, providing employment and income generation opportunities to low income earners of the economy (Hatega, 2007; Uganda Ministry of Finance, Planning and Economic Development July, 2011) hence these are vital for the Uganda economy. Despite their enormous contributions to economic growth, more than half of SMEs in Uganda fail during their first year (Harorimana, 2009; Tushabomwe-Kazooba, 2006). Hence, their high failure rate is a cause for concern. In an era characterized by global competition, techno-logical advances and innovation, strategic marketing and business networking play a vital role in increasing the competitiveness of SMEs (Lin and Zhang, 2005). Strategic marketing and Business networking are a useful way for SME owners/managers to expand their marketing expertise, drive their organizations

towards growth and improve their overall performance (Hakimpoor et al., 2011). Knowledge gained through business networking has been identified as a crucial strategic resource and asset (Earl, 1997; Lyles and Schwenk 1992; Probst et al, 1998, as in today's economy knowledge and its strategic management constitute a competitive advantage of corporations (Eisenhardt and Santos, 2002). Creating knowledge has now become a core element of business strategy (Ichijo 2007b, p122) and the ability to manage knowledge effectively is a strategic imperative (Birikinshaw and Sheeham, 2002). Marketing intelligence attained via business collaborations have become popular among the SMEs as a competitive tool. The notion of networking has been especially attractive as a means by which SMEs can collaborate in order to compete more effectively in the global marketplace. Many businesses have placed increasing emphasis on adopting strategic alliances as a strategic competitive choice (Akoorie and Pavlovich, 2003). Strategic alliances create interdependence between autonomous economic units, bringing new benefits to the partners in the form of intangible assets. Although empirical studies have been done on strategic marketing and business networking in developed countries (Thrikawala, 2011), little attention has been given to developing countries. Despite the academic interest in strategic marketing and business networking and its impact on SMEs' competitiveness, inadequate theoretical and empirical studies exist in Africa; particularly in Uganda.

2.4 Summary of the Literature Review

The literature has highlighted that there has been substantial research carried out to examine the effect of strategic marketing and business networking on business growth. In the existing works however, the underlying concepts of strategic marketing, business networking and growth have been looked at in isolation representing an opportunity to contribute to the existing body of knowledge. As such the conspicuous gap this study is endeavoring to bridge is that of the effect of strategic marketing and business networking on the growth of manufacturing Small and Medium Sized Enterprises in the Manufacturing Industry.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

The study used a cross-sectional research design where data on all the variables was collected at one point in time (Amin, 2005). While this design simply gives a snap shot, it has been widely accepted in earlier studies addressing similar issues. Furthermore, the study was partly descriptive and analytical in nature employing the quantitative approach. Quantitative approach according to Mugenda and Mugenda (2003) allows the researcher to solicit information that is quantifiable. Consequently, quantitative data comprised of correlation and numeric.

3.3 Study Population

The study was conducted among manufacturing SMEs in the central region part of Uganda. These enterprises were employing a range of 5 - 100 people; with total assets excluding land, buildings and working capital not exceeding Ush360 million and annual turnover of between Ush10 –360 million (Uganda Investments Authority, 2018). The central region is where most of these firms are largely concentrated as well as more accessible. According to the Uganda Investments Authority annual report (2018) and the Uganda Manufacturers Association annual report (2018), manufacturing SMEs comprise of 10% of all SMEs in the country. There were 72 SMEs in the manufacturing industry in Kampala comprising of firms in food manufacturing and beverages, tyres, mattresses, plastics, textiles, wood products and paint manufacturing which were registered with UMA & UIA. Essentially this constituted the sampling frame from which a sample of the study was obtained.

3.4 Sample Size and Sampling Procedure

A sample of 63 SMEs was calculated using the Krejcie and Mogan (1970) table sampling guidelines. This constitutes 13 firms in food processing, 12 metal fabrication, 7 mattress manufacturing, 7 plastics manufacturers, 11 wood making, 10 beverages and 3 paint manufacturing. Proportionate sampling was used to select respondents per category, however, respondents within each category were purposely selected based on their knowledge in marketing and business networking. This method was used because of its ease of use and accuracy of representation. Consequently, those companies included in the study were those whose executives and managers availed time to participate in the study.

Table 1 Illustration for Sample size selection

No	Category	Study Population	Proportionate Sample
1	Food Processing	15	13
2	Metal Fabrication	14	12
3	Mattress Production	8	7
4	Plastics Manufacturers	8	7
5	Wood Making	12	11
6	Beverages	11	10
7	Paint Manufacturing	4	3
	Total	72	63

Source: Primary Data

Table 1 shows the categories of SMEs in the manufacturing sector in Kampala. The sample size and sampling technique

3.5 Unit of Analysis & Inquiry

The unit of analysis was at firm level and the unit of inquiry was at employees level, at least 3 employees were selected from senior management and marketing departments from the 63 firms to be interviewed. A total of 63 questionnaires were hand delivered and filled in a face to face interaction with the respondent. 60 questionnaires were successfully filled and only 3 questionnaires could not be filled fully due to busy schedules of the owners of these establishments bringing the response rate to 95%. These were chosen because of their influence in SMEs access to business networks (Mazzola et al., 2016) and their role in implementing strategic marketing. It is senior managers who engage in business networking and strategic marketing.

Henry Mintzberg (1973) analyzed the nature of managerial work and concluded that management consisted of a mass of fragmented activities. Consequently, important information for the organization is held by the managers. Mintzberg found that the amount of time spent in the managerial roles varied and Sales and Marketing managers and managing directors tend to spend relatively more time in setting the strategic direction of the organization. A marketing director is responsible for directing the overall marketing policy as well as developing detailed marketing strategies. With this in mind, employees in charge of Marketing and senior managers of the businesses were engaged.

3.6 Sampling techniques and procedures

Stratified simple random sampling, proportionate simple random sampling and purposive sampling were used.

The questionnaire method of data collection was employed. The researcher chose to use the questionnaire survey because it is practical, large amounts of information can

be collected from many people in a short period of time. The questionnaire is cheap and fast to administer. Questionnaire survey as a method increases the degree of reliability as well enhances the chances of getting valid data (Amin, 2005). In this study, primary data was collected using questionnaires with both open and closed ended questions. In some sections of the data collection instrument, there were questions that have predetermined answers and other questions were open ended (Mugenda & Mugenda, 2003).

3.7 Validity and Reliability of the Research Instrument

3.7.1 Validity

Amin (2005) defines validity, as degree to which an instrument measures what it is supposed to measure. The validity of the interviews was determined by ensuring that the questions or items conform to the meanings of the variables they measure; then expert judgment was done by contacting supervisors to ensure the relevance, wording and clarity of the questions. This involved judges scoring the relevance of the questions in the instruments in relation to the study variables and a consensus judgment given on each variable taking only variables scoring above 0.70. The Content Validity Index (CVI) was arrived at using the following formula.

$$CVI = \frac{\text{Total number of items declared valid}}{\text{Total number of items}}$$

Table 2 Content Validity Results

Variable	Total No of items	Number of valid items	CVI
Strategic Marketing	15	14	0.93
Business Networking	10	8	0.8
SMEs Growth	10	9	0.9

Table 2 shows that strategic marketing yielded a CVI of 0.93, business networking yielded CVI of 0.80, corporate reporting yielded a CVI of 0.82, while SMEs Growth yielded a CVI of 0.90. This indicates that all variables were above a CVI of 0.70, and the instrument was relevant in measuring strategic marketing and business networking and therefore declared valid.

3.7.2 Reliability

Reliability refers to the consistency of the research instrument in measuring whatever it is intended to measure (Amin, 2005). To ensure reliability the instruments were pre-tested using a sample of at least 5 SMEs within the study population who were asked to respond to the questions in the instruments and later give comments on their accuracy and clarity, and after pre-testing ambiguous questions were reconstructed. Cronbach was considered at a minimum of 0.7.

Table 3 showing reliability tests

Variables	Cronbach's Alpha	Number of items
Strategic Marketing	.890	14
Business Networking	.822	8
SME Growth	.811	9

Source: Primary data

The results indicate that the instrument was reliable since the coefficients of the variables were above 0.7.

3.8 Ethical Considerations

In this study, issues relating to the ethical conduct of research such as informed consent, confidentiality, privacy and anonymity were upheld. According to Amin (2005), ethical considerations are the norms or standards of behavior that guide moral choices about the researcher's conduct.

3.8.1 Informed Consent

According to Levine (1976) informed consent means that a person knowingly, voluntarily, intelligently and in a clear and manifest way, gives his consent. Informed consent is one of the means by which a respondent's right to autonomy is protected. Beauchamp and Childress define autonomy as the ability for self-determination in action according to a personal plan. Participants and respondents were given full information on the purpose and objectives of the study in order for them to make informed decisions as to whether to participate or not.

3.8.2 Respect for Anonymity and Confidentiality

Amin (2005) suggests anonymity is protected when the subject's identity cannot be linked with personal responses. If the researcher is not able to promise anonymity, he has to address confidentiality, which is the management of private information by the

researcher in order to protect the subject's identity. In this study all information concerning the identity and personality of respondents were treated with utmost confidentiality by not revealing the respondents by their names

3.8.3 Respect for Privacy

According to Levine (1976) privacy is the freedom an individual has to determine the time, extent, and general circumstances under which private information will be shared with or withheld from others. In this study information such as beliefs, attitudes, opinions and records were not shared without the respondent's knowledge or consent.

3.9 Data Analysis

Quantitative data collected from the field was carefully edited, sorted and coded to ensure quality, accuracy and completeness. Data was then entered into the computer using a statistical package for social scientists (SPSS) version 20.0 for analysis. The data analysis took into account descriptive statistics (using mean and standard deviation) to measure the different aspects of a population using a data set to analyze data from the questionnaire. Correlation analysis was carried out to ascertain the strength of the relationship between variables. Regression analysis was used to establish the variance in the dependent variable that is explained by the independent variables.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.0 Introduction

In this chapter, are the results and interpretation of the findings from the survey conducted by the researcher. The presentation is guided by the research objectives and the statistics are thus a reflection of the respondents' view on the research objectives. These objectives include; strategic marketing and growth of small and medium sized manufacturing enterprises and business networking and the growth of small and medium sized manufacturing enterprises. Pearson's correlations are presented later in the chapter to test for the relationships; a regression model was also used to determine the extent to which strategic marketing and business networking factors explain the growth of small and medium sized manufacturing enterprises in central region.

4.1 Response rate

The study targeted a population of 72 manufacturing SMEs and these made up the unit of analysis. A total of 63 questionnaires were hand delivered and filled in a face to face interaction with the respondent. Given that the unit of analysis was at the firm level, all the 63 questionnaires were aggregated to the unit of inquiry level. Therefore, results were interpreted and discussed at firm level. 60 questionnaires were successfully filled and only 3 questionnaires could not be filled fully due to busy schedules of the owners of these establishments bringing the response rate to 95%.

4.2 Characteristics of the firm

To present sample characteristics, frequency tabulations were used to indicate variations of respondents based on time spent in the firm and Number of employees in the firm.

Table 4: Descriptive Characteristics of the firm

Years in existence	Frequency	Percentage
1-5	12	6.7
6-10	60	33.3
11-15	41	22.8
16>	26	14.4
20>	41	22.8
Total	180	100.0
Number of employees	Frequency	Percentage
5-10	22	12.2
11-20	66	36.7
21-30	59	32.8
40>	33	18.3
Total	180	100.0

Source: Primary data

The results in the table 4 above indicate (60=33.3%) of the firms that participated in the study had been in operation between 6 and 10 years. This implies that majority of the firms that participated in the study had enough experience about the issues of strategic marketing. Furthermore, results in the table 4.2 above indicate that higher number of employees have spent 11-15 and above 20 years represents (41=22.8%), 16 and above years with (26=14.4%), and (12=6.7%) had spent 1-5 years in the organization. This means that the highest number of employees had enough experience about strategic marketing.

4.3 Characteristics of the Respondents

To present, are the respondent's characteristics as listed below;

Position of the respondent in the organization, Category of the respondent, Age, Gender, Experience and Level of education. The sample characteristics were presented basing on the responses from the respondents as in the tables below.

Table 5: Descriptive Characteristics for Respondents

Gender	Frequency	Percentage
Male	87	48.3
Female	93	51.7
Total	180	100.0
Age Group	Frequency	Percentage
18-28 years	25	13.9
29-35 years	93	51.7
36-50 years	43	23.9
Above 50 years	19	10.6
Total	180	100.0
Level of Education	Frequency	Percentage
Certificate	22	12.2
Diploma	39	21.7
Degree	54	30
Masters	38	21.1
PhD	27	15
Total	180	100.0
Position	Frequency	Percentage

Low	31	17.2
Middle	69	38.3
Top	80	44.4
Total	180	100.0
Category	Frequency	Percentage
Director	50	27.8
Marketing manager	52	28.9
Administrator	50	27.8
Others	28	15.6
Total	180	100.0
Experience	Frequency	Percentage
<5	26	14.4
5-9 years	82	45.6
10-15 years	49	27.2
15 years	23	12.8
Total	180	100.0

Source: Primary data

The results in the table 5 above indicate that the majority of the respondents were female with a frequency of (93=51.7%) and the males constituted (87=48.3%) of the respondents. This shows that views of men and women were well captured and relatively balanced. Next was the age range of the respondents that took part in the study. The majority of the respondents were between 29-35 years representing (93=51.7%), followed by 36-50 years of age bracket representing (43=23.9%), 18-28 years had (25=13.9%) and above 50 years of age bracket constituted (19=10.6%). This implies that majority of the respondents were in their youthful age and they were mature enough to participate in the study of strategic marketing.

Regarding the education level of the respondents, majority were educated up to the degree level (56=30%), followed by Diploma holders (39=21.7%), it was followed by Masters (38=21.1%) and PhD holders were (27=15%). This education level was high enough for the respondents to read and understand the items on the questionnaire and subsequently provide relevant responses to the questions.

Furthermore, results in the table 5 above depict that (80=44.4%) were in top position, (69=38.3%) were in middle position and (31=17.2%) were in low levels in the organization. This shows that having majority of the respondents in top management implies that they have knowledge and experience related to the variable of study. Under designation in the table 5 above, indicate that (52=28.9%) were Marketing managers, (50=27.8%) were Directors and

administrators with the same rate and (28=15.6%) were categorized in others. Having majority of the respondents as marketing managers implies that they were technically equipped to respond to strategic marketing issues of the study.

Results in table 5 indicate that the majority had spent 5-9 years of operation (82=45.6%), followed by 10-15 years with (49=27.2%), <5 years were participants with (26=14.4%), and 15 and above had (23=12.8%). This means that the respondents had enough experience to respond to the questionnaires.

4.4 Correlation Analysis Results

The objective of the study was to establish the relationship between Strategic Marketing, Business Networking and SMEs Growth. To achieve this, a Pearson correlation matrix was used to test the relationship that exists between the independent variables (Strategic Marketing and Business Networking) against the dependent variable (SMEs Growth). The results of the study are shown in the table below;

Table 6: Correlation coefficients results

	1	2	3
Strategic Marketing (1)	1		
Business Networking (2)	.789** .000 180	1 180	
SME Growth (3)	.658** .000 180	.764** .000 180	1 180

Source: Primary data

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

4.4.1 The relationship between Strategic Marketing and SME Growth

The first objective was to test the relationship between Strategic Marketing and SMEs Growth. Our findings in table 4.6 above show that there is a positive significant relationship between Strategic Marketing and SMEs Growth ($r = 0.658^{**}$, $P < 0.01$). The result implies that a positive change in Strategic Marketing, creates a positive change in the level of SMEs Growth.

4.4.2 The relationship between Business Networking and SME Growth

The second objective was to test the relationship between Business Networking and SMEs Growth. The findings in table 4.6 above demonstrate that there is a positive significant relationship between Business Networking and SMEs Growth ($r = 0.764^{**}$, $P < 0.01$). This

implies that a positive change in the level of Business Networking, makes a positive change in the level of SMEs Growth in the region.

4.5 The Regression Model

The multiple linear regression analysis was used to determine the contribution of each of the independent variable on the dependent variable (SMEs Growth). The regression results are prevented in the table below;

Table 7: Regression Coefficients results

Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.661	.229		7.269	.000
Strategic Marketing	.615	.053	.658	11.669	.000

Model 2	(Constant)	.793	.221		3.597	.000
	Strategic Marketing	.137	.073	.147	1.881	.062
	Business Networking	.675	.081	.649	8.315	.000

R=658

R²=.433

Adjusted R²=430

R² Change=.433

F Change=136.154

Sig=.000

a. Dependent Variable: SMEs Growth

The results in model 1 indicate that strategic marketing contributes 43.3% of the variance in SMEs Growth (R Square change=.433). The results show that strategic marketing is a significant predictor of SMEs Growth ($\beta = 0.658$, $P < 0.05$).

The results in model 2 indicate that business networking contributes 15.9% of the variance in SMEs Growth (R Square change=.159). The results show that business networking is a

significant predictor of SMEs Growth ($\beta = 0.649$, $P < 0.05$). Business networking was a better predictor of SME growth.

The overall results indicate that strategic marketing and business networking explain 43.3% ($R^2 = .433$) of the variations in SMEs Growth. The remaining 56.7% is explained by other variables that were not considered in this study.

CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the discussions, conclusions and recommendations of the study on the growth of small and medium sized enterprises in the manufacturing industry in Uganda. The first section is a discussion of findings, conclusions, recommendations and areas for further studies.

5.2 Discussion of the Study Findings

5.2.1 Strategic Marketing and SME Growth in the manufacturing industry in Uganda

There was a positive and significant relationship between strategic marketing and SME Growth. This implies that possession of different strategic marketing with a good talent distribution is associated with high growth in SMEs. This is in line with the theory of Ferrell & Michael (2005) who said that the role of strategic marketing is to lead the firm towards attractive economic opportunities that are adapted to its resources and know-how and offer potential for growth and profitability. For strategic marketing to influence business growth as observed by Chaston et al. (2002), it should follow a deep internal analysis of the organization to see tangible and intangible resources. According to Woodward (2004), he observes that strategic marketing aims at providing Small and Medium size Enterprises in the manufacturing industry with useful knowledge on how to change, adapt and implement successful long-term plans and strategies to achieve organizational goals and objectives which in turn contribute to business growth. Marketing managers have been found to be convinced about the benefits that businesses gain by following a strategic approach towards marketing.

According to Uganda Manufacturing Association-UMA (2018), it is observed that there has not been scientific research development in the context of Uganda that shows the benefits of a firm having long-term plans and strategies which indicates a research gap that this study sought to cover in Uganda's manufacturing SMEs industry. In the UK, research data indicates that most SMEs in the manufacturing industry are involved in planning activity. Moreover, Morgan (1994) upholds that critical to the survival and growth of smaller entrepreneurial companies is their ability to think and plan strategically in the development of a sustainable competitive advantage for the business. Strategic marketing practices help manufacturing SMEs to cope with increasing environmental turbulence and complexity, more intense competitive marketing and the pace of technological change. Kotler (2003) also argues that strategic analysis, marketing control and setting marketing objectives all of which can be effectively performed in

enterprises of high market orientation, is the essence of strategic marketing. This study sought to show the benefits of these concepts in Uganda's manufacturing SMEs industry.

Furthermore, Mintzberg (1994) suggests that strategic marketing practices are key drivers to business growth since they are aimed at directing plans, based on a set of goals, objectives and policies. This is because as the environment becomes increasingly turbulent, Micro and Small Enterprises (MSEs) need competitive skills in marketing in order to survive. (Kotler, 2009) adds that several key strategic marketing practices are therefore needed at every stage in the lifetime of an enterprise whether small or large. Pearce (2007) also argues that strategic marketing practices are a rational series of activities that lead to the setting up of marketing objectives, the formulation of plans to attain them, and the determination of benchmarks against which marketing fulfillment can be judged.

(Kotler, 2003) explains that adoption of strategic marketing practices helps Organizations to; formulate effective marketing objectives, formulate effective strategies on products, pricing, promotion, distribution, processes and people, enable organizations to understand their competitors in the industry and respond proactively rather than reactively. Chaston et al. (2000) further reveals that a successful SME manufacturer engage in long-term strategic marketing planning, but they tend to rely on their personal contact networks and use offline and informal communications in order to register sustainable business growth. This may be different in Uganda and as such this study seeks to cover this research gap by providing insight in how manufacturing SMEs industry can take advantage of strategic marketing. In Gabrenya and Hwang (1996)'s study on the Impact of Marketing Strategies and Behavior of Small and Medium Enterprises on their Business Growth, strategic marketing plays a critical role in generating profits especially for SMEs in the manufacturing industry. Thus, the secret to successful strategic marketing and how it influences business growth is to understand and establish a robust strategic marketing practice plan (Kotler, 2009).

5.2.2 Business Networking and SME Growth in the manufacturing industry in Uganda

Results indicated that there was a positive and significant relationship between business networking and SME Growth. This showed that strong business networking is associated with a positive change in SME Growth in the manufacturing industries in Uganda. Researchers like (Cova et al., 1994; Tikkanen, 1998; Partanen et al., 2008) explain that the significance of business networks and networking for manufacturing small and medium sized enterprises (SMEs) on growth has been noted by several authors, given SME's need to gain access to other organizations' resources. Networking with others according to Kotler, Kerin, and Peterson (2004) is carried out because the manufacturing SME firms mostly depend on innovation, raw materials,

advancement in technology to make the enterprises continuously develop and be acceptable in the market. Numerous researchers found that business networking provided many benefits and encourages growth of an enterprise. This may be different in Uganda and as such this study shall cover this research gap by providing insight into how the manufacturing SME industry can take advantage of business networks to grow. Hite and Hesterly (2001) in their research found that networking increases profit from investment and access to growth, particularly for newly founded manufacturing SMEs.

Lechner et al. (2005) explains that the findings indicated that business networking is strongly needed to develop entrepreneurial capabilities since networking enhances learning. According to Kotler, Kerin and Peterson (2004), the entrepreneurs should also be able to open or to have internal business networking within their enterprises or external networking with other parties including individuals and existing firms. They argue that business networking with others is carried out because the manufacturing SME mostly relies on the information, resources and the competitive advantage that comes with belonging to a network..

Additionally, Leek (2002) emphasizes that there are several channels through which networking can sustain business growth of SMEs in the manufacturing industry. For instance, networking reduces transaction costs (Lin and Lin, 2016), fosters supply of resources in a flexible manner and at a reduced cost (Li et al., 2015), facilitates knowledge flows and technological improvements (Vanhaverbeke et al., 2009), as well as helps to stimulate product or process innovation (Schott and Jensen, 2016; Mazzola et al., 2016). However, (Nieman, 2006) observes that Social networks are framed by social bonds which depend on network ties and adjustment to collective value. (Allen, 2000), also explains that a person's interpersonal organization is for the most part comprised of relatives, family, companions and colleagues. Nichter & Goldmark (2005) assert that Social networks are accepted as essential structures in which monetary exchanges are implanted and impact the underlying independent work decision. Business owners obtain information from various sources before starting their businesses. They begin with ideas to test and look for information and knowledge to start the business (Salaff, Greve, Wong & Li ping, 2002). They draw upon their social networks to obtain information and knowledge. By using social networks, manufacturing SME managers can identify information on viable business opportunities and act on them (Nichter & Goldmark, 2005).

According to Huang, Li and Ferreira (2003), business networks are linkages, whether formal or informal, which facilitate the exchange of resources. Besser, Miller and Perkins (2006) defines business networks as formal relationships that are created by business owners or

managers to help them facilitate the success of their business. In the context of this study, general business networks refer to networks which manufacturing SMEs have with governmental/non-governmental enterprises that are for development and expansion of new ideas and innovations. Business networks provide access to resources, knowledge and skills required for the development and exploitation of new business opportunities and are also known to impact on the growth of a business. This view is supported by Chittithaworn, Islam, Keawchana and Yusuf (2011) who pointed out that business networks play an important role in helping businesses gain organizational legitimacy and build a good reputation. (Cooney & Flynn, 2008) asserts that the relationships formed in business networks create an opportunity where manufacturing SMEs can access information about industry trends and future business opportunities. (Li & Zhang, 2007; Nguyen, Weinstein & Meyer, 2005) confirms that in emerging economies, the market is highly affected by a government led redistributive mechanism, implying that officials have an influence over business practices. Thus, in these countries, managers' ties with government officials have special advantage (Lin & Siu, 2002). (Chung, 2006; Peng & Luo, 2000) further informs that Networks with government entities assist SMEs in enhancing their performance; by providing small and medium firms with scarce resources and helping them enter highly regulated industries. Though, this may be different in Uganda and as such this study seeks to cover this research gap by providing insight in how manufacturing SMEs industry can take advantage of such business networks.

Ahuja (2005) defines managerial networks as “the structure in which top managers of firms connect with other managers of other firms who are directly or indirectly connected with the organization”. Ngoc and Nguyen and Freeman (2006) also emphasize that managerial networks are relationships with suppliers, customers and other businesses that enhance legitimacy of the business. According to Li et al. (2005), managerial networks require a tie between managers of a business and other managers of other businesses. They are the networks which are created and maintained by managers. Ahuja (2005) adds that managerial networks require managers to perform certain activities that can help them build and sustain an ongoing relationship with other parties.

5.2.3 The combined effect of Strategic Marketing and Business Networking on Growth of SMEs.

Results indicate that Strategic Marketing and Business Networking predict 74.5% of the variation in SME Growth. This is predicted by (Camarinha-Matos and Afsarmanesh, 2006) who asserts that Networking involves communication and information exchange for mutual benefit. (Akoorie and Pavlovich, 2003) argues that the notion of networking has been especially attractive as a means by which SMEs can collaborate in order to compete more

effectively in the global marketplace. Many businesses have placed increasing emphasis on adopting strategic alliances as a strategic competitive choice. Strategic alliances create interdependence between autonomous economic units, bringing new benefits to the partners in the form of intangible assets. Businesses also network through collaboration, which involves mutual engagement of participants to solve a problem together.

Small and medium-sized enterprises (SMEs) are universally acknowledged as effective instruments for employment generation and economic growth (Basil, 2005; Damirchi and Rahimi, 2011; Johan, 2007). In Uganda, SMEs play a crucial role in creating job opportunities that make the attainment of equitable and sustainable growth and development possible (Turyakira, 2012). It is estimated that there are over 1,069,848 SMEs in Uganda, providing employment and income generation opportunities to low income earners of the economy (Hatega, 2007; Uganda Ministry of Finance, Planning and Economic Development July, 2011). Despite their enormous contributions to economic growth, more than half of SMEs in Uganda fail during their first year (Harorimana, 2009; Tushabomwe-Kazooba, 2006). Hence, their high failure rate is a cause for concern.

(Hakimpoor et al., 2011) defines Networking in SMEs refers to the network process that is undertaken by SME owner-manager in managing the business activities. In Niu's study (2010), also argued that the benefits of networking involvement enable trusting relationships among businesses. Furthermore, SMEs harvest from individual ties in their networks, including suppliers, customers, friends and relatives, for various purposes (De Jong and Hulsink, 2012). Relationships can be developed on the basis of trust (Gibb, 2006).

5.3 Conclusion of the study

The study has addressed the effect of strategic marketing and business networking on the growth of small and medium sized enterprises in the manufacturing industry in Uganda. From the analysis that has been made, conclusions can therefore be drawn that, there is a positive and significant relationship between strategic marketing and SME growth.

It was also observed that strengthening the individual, general and managerial networks of SME owners in the Business community positively enhances SME growth.

Development of many strategies to improve the marketing of SMEs in Uganda is vital. Managers in SMEs should come up with a number of marketing strategies to propel their businesses towards a positive increase in growth.

Strategic marketing and business networking are both powerful strategies to the business. Business owners should combine these two approaches in the manufacturing industries to draw more benefits to their firms.

5.4 Recommendations of the study

These recommendations are arisen from the findings and conclusions of this study, following the study objectives and questions:

The Manufacturing sector through business networking avenues like UMA, PSFU and UIA should encourage SME owners to join business networks as this has positive advantages that can spur the SMEs towards growth and also improve collaborations between the SMEs and other members of the business communities.

Manufacturing SMEs are encouraged to adopt various key marketing strategies for their organizations that can through set goals and objectives, strategic planning help to drive the SMEs towards business growth. Limited or unclear strategies confine the development of the SMEs.

Both strategic marketing and business networking combined are recommended for use among SMEs in the manufacturing Industry in Uganda, strategic alliances enable SMEs collaborate in order to compete more effectively.

SMEs should have well established relationships with external parties such as suppliers, customers which will not only ensure quality products and services delivered but also protect the integrity between firms.

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APPENDIX ONE:

SURVEY INSTRUMENT

Dear respondent, I am a student at Makerere University doing a Master of Business Administration (MBA). I am conducting an academic study investigating strategic marketing, business networking and firm growth among SMEs in the manufacturing industry. You have been sampled to participate in this study and the information you give will be used strictly for academic purposes and will never be used against you or your office. The research is in partial fulfillment of the requirements for the award of a master's degree in Business Administration (MBA) of Makerere University Business School. The information obtained from you will be kept highly confidential.

SECTION A: BACKGROUND CHARACTERISTICS OF FIRM

1. Company name
2. For how long has your firm been operational?

1-5 ☐ 6-10 ☐ 11-15 ☐ 16 > ☐ 20 > ☐

3. What is the nature of Service/ Product you make?
4. No of employees in this firm?

5-10 ☐ 11-20 ☐ 21-30 ☐ 40 > ☐

BACKGROUND CHARACTERISTICS OF THE RESPONDENTS

Please tick the appropriate option

1. Position of the respondent in the organization.

Managerial level? Low ☐ Middle ☐ Top ☐

- 2) Category of the respondent

Director ☐ Marketing manager ☐ Administrator ☐ others ☐

- 3) Age 18-28 ☐ 29-35 ☐ 36-50 ☐ Above 50 ☐

4) Sex Male ☐ Female ☐

5. How long have you worked with the Company?

<5years ☐ 5-9 years ☐ 10-15 years ☐ Above 15 years ☐

6. What is your highest education qualification? Certificate ☐ Diploma ☐ Degree ☐ Master ☐ PhD ☐

SECTION B: Strategic Marketing

For this section, please indicate the extent to which you agree with the following statements with respect to your company. Ranging from 5- strongly agree, 4-agree, 3 not certain, 2 disagree, 1- strongly disagree

		Strongly Agree	Agree	Not certain	Disagree	Strongly Disagree
1	Your Company brand clearly communicates what you are about and conveys the highest value you deliver.	5	4	3	2	1
2	Our brand promise is well understood and consistently executed at all levels of our organization.	5	4	3	2	1
3	We understand the factors buyers consider when selecting our product and are focusing our marketing campaigns on those factors.	5	4	3	2	1
4	Our marketing strategy has three to five key marketing messages that we are consistently delivering in all media.	5	4	3	2	1
5	We know which marketing tactics are generating best results – Leads, conversations, or sales – at the lowest cost.	5	4	3	2	1
6	We are integrating social media into traditional marketing tactics like direct mail and advertising.	5	4	3	2	1
7	We have a SWOT analysis enabling us to identify factors affecting the firm and its business units.	5	4	3	2	1
8	Our Company Management takes time to develop a marketing calendar and budget prior to the start of each year.	5	4	3	2	1

9	We have in place measures to differentiate our company to best combat competition.	5	4	3	2	1
10	We are dedicated to providing our customers exceptional levels of quality service and value.	5	4	3	2	1
11	We forecast future trends in our business.	5	4	3	2	1
12	Our market is well segmented.	5	4	3	2	1
13	We conduct market research to understand the market better.	5	4	3	2	1
14	Our prices are competitive compared to those of our competitors in the market.	5	4	3	2	1
15	Our product are competitive compared to those of our competitors in the market.	5	4	3	2	1

Qn11. How have you as a firm utilized strategic marketing to enable your business to grow. How has the setting of objectives and strategies helped you in meeting your target market needs?

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SECTION C: BUSINESS NETWORKING

For this section, please indicate the extent to which you agree with the following statements with respect to your company. Ranging from 5- strongly agree, 4-agree, 3 not certain, 2 disagree, 1- strongly disagree

	Please indicate the extent to which you agree with the following statements with respect to your company.	Strongly agree	Agree	Not certain	Disagree	Strongly disagree
1	Being a member of a business network increases our customer portfolio.	5	4	3	2	1
2	Participation in sector networking events and conferences enhances our customer portfolio.	5	4	3	2	1
3	A good relationship with government agencies has aided the growth of our business.	5	4	3	2	1
4	Informal professional networks and communities are important for our entrepreneurial success.	5	4	3	2	1
5	Our orientation towards social networking groups on global platforms such as Facebook, linkedIn, google +, twitter has enabled our growth.	5	4	3	2	1
6	Active business to business networking appears to have positively impacted on the performance of our business.	5	4	3	2	1
7	Business networking enables access to information and resources that enhance performance.	5	4	3	2	1
8	We credit part of our business success to having support from coworkers, friends and families.	5	4	3	2	1
9	Our mutually beneficial relationship with business partnerships has supported us with resource acquisition and enhanced competitive performance.	5	4	3	2	1
10	Networks enable us to get exposed to a range of new contacts, access new resources, services and markets.	5	4	3	2	1

Qn11. How have any of the business relationships and networks played a role in helping you grow your business.

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SECTION D: SME Growth

For this section, please indicate the extent to which you agree with the following statements with respect to your company. Ranging from 5- strongly agree, 4-agree, 3 not certain, 2 disagree, 1- strongly disagree

		Strongly Agree	Agree	Not certain	Disagree	Strongly Disagree
1	Our company has over the past year registered an increase in the number of employees.	5	4	3	2	1
2	Our company has over the past year registered an increase in revenue and sales turn over.	5	4	3	2	1
3	Our company has made important improvements in manufacturing product variety and has launched new or improved products	5	4	3	2	1
4	Our company has registered an increase in assets since date it was established.	5	4	3	2	1
5	Our company has in the recent past exported products outside of Uganda and exploited new markets.	5	4	3	2	1
6	Our company has existed in the market for more years than our competitors.	5	4	3	2	1
7	Our company has over the years registered an increase in the number of customers.	5	4	3	2	1
8	Our company has over the years registered an increase in profits.	5	4	3	2	1
9	Our company has invested in new equipment for operations over the years.	5	4	3	2	1
10	Our company has over the year increased the leadership capability of our managers as well as skill development.	5	4	3	2	1

Thank you for your response

Appendix 2: Sample Size Estimation Table

R.V. KREJCIE AND D. W. MORGAN (1970) SAMPLE SIZE ESTIMATION TABLE

N*	S [†]	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

*N is the population, [†]S is the sample size