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FIRM CAPABILITIES, SOCIAL MEDIA MARKETING, AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN KAMPALA

BY

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PLAN A

NOVEMBER, 2023

DECLARATION

I IRADUKUNDA BECKY declare that this dissertation is my own composition and has never been submitted to any University or Institution for any award. All references made to the works of other people have been duly acknowledged.

Signature ..... Date 23/Nov/2023

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APPROVAL

This is to certify that this dissertation titled, "Firm Capabilities, Social Media Marketing and Performance of Small and Medium Enterprises in Kampala" is work done by Iradukunda Becky under our supervision. It is ready for submission for examination.

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Signature: ..... Date: 28th Nov 2023

MRS. JUDITH AMONG

DEDICATION

I would like to dedicate this piece of work to my dear parents, Mr. and Mrs. Gad Tumushabe, and all other members of my family who supported me morally and materially. Thank you so much, May God Bless you abundantly.

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I am grateful to the Almighty for his grace, love, and blessings, which have given me the wisdom to successfully finish this dissertation. On a special note, I thank the Principal, MUBS, and the entire school management for the opportunity to pursue a Master's degree on a first-class scholarship.

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ABBREVIATIONS AND ACRONYMS

ICT	-	Information and Communication Technology
KCCA	-	Kampala City Council Authority
MDGs	-	Millennium Development Goals
MFPED	-	Ministry of Finance, Planning and Economic Development
OSNs	-	Online Social Network
OSNs	-	Online social networks
PM	-	Performance Management
RBV	-	Resource-Based View
SMEs	-	Small and Medium Enterprises
SOPs	-	Standard Operating Procedures
SPSS	-	Statistical Package for the Social Sciences
UGC	-	User-Generated Content

ABSTRACT

The purpose of this study was to establish the relationship between firm capabilities, social media marketing and performance of SMEs in Kampala. This study was based on these objectives: to examine the relationship between firm capabilities and the performance of SMEs in Kampala, to examine the relationship between social media marketing and the performance of SMEs in Kampala and to examine the mutual relationship between firm capabilities, social media marketing, and performance of SMEs in Kampala. The research specifically used a cross-sectional design, to gather quantitative data. The study involved surveying 205 small and medium-sized enterprises (SMEs) in Makindye division, with a high response rate of 98% (200 out of 205 respondents). The collected data underwent reliability testing and analysis using SPSS v23, and the results were then presented in accordance with the study objectives. The analysis revealed a significant and positive correlation between Firm Capabilities and Firm Performance, as supported by a correlation value of $r=.847$ ($p<.01$). This suggested that enhancing Firm Capabilities, such as development and operations capability, as well as management and transaction capability, is associated with an improvement in Firm Performance. Consequently, the study suggested that businesses, particularly small and medium enterprises (SMEs), should take into account social media marketing tools and firm capability strategies to enhance their companies' performance. Additionally, future research should be conducted to examine other factors that may predict SME performance in Kampala.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter entails the background of the study, statement of the problem, objectives of the study, research questions, scope of the study, the significance of the study, and conceptual framework.

1.1 Background of the Study

Small and medium-sized enterprises (SMEs) play a crucial role in the development of the Ugandan economy, creating jobs and driving economic growth. According to Mbaguta (2003), a Small Medium Enterprise is a firm that employs a maximum of 50 employees, with a working capital of about 50 million Uganda shillings and a turnover value of 10-50 million Uganda shillings. Firm capabilities are the accumulated knowledge and skills embedded in its organizational processes and routines (Day 1994). As recognized by the resource-based view (RBV) and from the dynamic capabilities' perspective, a firm's capabilities are therefore the key internal drivers of its performance (Barney 1991; Makadok 2001; Teece, Pisano & Shuen 1997). Therefore, examining the impact of different types of firm capabilities on performance is of significant interest. Globally, marketing commodities and services continue to be some areas that demand day-to-day innovation. Social Media is becoming an imperative conduit for global marketing communications and is commanding a larger share of advertising budgets, especially reaching the younger generation, as a result, it is improving performance by great leaps. Its strategies allow a small business to promote a product or service generator rate leads, or acquire followers and customers. Firms might benefit from social media applications through smartphones for marketing research activity, discounts, sales promotions,

communication, informal employee learning, loyalty programs, relationship building, and organizational development (Hur, Kim, et al 2017).

In Kampala, digital/social media marketing has become one of the important marketing approaches because many consumers of products and services are also subscribers of social media through various electronic gadgets. The importance of digital marketing to the performance of small and medium enterprises (SMEs) cannot, therefore, be underestimated. The Ministry of Finance, Planning and Economic Development (MFPED) documents Agriculture makes up a sizable portion of SME firms (14%), followed by education and health (13%), and leisure and personal (10%). firms in Uganda are relatively new business entities; a major portion (69%) of them are between one and ten years old (Sejjaaka, Mindra, & Nsereko 2015). SMEs are run and typically managed by owners. Under a third (31%) have a manager who is in charge of operations (Wilfred, Ajanga, Omeke, Tumwine, & Nasinyama 2013) but most of these are not using digital marketing yet the consumers of their products are subscribed to social media.

Information and communication technology (ICT) offers a wide range of uses and improves marketing efforts in SMEs (Ziółkowska, 2021) Online social networks (OSNs) have developed over time as one of the applications that have been implemented as a result of the growth of Web 2.0 (Al-Sharafi, M.A.; Arshah, R.A.; Abu-Shanab, 2017; Camilleri, M.A.; Kozak, 2022) Social media is considered to be one of the main ICT components with the most significant impact on firms among all the apps that are now in use. This ensures that a set of activities and output meets a firm's goals effectively and efficiently. SMEs' performance therefore refers to the outcomes of firms' business activities (Kotane & Kuzmina-Merlino, 2017). To align the activities with their objectives and meet SME success, SMEs need to

measure and monitor the performance of SMEs and know how well a firm achieves the goals (firm capabilities) it has set for itself and at what efficiencies (firm capabilities) it has set for itself (Salaman et al.,2005).

Firm capability, therefore, refers to the organizational competency that helps firms better understand and respond to market changes, and establish more effective linkages with clients (Day 1994). Marketing capability which breaks down to social media marketing is based on the marketing knowledge firms have accumulated from learning and experience. In addition, because marketing knowledge is deeply rooted in employees' knowledge and skills, the knowledge base of marketing capability is tacit in nature and thus difficult for competitors to copy or acquire (Krasnikov and Jayachandran 2008).

From the strategic view, a firm's capability refers to the actions, processes, systems, and relationships that the company can carry out with its resources (Sanchez, 2011). SMEs should work on their firm capabilities and social media marketing to increase accountability. Managerial skills, on the other hand, are needed to be incorporated into firm capabilities and social media marketing can be used for other purposes such as influencing employee and public attitudes. The lack of these coupled with poor performance will lead to various SMEs' collapse.

Studies by Beck et al. (2005), and Ayyagari et al. (2005) have shown that small and medium enterprises (SMEs) are significant for economic growth in many developing countries. SMEs employ a substantial proportion of the country's labor force and constitute an important avenue for poverty alleviation and reducing unemployment. Achieving the Millennium Development Goals (MDG) of eradicating extreme poverty and hunger and others will require rapid and sustained growth for African countries. SMEs contribute to growth and

industrialization in poor countries (Odd-Helge et al., 2006). Saravanan et al. (2008) find that SMEs comprise over 90 percent of African business operations and contribute to over 50 percent of African employment and GDP however no study has focused on the relationship between firm capabilities, social media marketing, and performance of SMEs

It is therefore against this background that this study seeks to examine the relationship between firm capabilities, social media marketing, and the performance of SMEs in Kampala, the capital and largest commercial city of Uganda.

1.2 Problem Statement

The performance and growth of SMEs are the driving force for the nation's economic success, which is the first step towards achieving modernization, industry, increasing per capita income, community welfare, improving quality of life, and decreasing unemployment. The recent spread of COVID-19 led many governments globally to take drastic action. Lockdowns and restrictions on most community activities and economic life were a big surprise for many economic actors, including SMEs and startup players (Kuckertz et al., 2020). Due to this business disruption and movement restrictions, 64% of companies experienced a shortage of raw material supplies. Meanwhile, nearly two-thirds, or about 66% faced problems with the delivery of finished products. Many SMEs were not familiar with using social media and had no strategy to utilize it. Small businesses in Uganda are still hindered by their lack of technological implementation despite great technological advancements globally.

Therefore, with insufficient knowledge of social media and how to use it to connect with clients, numerous opportunities were and are still being missed. This means that the ability of SMEs to diversify their products was and is still very low, especially when banking on their firm capabilities, and their social media marketing skills to improve firm performance.

Several scholars that have studied SME performance and Social media marketing have mostly focused on purchasing intention, brand knowledge, and low return on investment (Hoffman, & Fodor (2010). In addition, gender influence, purchase intention, and brand equity (Lim, Pham, & Heinrichs, (2020) have been looked at to explain social media marketing. These scholars however have not focused on firm capabilities, social media marketing, and the performance of SMEs.

Empirical studies in summary suggested that social media marketing is a valuable tool for SMEs in Kampala, but the success of these efforts depended on the firm's capabilities and their ability to effectively leverage the platforms to reach their target audience. (Johnson, 2019; Smithson, 2021).This research therefore sought to examine the current relationship between firm capabilities, social media marketing, and the performance of SMEs in Kampala.

1.3 Purpose of the Study

The main purpose of this study was to examine the relationship between firm capabilities, social media marketing, and the performance of SMEs in Kampala.

1.4 Objectives of the Study

i. To examine the relationship between firm capabilities and the performance of SMEs in Kampala.
ii. To examine the relationship between social media marketing and the performance of SMEs in Kampala.
iii. To examine the combined relationship between firm capabilities, social media marketing, and performance of SMEs in Kampala

1.5 Research Questions

i. What is the relationship between firm capabilities and the performance of SMEs in Kampala?

ii. What is the relationship between social media marketing and the performance of SMEs in Kampala?

iii. What is the combined relationship between firm capabilities, social media marketing, and the performance of SMEs in Kampala?

1.6 Scope of the Study

1.6.1 Contextual Scope

The study examined the relationship between firm capabilities and social media marketing as the independent variables and firm performance as the dependent variable.

Firm capabilities were measured by the development and operations capabilities ,Management and transaction capabilities. Social media marketing was measured using interaction, sharing content, trends and accessibility. Firm Performance was measured using Revenue growth, Revenue per client, Profit margin, Client retention rate and Customer satisfaction .

1.6.2 Geographical scope

The study covered SMEs across various sectors situated in Makindye, Kampala city because the existing statistics from Kampala City Council Authority(KCCA) indicated that most SMEs are situated in Makindye division.

1.6.3 Time Scope

The study was conducted in a period of three months covering the months of May, June and July 2023. The researcher completed all the research processes within that time period.

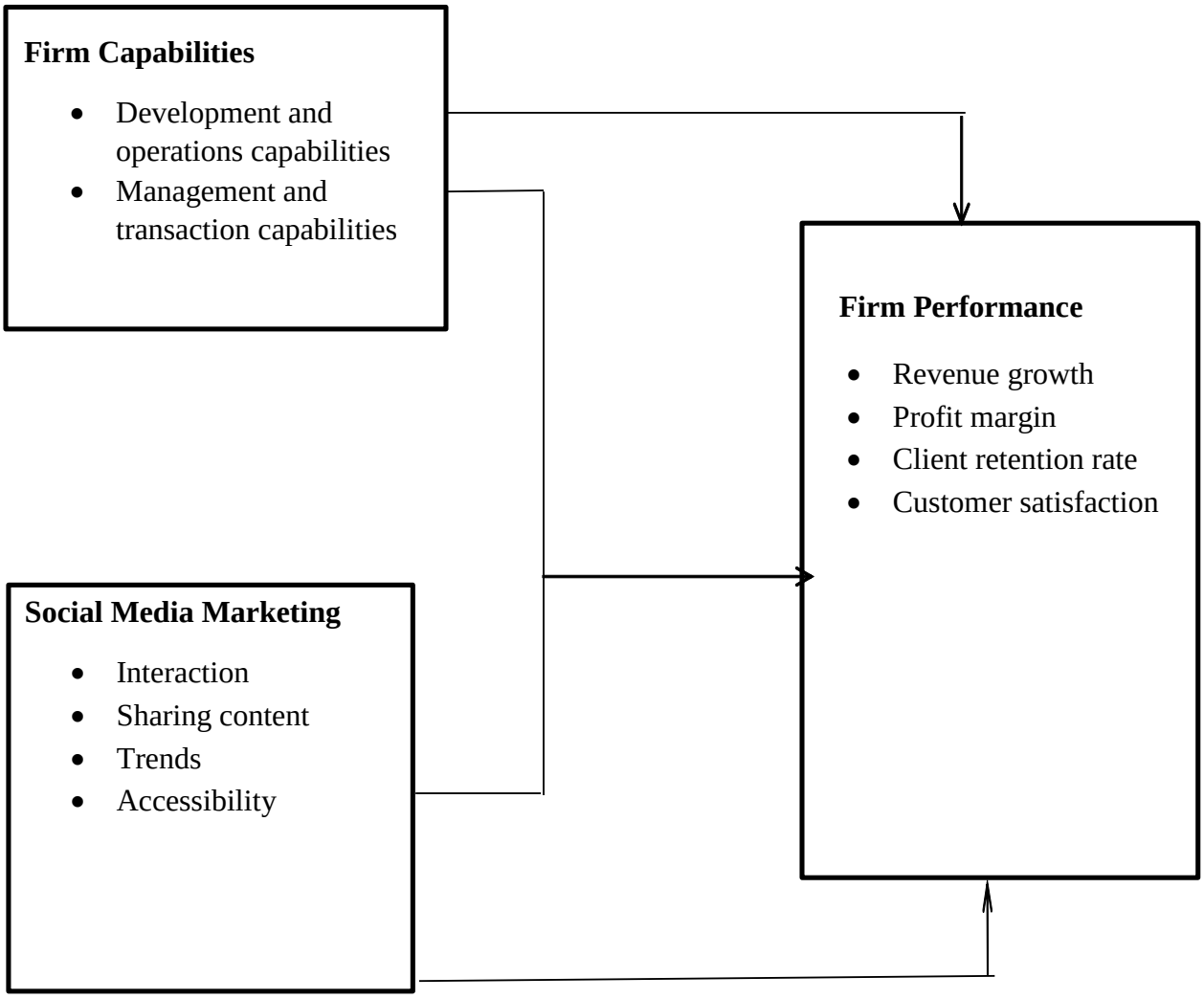
1.7 Significance of the Study

i. The study will contribute to the literature in the field of social media marketing in a developing country perspective such as Uganda, and Africa in general.

ii. The findings of the study will serve as a resource to academic researchers, policymakers, and students for future research in business and social media marketing during the post-Covid19 Era.

iii. The study findings will inform the government and policymakers on how to increase service ICT and also make necessary policies regarding social media marketing in U

1.8 Conceptual Framework



Source: Peterson, Gijsbers, & Wilks, 2003; Taouab & Issor: 2019

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The following literature review depicted a number of relevant concepts regarding the research questions under study in reference to previous researchers. Primarily, the concept and structure of firm performance was discussed followed by Social media marketing as well as firm capabilities. Then a definition of SMEs was achieved, before exploring the literature on the relationships between the variables under study.

2.1 Firm Performance

Firm Performance is the potential and ability of a business to efficiently utilize the available resources to achieve targets in line with the set plans of the company. This is done while keeping in mind their relevance to the users (Peterson, Gijsbers, & Wilks, 2003; Taouab & Issuer: 2019)

Most companies are seeking to improve their performance in any way possible and the winning card can be held by those who endeavor to innovate as well as sustain performance. (Smithson,2022; Johnson, 2019).To survive in a competitive business environment, every firm should operate in all conditions of performance. (Davis, 2021; Thompson, et al., 2020).In addition, assessing the performance of organizations has always been of interest to management teams and researchers. (Brown, 2018; Smith, 2020).Nowadays, firm performance has become a relevant concept in strategic management research and is frequently used as a dependent variable. (Jones, 2017; Wilson, 2019).Although it is a very common notion in academic literature, there is hardly a consensus about its definition and measurement. (Miller, 2021; Robinson, 2018).Therefore, measuring firm performance in

today's economic environment is critical for academic scholars and practicing managers. (Anderson, 2019; Garcia, 2020).

However, due to the absence of any operational definition of firm performance upon which the majority of scholars consent, there are diverse interpretations suggested by various people according to their perceptions. Definitions of this concept may be abstract, general, less, or clearly defined. (Smithson, 2016; Johnson, 2021).

Firm Performance:

From the 50s to the end of the last decade of the twentieth century. In the 50s, firm performance was considered the equivalent of organizational efficiency, which represents the degree to which an organization, as a social system with some limited resources and means, achieves its goals without excessive effort from its members. The criteria used for assessing performance are productivity, flexibility, and inter-organizational tensions (Georgopoulos & Tannenbaum, 1957).

Later in the 60s and 70s, organizations began to explore new ways to evaluate their performance. During this time, performance was defined as an organization's ability to exploit its environment for accessing and using limited resources (Yuchtman & Seashore, 1967). Price (1968) considers that performance is synonymous with organizational effectiveness, and identifies as appreciation criteria: productivity, conformity, and institutionalization. Moh (1972) identifies the following as the criteria for evaluating performance: productivity, flexibility, and adaptability. Harrison (1974) defines performance as the outcome of evaluating the effort.

Lupton (1977) treated the notion of firm performance most carefully and clearly in comparison with other researchers in the same period. According to Lupton, in an effective organization, the productivity rate and levels of motivation and satisfaction of its members are high, while rates of turnover, costs, and labor unrest are low or absent. However, according to Katz and Kahn (1978), the effectiveness and efficiency of an organization were similar, and both were crucial components of global organizational performance, which can be assessed by maximizing returns. In the 1980s, the firm performance depended on its ability to create value for its clients (Porter, 1986).

Robbins (1987) defined performance as the extent to which an organization, as a social system, could consider both its means and ends. Cherrington (1989) considers performance as a concept of success or effectiveness of an organization, and as an indication of the organizational manner that it is performing effectively to achieve its goals successfully. During the following decade, Adam (1994) considers organizational performance as deeply dependent on the employees' performance quality. He believes that to guarantee a high-quality organizational performance, it is essential to have regular exposure of the workers of the company to new and up-to-date knowledge and skills, which would, in turn, help them keep up with the new changes happening in the market, and ultimately increase the quality of organizational performance. Cohen (1994) puts the notice of identity between performance and efficiency, following the results obtained by the entity about resources used. Bourguignon (1997) assimilates performance with an "action", with a certain "behavior" (in terms of a dynamic view, meaning, "to perform") and not just as a "result" (in terms of a static view). Harrison and Freeman (1999) confirm that an effective organization with a high standard of performance level keeps the demands of its stakeholders satisfied.

Firm Performance: From the first decade of the twenty-first century.

In the first decade of the twenty-first century, the definition of organizational performance principally focused on the capability and ability of an organization to efficiently exploit the available resources. This aimed at achieving accomplishments consistent with the set objectives of the company as well as considering their relevance to its users (Peterson, Gijsbers, & Wilks, 2003). Verboncu and Zalman (2005) argue that performance is a particular result obtained in management, economics, and marketing that gives characteristics of competitiveness, efficiency, and effectiveness to the organization and its structural and procedural components.

Albans and Euske (2006) provide a set of definitions to illustrate the concept of organizational performance:

- Performance is a set of financial and non-financial indicators that offer information on the level of accomplishment of objectives and results. These include revenue growth, revenue per client, profit margin, client retention rate and customer satisfaction.
- Performance is dynamic, requiring judgment and interpretation.
- Performance may be illustrated by using a causal model that describes how future results can be affected by current actions.
- Performance may be understood differently depending on the person involved in the assessment of the firm performance.
- To define the concept of performance, it is necessary to know its fundamental characteristics in each area of responsibility.

- To report a firm's performance level, it is necessary to be able to quantify the results. Dominica (2008) provides that a firm is performing when it is at the same time efficient and effective.

Therefore, the performance is a function of two variables, efficiency, and efficacy. Colase (2009) provide the word performance as a bag word because it covers various and different notions such as growth, profitability, return, productivity, efficiency, and competitiveness.

Bartoli and Blatrix (2015) argue that the definition of performance should be achieved through items such as piloting, evaluation, efficiency, effectiveness, and quality. Research on Performance Measurement (PM) has increased since the 1980s when literature on PM first emerged.

In the traditional context, small companies' operations were simple and the most important Performance Measurement focused on cash flow. Some scholars, like Pursell (1980), shifted their attention to the PM of the whole business unit (typically plant level and division level) and endeavored to investigate the standards, criteria, and measures of performance. However, several remarkable changes have occurred in the corporate world in the past few decades in terms of the introduction of national and international awards, improvement initiatives, organizational roles, work maturity, external demands, increased competition, and advanced technology. These changes have resulted in companies encountering impressive competition resulting from the improvements occurring in product quality, development of flexibility and reliability, the expansion of product variety, and its importance on innovation (Fry, Karwan, & Baker, 1993).

These approaches toward PM have led to different definitions, and there is little agreement regarding its main components and characteristics (Dumond, 1994). Lebas (1995) considers that people can create simplified numerical concepts from complex reality through measurement for easy communication and action. The simplification of this complex reality is conducted through the measurement of the requirements of successful management. According to Atkinson et al. (1997), a performance measurement system must essentially do four things:

i. Help the company assess whether it is receiving the expected contribution of employees and suppliers.
ii. Help the company assess whether each stakeholder group is supporting the company to achieve its main objectives.
iii. Assist the company in building and implementing processes that contribute to achieving the strategic objectives.
iv. Help the company assess and monitor strategic planning by the agreements negotiated with key stakeholders.

Ghalayini and Noble (1996) observe that the globalization of markets and the rise of new economies has led to increased competition and a shift in the focus of companies from solely reducing production costs to a more comprehensive approach that includes a focus on quality, flexibility, and delivery. Companies that can adapt to these changes are more likely to succeed in the global marketplace, while those that cling to traditional models' risk being left behind.

2.2 Social Media Marketing

Social Media Marketing is a new concept and a rapidly growing trend where businesses are reaching out to targeted clients easily. Ordinarily social media marketing is defined as the use of social media channels to promote a company and its products. This kind of marketing is considered a subset of online marketing activities that complete traditional Web-based promotion strategies, such as e-mail newsletters and online advertising campaigns (Barefoot & Szabo 2010). By encouraging users to propagate messages to personal contacts, social media marketing has injected a new term of exponential dissemination and trust into mass communication and mass marketing (Hafele, 2011).

With this new approach to outreach and marketing, new tools are being developed and increased for businesses. According to Hafele (2011), social media marketers are gaining improved and more effective understanding by utilizing analytic applications offered by official social network platforms. There are numerous different social media sites, and they take many different forms and contain different features. Undoubtedly, the most common social networking site that first comes to our mind is Facebook. Facebook was first launched in February 2004, owned and operated by Facebook, Inc. As of May 2012, Facebook had over 900 million active users. Users must register before using the site; they may create a personal profile, add other users as friends, and exchange messages, including automatic notifications when they update their profiles (Facebook, 2012).

In addition, users may join common-interest user groups; categorize their friends into lists such as “People from Work" or "Close Friends". Facebook’s Mai Facebook is to give people the power to share and make the world more open and connected (Facebook, 2012). Other

social networks sites such as Twitter, Google Plus, and LinkedIn may differ in some ways, but essentially, they work using the same principles.

The traditional Facebook model, in particular, involves replacing the concept of a human "friend" with a brand or tangible product or creating a page or group (Facebook, 2011). A user who elects to "like" a product or company advertises that connection to their private network of contacts. This concept extends to other forms of social media as well.

According to Bernie Borges (2009), Twitter is a combination of microblogging and social network (Borges, 2009). Twitter, allows users to receive small updates and advertisements from favored producers as well (Hafele, 2011). Twitter gives opportunity to users to involve in real-time sharing. A tweet is usually no more than 140 characters, which followers of the user can see (Borges, 2009). These two social media channels are among the most popular and heavily used options now, but they are far from being the only ones. As observed by Kaplan and Haenlein (2010) cited by Nick Hafele (2011) have identified several channels that fall under the category of social media, each of which has opportunities and unique advantages for marketing use. Collaborative projects, such as wikis, or editable data sources, are particularly poignant avenues of contact. Trends indicate that they are quickly becoming the predominant source of information among consumer populations (Kaplan & Haenlein, 2010) cited by (Hafele, 2011).

Blogs, managed by either individuals or organizations, are another heavily used marketing forum. Through blogs, businesses can promote brand awareness by sharing insider information, updating clients on new products, as well as providing links to the main sales channels. Equally, fans are updated from time to time on any special events, contests, or new promotions organized by the brand or product. Blogs also facilitate the posting of comments

and feedback, allowing fans and detractors to post opinions and questions to producers. This encourages the exchange of ideas between peers and can also promote honest discussion between individuals and companies to improve their defaults (Hafele, 2011). Social media approaches need to be considered to ensure the highest chance of success with social media marketing. Ray et al. (2011) cited by Nick Hafele (2011) emphasize the need for diversifying a social media strategy to ensure that messages reach appropriate audiences since there is no single correct approach.

Roles of social media marketing to SME Performance

According to Watson et al. (2002) cited by Sheth and Sharma (2005) with the popularity of digital marketing on the rise, many businesses are investigating how social media can help them promote their products and services to potential and existing clients. Social networking sites such as Facebook and Twitter have transformed the way some businesses think about advertising. Some businesses direct clients toward their social network pages more than they direct them to their websites.

There are certain advantages to marketing via social media, but there are also related drawbacks (Watson et al. 2002; Sheth & Sharma 2005).

- The primary advantages of social media marketing are reducing costs and enhancing reach. The cost of a social media platform is typically lower than other marketing platforms such as face-to-face salespeople or middlemen or distributors.
- In addition, social media marketing allows firms to reach clients that may not be accessible due to temporal and locational limitations of existing distribution channels.

- Social media platforms increase reach and reduce costs by providing three areas of advantage for clients (Watson et al. 2002; Sheth & Sharma 2005).

First, and foremost the marketing firm can provide unlimited information to clients without human intervention. This is an advantage over other forms of contact because the amount of information that can be provided is much greater than in any other form of communication. In addition, the information can be provided in a form that clients can easily process and understand. For example, airline scheduling and reservation systems are very difficult to create and maintain to serve individual needs. Additionally, in this context, the choices are large and difficult to provide in any format that is better than a web-based format (Watson et al. 2002; Sheth & Sharma 2005).

Secondly, Social media marketing firms can create interactions by customizing information for individual clients allowing clients to design products and services that meet their specific requirements. For example, online checking and seat assignment can be done on the Internet. Finally, social media platforms can allow transactions between clients and firms that would typically require human contact as in the case of successful firms such as Dell and amazon.com (Watson et al. 2002; Sheth & Sharma 2005).

To gain a better understanding of the benefits of social media marketing, there are five key advantages that serve as the basis for success in this field:

I. Cost-related

According to Weinberg (2009), the main advantage of social media marketing is cost-related. The financial barriers to social media marketing are quite low compared to other marketing methods. The majority of social media sites are free to access, create profiles and post

information. Whereas traditional marketing campaigns can cost millions of dollars, many social media tools are free even for business use. Businesses can run highly successful social media marketing campaigns on a limited budget.

The advantage of reaching your targeted market for little or no cash investment is substantial, and the audience wanting your information voluntarily joins or follows you. Pay-per-click advertisements on sites such as Facebook are "geo-targeted" according to specific criteria, to reach the correct audience. The viral nature of social media means that each person who reads your posts can spread the news further within his network, so information can reach a large number of people in a short time (Weinberg, 2009).

II. Social Interaction

One of the most notable phenomena of new media is how it has increased and created new forms of social interaction. People spend more than a quarter of their time online involved in communication activities (for example, emails, IM chat, and social networks), which is equivalent to the total time spent online for general leisure and entertainment (Riegner, 2007) cited by (Hill & Moran, 2011). Social networking sites have become so pervasive that they are the most popular Internet destinations (Burmaster, 2009). Not only has new media demonstrably altered how often people communicate online, but it has also enlarged the pool of individuals they communicate with, and led to new ways for behaviors to be influenced (Burmaster, 2009). Consumer behavior studies reveal that individuals give greater consideration to advice and information shared online, spending more time with websites that provide third-party evaluations (Huang et al. 2009), and other studies indicate such information can directly influence buying decisions, even if received from purely virtual sources(Awad et al. 2006; Weiss et al. 2008) cited by (Hafele, 2011). Indeed, many of the

reported benefits of new media usage (increased reputation, anticipated reciprocity) relate directly to its social interaction aspects (Kollock 1999; Arthur et al. 2006) cited by (Hafele, 2011).

III. Interactivity

As observed by Steuer (1992) cited by Ronald P. Hill and Nora Moran (2011) unlike watching TV or listening to the radio, the interactivity of new media lets consumers become more than just passive recipients of stimulation. Interactivity can be broadly described as the extent to which users participate in modifying the form and content of a mediated environment in real time (Steuer, 1992). Interactivity is one of the defining characteristics of new media technologies, giving greater access to information as well as supporting increased user control of and engagement with social media content (Fiore et al. 2005) cited by (Hill & Moran, 2011). Interactivity depends on the context. In an online social networking context, interactivity refers to a user-centered interaction with machines, messages, or other users focusing on the experiential aspect of the networking process (Liu & Shrum 2002) cited by (Hill & Moran, 2011). Whereas interactivity can be simple in certain contexts (for example simply filling out forms, or clicking links), it can also be more involved and elaborate, such as allowing individuals to develop online content (Murugesan, 2007) cited by (Hill & Moran, 2011). Studies show that increased levels of interactivity can lead to higher involvement (Bucy, 2003) and more positive attitudes toward websites (Kalyanaraman & Sundar, 2003; Hill & Moran, 2011) along with higher source credibility (Fogg, 2003; Hill & Moran, 2011). This user interactivity enables consumers to participate in personal social networking by selecting the content, timing, and communication act Specific applications of social media empower consumers, such that they can take active control and perform two-way

communications. Active control takes place in a social networking context and requires attention and participation from all participating parties, including individual users, groups of networked people or communities, and brands (Li, Daugherty, & Biocca 2002).

IV. Targeted market

Social media provide marketers with the ability to target audiences and consumers based on site users' interests and what their friends like. For example, list country music as one of your interests on a social networking site; you will most likely be seeing ads about country music concerts and artists. Some sites' advertising will also highlight which country artists your friends like to provide a personal connection. With such "smart" marketing and advertising, marketers effectively reach the people who are most interested in what they have to offer. Furthermore, social networking enables word of mouth to promote products beyond what advertising alone does (Hill, Provost & Volinsky, 2006) and in a way, this increases firm performance.

A well-cited example of viral marketing combines network targeting market and implicit advocacy: The Hotmail free e-mail service appended to the bottom of every outgoing e-mail message the hyperlinked advertisement, “Get your free e-mail at Hotmail,” thereby targeting the social neighbors of every current user while taking advantage of the user’s implicit advocacy (Montgomery, 2001). Traditional marketing methods do not appeal to some segments of consumers. Some consumers value the appearance of being on the cutting edge or “in the know,” and therefore derive satisfaction from promoting new, exciting products (Hill, Provost & Volinsky 2006) thus growth and performance of the firm.

V. Customer Service

Customer service is another crucial area for social media marketing (Helmsley, 2000). Sometimes website designers cannot avoid a certain degree of complexity in the architecture of a website. Therefore, it is necessary to have a thoughtful customer service system. Links to Frequently Asked Questions (FAQs) and links to online representatives are useful to assist clients in the selection or buying process. A marketer should not just offer online assistance. In many cases, it is more convenient for clients to call a company. Therefore, the use of a toll-free phone number for clients should be considered (Gommans et al., 2001). According to Gommans et al. (2001), Order fulfillment and rapid delivery systems are as critical to e-loyalty development as the other factors. A thoughtful logistics system that guarantees a fast delivery after the checkout process contributes to customer satisfaction, which in turn contributes to loyal behavior. In addition to the speed of delivery, the logistics system should allow different ways of delivering products. Some clients prefer to get the product delivered by parcel services, like FedEx and UPS. Others might wish to pick up a product in a physical store to have somebody to talk to (Gommans et al., 2001). A customer who buys something on the Internet has one major disadvantage compared to a customer in real space. Internet clients cannot touch, smell, or experience the good before they buy it. This makes a shopper insecure about buying a product.

Disadvantages of Social Media Marketing

The online environment creates not only opportunities but also complications and challenges for the social media marketing process. The transparency of the web makes online information available to all audiences and reinforces the need for consistency in the planning,

design, implementation, and control of online marketing communication (Hart et al., 2000). Five main disadvantages need to be considered in social media marketing, which is:

I. Time intensive

The preliminary consideration and probably the most important one is that social media marketing requires a significant time investment (Barefoot & Szabo, 2010). As a general rule, simply dabbling in a few social media resources and hoping to realize enormous returns is fanciful. A company must realize the necessary time commitment and either accept or reject that commitment as plausible for its operation (Barefoot & Szaboo, 2010).

II. Trademark and Copyright Issues

According to Steinman and Hawkins (2010),it is of the utmost importance for companies to protect their trademarks and copyrights when using social media to promote their brands and products. A company's brands and other intellectual properties are often nearly as valuable as the products or services that they offer. Social media's capacity to facilitate informal and impromptu communication often on a real-time basis can aid companies in promoting their brands and disseminating copyrighted material, but it can also facilitate third-party abuse of a business's trademarks and copyrights (Steinman & Hawkins, 2010). When using social media, whether, via a third-party outlet or a company's social media platforms, marketers should regularly monitor the use of their trademarks and copyrights. Companies should monitor their social media outlets as well as third-party social media platforms to ensure that those providing content through the media outlets are not misusing their intellectual property. Internet tracking and screening services are available to monitor the use of your business's marks and copyrights on third-party sites, including checking social media sites for profiles or

user names that are identical or substantially similar to your company's name or brands (Steinman & Hawkins, 2010).

As stated by Steinman and Hawkins (2010), this form of business impersonation can damage a company's brand and reputation if left unchecked; such monitoring can also serve as a positive indicator of business success. Companies should consider reserving, on various social media sites, user names that match or closely resemble their trade names and marks (Steinman & Hawkins, 2010). In addition, companies should have terms and conditions for their social media outlets, with provisions specifying how to properly use the companies or third-party intellectual property. Marketers conducting certain types of social media marketing campaigns, particularly promotions and user-generated content campaigns, should have rules in place that include specific prohibitions regarding trademark and copyright infringement and impersonation (Steinman & Hawkins, 2010).

III. Trust, Privacy, and Security Issues

Using social media to promote one's brand, products, or services can also implicate trust, privacy, and data security issues. Companies need to be aware of these issues and take appropriate measures to minimize their exposure to liability related to personal data collection, use, and maintenance. Trust, particularly the unique dimensions of transactional security and privacy (Hoffmann et al., 1999), plays a critical role in generating customer loyalty to social media marketers. A study by Ratnasingham (1998) argues that fear of online credit card fraud has been one of the major reasons clients have not done more extensive online buying (Ratnasigham, 1998). Moreover, privacy concerns have led to a public relations fiasco for some major social media marketing resulting in substantial brand image erosion (Advertising Age, 2000). Social media companies like Facebook and Twitter generally have

privacy polls that govern the use of consumer data and third-party conduct on the social media platform concerning personal data. Marketers using third-party social media outlets should ensure that their marketing campaigns do not encourage consumers or any other parties to engage in practices that would violate the social media company's privacy policy, and marketers should also ensure that they are abiding by the policies as well. Companies that administer their blogs or other social media platforms should also maintain comprehensive policies that disclose the company's data collection, use, and storage practices, and any responsibilities that third parties have regarding privacy and data security (Steinman & Hawkins, 2010). Trust, which is closely related to security, is a very important factor in the online buying process. In general, you cannot feel, smell, or touch the product. You cannot look into the salesperson's eyes (Steinman & Hawkins, 2010). Therefore, these ways of developing trust are excluded from the Internet. Brand trust usually contributes to a reduction of uncertainty. In addition, trust is a component of the attitudinal component of loyalty. Therefore, it is obvious that loyalty in general, and brand trust, in particular, can help to overcome some of the Internet's disadvantages, for example, to overcome perceptions that the Internet is an unsafe, dishonest, and unreliable marketplace. These perceptions are still stopping some potential clients from doing business on the web. A "third-party approval" is a tool to generate trust (Gommans et al. 2001).

IV. User-Generated Content (UGC)

During the last few years, users have spent more time and shared more information, thoughts, and opinions easily via the Internet. Also, new forms of content generation, communication, and collaboration have come out on the Internet. Oftentimes marketing strategies involving social networking sites or other social media incorporate user-generated content (UGC) into

the field (Filho & Tan 2009). For example, UGC allows Internet users to make comments in various forms, such as photos, videos, podcasts, ratings, reviews, articles, and blogs (Filho & Tan 2009). Whether it's a video or photo shared on a site or messages that site users disseminate to members of the network, UGC holds much promise as a marketing tool. In addition, user-generated content comes with a relatively high degree of credibility in the eyes of consumers, particularly if someone created the content for example, or a tweet between friends. Soliciting user-generated content in connection with a marketing strategy comes with some risk of incurring legal liability for content created by an individual participating in the campaign Marketers can, however, take certain steps to minimize legal risks associated with marketing campaigns that involve the dissemination of user-generated content through social media (Gommans et al. 2001).

V. Negative Feedback

Social media, in a way, converts consumers into marketers and advertisers, and consumers can create positive or negative pressure on the company, its products, and its services, depending both on how the company is presented online and on the quality of products and services presented to the customer (Roberts & Kraynak 2008). Consumer-generated product reviews, images, and tags, which serve as a valuable source of information for clients making product choices online (Ghose, Ipeirotis, & Li 2009), have increased rapidly on the Internet and have had a great impact on electronic commerce (Forman, Ghose, & Wiesenfeld 2008) following the emergence of Web 2.0 technologies. One aspect of social networking that is especially damaging to marketing campaigns is negative post responses. Unhappy clients or industry competitors can post disparaging or offensive pictures, posts, or videos and there is not much a marketer can do to prevent these occurrences (Cheung, Lee, & Thadani 2009).

Still, negative or other non-constructive feedback cannot be ignored. Social networks must be managed efficiently enough to immediately respond and neutralize harmful posts, which takes more time (Hennig-Thurau et al. 2004).

Discussion on Social Media Marketing

According to Gurau (2008), the online marketing environment raises a series of opportunities and also challenges for social media marketing practitioners. The audiences become more fragmented and proactive, but, on the other hand, the company can combine various modes and categories of information in a complex message. Social media also permits enterprises to collect, register, analyze, and use customer data and feedback for better targeting online audiences and customizing their messages (Gurau, 2008). The specific characteristics of the Internet and social media applications make integrating online marketing both inevitable and efficient for an online approach. The cost-related factors, social interactions, interactivity, targeted market opportunities, and customer services are excellent features for organizations to adopt a proactive-reactive attitude and to succeed in social media marketing. On the other hand, the downside of social media marketing such as time intensive, trademark and copyright issues, trust, privacy and security issues, user-generated content (UGC), and negative feedback from clients are major barriers faced by social media marketers (Gurau, 2008). According to (Gurau, 2008) a specific model of integrated social media marketing can integrate these characteristics. The message communicated online should be first infused with the core corporate values, then adapted to the online strategy and tactics of the organization, and finally customized for a specific combination of targeted audience and online channel. The selection of the appropriate communication mix needs to take into account the characteristics of social media marketing (Gurau, 2008).

Conclusion on Social Media Marketing

Social media can be established anywhere with an internet connection and it should be considered by marketers, advertisers, and online content creators as a basic part of their communications. This is because social media affects all aspects of the internet and transforms the role of the internet in people's lives, their businesses, and business or firm performance (Universal McCann 2008). Today, consumers gain a new role with social media. Consumers are becoming content creators and thus, functional consumers instead of just consuming as was the case in the past. Social media applications or tools that facilitate this are blogs, micro-blogging applications (such as Twitter), social networking sites (such as Facebook), podcasts, and video and photo-sharing sites (such as YouTube and Flickr). Given this reality, it is useful for companies especially marketers, to integrate social media into marketing and their marketing strategies. Social media is a modern tool for marketers who try every means to get their messages out to their target markets. The medium has many advantages and disadvantages based on the firm and thus its influence on the performance of a firm is vast, although many companies still struggle to find the right way to use it. The average business owner or marketer does not fully understand the risks and challenges associated with it. The field is still so fresh that it is difficult to evaluate the qualifications of social media "experts" who offer their services online. In essence, it is necessary for companies to thoroughly research social media practices before venturing into the field of social media marketing. Therefore, in order to thrive and excel in the field of social media marketing, an organization must become proficient in the fundamental principles and strategies of leveraging social media as a powerful and effective tool.

2.3 Firm Capabilities

A firm's capabilities are the accumulated knowledge and skills embedded in its organizational processes and routines (Day 1994). As recognized by the resource-based view (RBV) and from the dynamic capabilities perspective, a firm's capabilities are key internal drivers of its performance (Barney 1991; Makadok 2001; Teece, Pisano, and Shuen 1997). Examining the impact of firm proficiencies on firm performance is of significant interest to researchers and managers. Foreign firms have substantially expanded their businesses in emerging economies in recent decades to reap the benefits of the huge growth prospects (Sun 2011). Prior research suggests that beyond the exploitation of their existing advantages, foreign firms also have strong motivations to explore new knowledge and develop local capabilities (March 1991).

A fundamental strategic challenge for foreign firms is whether they can transfer traditional strategies from their home markets and achieve superior performance by developing their firm capacities in the host markets (Wright et al. 2005). The entry of foreign firms into the local market has also created highly competitive pressures on local firms. Meanwhile, local firms may benefit from the spillover effect and learn advanced management practices from foreign competitors. Hence, the understanding of whether local firms can successfully adopt market-based strategies is of critical importance for their survival and long-run operations.

The institutional perspective is powerful in examining firm behavior in emerging economies (North 1990; Scott 1995). However, the impact of the institutional environment on the interrelationship between firm capacities and performance has yet to be captured. Emerging economies are experiencing fundamental and comprehensive changes in their political systems, legal frameworks, and market structures, resulting in changes of unprecedented scope and pace (Ju and Zhao 2009; Peng 2003). Such rapid changes and high levels of

uncertainty raise serious strategic challenges for firms. Indeed, the institutional environment in an emerging economy significantly shapes the strategies and performance of both local and foreign firms (Gao et al. 2010).

Firm capabilities may influence technology adoption and, in a way also influence firm performance. First, a firm's investment in absorptive capacity, the "ability to recognize the value of new information, assimilate it, and apply it to commercial adds" would likely influence its ability to exploit external knowledge (Cohen and Levinthal, 1990). Cohen and Levinthal argue that a firm can build absorptive capacity by engaging in organizational activities requiring prior related knowledge, such as basic related skills, a common language, or familiarity with scientific and technical developments in the field. As a proxy for absorptive capacity, it's important to use a firm's investment in research and development. Second, a firm's human capital may influence its adoption of technology for similar reasons. Even if a firm embraces technology, its ability to adopt the technology may be contingent upon having skilled personnel with sufficient training and educational background.

2.4 Firm Capability and Performance

Marketing capability refers to the organizational competency that helps firms better understand and respond to market changes, and establish more effective linkages with clients (Day 1994). Marketing capability is based on the marketing knowledge firms have accumulated from learning and experience. Because marketing knowledge is deeply rooted in employees' knowledge and skills, the knowledge base of marketing capability is tacit in nature and thus difficult for competitors to copy or acquire (Krasnikov and Jayachandran 2008).

Marketing capability can also be reflected by firms' ability to create points of difference, differentiate their products and services from competitors, and build strong brand equity (Kotabe, Srinivasan, and Aulakh 2002). Firms with higher marketing capability can usually increase sales through better promotion and positioning. Moreover, differentiation and strong brand names also enable firms to charge price premiums and consequently enhance performance (Porter, 1985). Therefore, we expect that firms that possess marketing capabilities are more likely to achieve better performance in the market place like marketing capability, technological capability is embedded in organizational processes and routines and therefore relatively immune to competitors' imitation. Generally, technological capability can boost firm performance in two ways. First, technological capability plays a critical role in product innovation. Firms can create a differentiation advantage by utilizing advanced technology to generate continuous innovation and improve product design (Porter 1985). If a firm can successfully differentiate its products and services from those offered by its competitors, it can enjoy price premiums and a high level of customer loyalty. Second, technological capability can also help firms improve their manufacturing process through research and development (R&D) activities (Kotabe, Srinivasan, and Aulakh 2002). Thus, operational efficiency can be increased substantially. In summary, firms can achieve competitive advantage by utilizing technological capability, which in turn enhances firm performance.

A firm's capability is the set of skills and knowledge that enables a firm to reduce production costs and utilize resources more efficiently. Firms can enhance their performance based on the competitive advantage gained from maintaining a low-cost position relative to rivals (Porter 1985). Firms with production capability can pursue large-scale production, rigorous process

improvements, and cost reduction through experience, as evidenced by the total quality management program and business process reengineering adopted by many firms (Krasnikov & Jayachandran 2008). With superior production capability, firms can outperform their competitors in manufacturing activities and provide consumers with quality products at lower costs. Because of the ability to match competitors' offerings at lower prices, firms with production capability can achieve better performance.

In conclusion,

The literature suggests that firm capabilities and social media marketing play a critical role in the success of SMEs. However, there is limited research on the relationship between these factors and the performance of SMEs, particularly in the context of developing countries like Uganda. This study represents a significant opportunity to examine this relationship, and to provide practical insights and recommendations for SMEs looking to effectively leverage social media for marketing purposes.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explained the methodology that was adopted for this study. It elaborated on the research design, the sampling procedures, the measurement instrument, and the data collection method. The chapter also highlighted how the data was analyzed and the research ethics that were used.

3.1 Research Design

This research used a cross-sectional survey and a quantitative research approach to appreciate the firm performance. The quantitative research design combined the consistent methods and techniques associated with the study variables. The SMEs that were used were those in Agriculture, Hôtel and Catering Services, Real Estate and Construction, General merchandise trade, Fabrication, and Service provision within the 5 divisions of the study. A Population of 480 SMES in Makindye were identified for participation in the study using SME data from Kampala City Council Authority database (2015-2022) triangulated with registration lists at municipal registration centers. According to Krejci & Morgan's (1970) sample determination table, 205 respondents were targeted, and which drew several responses from the Makindye division**.** The participants were selected using a simple random sampling technique. Radom number was used where each SME was assigned a number. Therefore, the sample size that was got for this study was deemed adequate for the results of the statistical method to be sufficiently robust (Hair *et al.,* 2017).

3.2 Data Collection

3.2.1 Study Area

The study was conducted in Kampala Uganda because Kampala district is the biggest city that is housing approximately the biggest number of SMEs (168,337) according to KCCA(2022) in Uganda. Kampala district is located in central Uganda and with its large number of SMEs it is selected for its suitability and competitiveness thus our theme of firm performance. Kampala district consists of five divisions, with Makindye division being selected due to its central location and the presence of numerous registered companies. It is the most densely populated urban center in Uganda. Makindye Ssabagabo Municipality is composed of three divisions, eight wards, and 55 zones, offering a wide range of firms to choose from.

3.2.2 Study population

The 480 SMES in Makindye according to Krejcie and Morgan (1970) were identified for participation in the study using SME data from Kampala City Council Authority database (2015-2022) triangulated with registration lists at municipal registration centers.

3.3 Sample Selection

According to Krejci & Morgan's (1970) sample determination table, 205 respondents were targeted, and which drew several responses from the Makindye division. The participants were selected using a simple random sampling technique. Therefore, the sample size that was got for this study were deemed adequate for the results of the statistical method to be sufficiently robust (Hair et al., 2017).

Drawing insights from Kampala district, a table by Krejcie and Morgan (1970) were used to get the sample size ideal for this study. A total of 205 respondents were selected to participate in the survey in the district as shown below.

$s = X2NP\ (1-P) \div d\ 2\ (N-1) + X\ 2P\ (1-P)$

Where s = required sample size.

X2= the table value of chi-square for 1 degree of freedom at the desired C.L (3.841).

N= the population size.

P= the population proportion (of 0.50 since this would provide the max. sample size); and d= the degree of accuracy expressed as a proportion (0.05)

3.4 Data Analysis

Data was collected from the individual entrepreneurs and was entered into SPSS statistical package version 23. Data was initially cleaned and sorted. Descriptive statistics, percentages, and correlations and regressions were generated to answer the research objectives.

3.5 Measurement of Variables

The firm performance was operationalized as revenue growth, revenue per client, profit margin, client retention rate, and customer satisfaction. It was measured using the scale from Dyer and Singh (1998); and Choi and Hong (2002). It was anchored on a five-Likert scale and modified to suit the study context;

Social media marketing was operationalized using interaction, sharing content, credibility, and accessibility and was assessed using a scale devised by Gadde and Snehota (2000); and Cousins et al. (2006). These were anchored on a five-Likert scale and modified to suit the study context.

Firm capabilities will be operationalized as development and operations capabilities (scope, scale, and the mix of both) while management and transaction capabilities **(**marketing, supply

chain, and **t**he mix of both). It was measured using the scale from Araujo et al. (1999); Carr and Smeltzer (1997); Caddick and Dale (1987).

3.6 Validity and Reliability

The validity and reliability of the constructs was tested to ensure that the measurement is accurate. Validity refers to how accurately the construct reflects what it intends to measure, and reliability refers to the consistency of the results obtained.

Validity measured the extent to which the instrument was relevant in measuring what was supposed to measure. The validity of the instrument was tested using the Content Validity Index (CVI). This involved expert scoring the relevance of the question in the instruments about the study variables. A consensus judgment was given on each variable, taking only variables scoring above 0.70 as suggested by Nunnally & Bernstein (1994).

Reliability was obtained using Cronbach's Alpha coefficient obtained from the social science tool to measure how consistent the instrument was measured, what it was supposed to measure using only items scoring higher than 0.70 recommended by social sciences. (Nunnally & Bernstein, 1994).

3.7 Data Processing

Under data processing, data gathering was involved. It was got from the surveys and questionnaires. Data was assembled and edited to remove errors that may have been entered into the tools due to fatigue and other factors.

3.8 Data Analysis and Presentation

Data was compiled, sorted, edited, and coded into the coding sheet to be tallied to come up with frequencies and percentages from the respective questions. Data was then analyzed using

the statistical procedures, mean and standard deviation and then the regression and correlation statistics were computed.

3.9 Ethical Consideration

The research was carried out after getting permission from the respondents. The respondents were informed of the researcher's request to participate in the activity at an early date and when they agree, the research took place.

Involvement in the study is voluntary. The respondents were asked to participate at their own will and only when permission has been approved.

Throughout the study, strict confidentiality and privacy measures were upheld to ensure the protection of the participants' information.

3.10 Anticipated Limitations of the Study

The researcher faced the challenge of the limited time to meet the deadlines as stipulated in the time frames. The researcher overcame this by diligently following the time frames set.

The researcher also faced the challenge of financial constraints when carrying out the study. This overcame by making adjustments in the budget estimates and minimizing expenses.

The continued effects of the outbreak of the COVID-19 pandemic posed difficulties in data collection. The researcher tried to observe Standard Operating Procedures (SOPs) when administering the questionnaires.

CHAPTER FOUR

PRESENTATION, ANALYSIS, AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents data analysis, and the interpretation of results. The analysis was guided by the objectives and the hypotheses used in the report. The presentation of results was done in three sections. The first section presented the response rate, the second section presented the demographic characteristics and the third section presented the analysis and interpretation of the study findings in relation to the study objectives.

4.1 Response Rate

A total of 205 questionnaires were distributed and 200 were properly filled and returned. The overall response rate was 98%.

4.2 Demographic Characteristics of the Sample

In this section the demographic characteristics of the respondents are presented for only the data collected using the questionnaires. The section presents age, gender, marital status, education, and duration of SMEs in Kampala.

Table 4.1: Sample Characteristics

Category	Frequency	Percentage
Age		
20-29	66	33
30-39	78	39
40-49	34	17
50 and above	22	11

Total	**200**	**100**
Gender		
Male	79	39.5
Female	121	60.5
Total	**200**	**100**
Marital status		
Married	154	77
Single	30	15
Widowed	6	3
Divorce	10	5
Total	**200**	**100**
Education		
Master's Degree	9	4.2
Bachelor's Degree	56	20.4
Diploma	76	44.4
Senior 4-6 certificate	37	18.5
Others	22	11
Total	**200**	**100**
Duration		
Less than 5 years	58	29
5-10	126	63
10 and above	16	8

Total	**200**	**100**

Source: Primary data

Results from Table 4.1 above show that the majority of respondents are between 30-39 years (33%), followed by 20-29 years (39%), 40-49 years had (17%) and finally 50 years and above had (11%). These results indicate that most of the respondents were between the ages of 30-39 years. Regarding gender, results shows that the majority of the respondents, 121 (60.5%) were female compared to 79 (39.5%) who were male. Majority of the respondents were female as they make up the biggest number of respondents. Regarding marriage, Table 4.1 above shows that the highest numbers of respondents, (77%) were married, while the singles constituted 15%, widowed contributed 3% compared to divorced women who contributed 5%. This means that all marital status categories were represented and married respondents dominated in the study.

In terms of education level of the respondents, only 38 % of the respondents were diploma holders. 28% of the respondents were educated up to the level of bachelor. 18.5% of the respondents were in the range of senior 4 and 6, 11% were respondents who had other qualifications, while 4.5% were holding master's degrees. With regards to years of operation, the findings indicated that respondents had operated for 5-10 years (63%), followed by 29% who had worked for less than 5 years, and while 10 years and above only constituted of 8%.

4.3 Correlation Analysis

Correlational analyses were conducted to determine the associations between the study variables.

Table 4.2: Correlation coefficients results

		1	2	3
Social Media Marketing	1	1		
		200		
Firm Capabilities	2	.835**	1	
		.000		
		200	200	
Firm Performance	3	**.651****	**.847****	1
		.000	.000	
		200	200	200

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

Source: Primary data

4.3.1 The relationship between Social Media Marketing and Firm Performance

The findings in Table 4.2 indicated that there was a positive and significant relationship between Social Media Marketing and Firm Performance. This was supported by a correlation value of ($r=.651$, $p<.01$). This implied that an increase in Social Media Marketing is associated with an increase in Firm Performance.

4.3.2 The relationship between Firm Capabilities and Firm Performance

The results also revealed that there was a strong positive and significant relationship between Firm Capabilities and Firm Performance. This was supported by a correlation value ($r=.847$, $p<.01$). This implied that an increase in Firm Capabilities like development and operations capability and management and transaction capability is associated with an increase in Firm Performance.

4.4 Regression Analysis

Regression analysis was carried out to examine the extent to which the independent variables of social media marketing and firm capabilities predict firm performance in the Makindye division of Kampala city in Uganda. Results obtained to this effect were summarized in table 4.3 below;

Table 4.3: Regression results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.958	.121		7.927	.000
Social Media Marketing	.220	.048	.417	2.763	.000
Firm Capabilities	.506	.056	.341	14.824	.000
R=	.853				
R2=	.728				
Adjusted R2	.725				
F =	263.122				
Sig=	.000				

a. Dependent Variable: Firm Performance
Source: primary data

The regression results show that the goodness of fit is satisfactory (Adjusted R Square = .725), implying that Social Media Marketing and Firm Capabilities explain 72.5% of variations in Firm Performance. Thus, about 27.5% remains unexplained. As a general principle, an econometric model is considered to have a high predictive power if the model has a high R-square or adjusted R-square (Gujarati, Porter and Gunasekar, 2012). This general principle

gave the researcher some confidence that the explanatory variables which were firm capabilities, social media marketing were good predictors of the firm Performance (Hill, Griffiths and Lim, 2018).

Findings in Table 4.3 indicated that Social Media Marketing had a positive and significant effect on Firm Performance. This was supported by a coefficient (Beta=.417, $p<.05$). This implied that a unit increase in Social Media Marketing would result to an increase in Firm Performance by the same units.

Results also indicated that Firm Capabilities had a positive and significant effect on Firm Performance. This was supported by a coefficient (Beta=.341, $p<.05$). This implied that a unit increase in Firm Capabilities would result to an increase in Firm Performance by the same units.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

This chapter has discussed the empirical findings of the study based on the study objectives. It has also presented the conclusions drawn from the findings discussed in this chapter, provided recommendations, and pointed out the areas for further studies..

5.1 Discussion of findings

5.1.1 The relationship between Social Media Marketing and Firm performance

The first hypothesis of the study stated that there was a positive relationship between social media marketing and firm performance. This suggests that social media marketing positively affects firm performance. This finding was consistent with scholars such as (Hafele, 2011) who suggested that social media marketers are now going better and more effective insight through the introduction of analytic applications by official social network site platforms. There are numerous different social media sites, and they take many different forms and contain different features. Undoubtedly, the most common social networking site that first comes to our mind is Facebook. Facebook was first launched in February 2004, owned and operated by Facebook, Inc. As of May 2012, Facebook had over 900 million active users. Users must register before using the site; they may create a personal profile, add other users as friends, and exchange messages, including automatic notifications when they update their profiles (Facebook, 2012).

According to Bernie Borges (2009), Twitter is a combination of micro blogging and social network. Twitter, allows users to receive small updates and advertisements from favored producers as well (Hafele, 2011). Twitter gives opportunity to users to involve in real-time

sharing. A tweet is usually no more than 140 characters, which followers of the user can see (Borges, 2009). These two social media channels are among the most popular and heavily used options now, but they are far from being the only ones. Nick Hafele (2011) identified several channels that fall under the category of social media, each of which has opportunities and unique advantages for marketing use. Collaborative projects, such as wikis, or editable data sources, are particularly poignant avenues of contact. Trends indicate that they are quickly becoming the predominant source of information among consumer populations (Kaplan & Haenlein, 2010) cited by (Hafele, 2011).

5.1.2 The relationship between Firm Capabilities and Firm performance

The second hypothesis of the study stated that firm capabilities positively affected firm performance. This suggests that firm capabilities positively affect firm performance. This was a finding in agreement with earlier scholars such as (Porter, 1985) who asserts that Firms with higher marketing capability can usually increase sales through better promotion and positioning. Moreover, differentiation and strong brand names also enable firms to charge price premiums and consequently enhance performance. Therefore, we expect that firms that possess marketing capabilities are more likely to achieve better performance in the market place like marketing capability, technological capability is embedded in organizational processes and routines and therefore relatively immune to competitors' imitation. Generally, technological capability can boost firm performance in two ways. First, technological capability plays a critical role in product innovation. (Krasnikov & Jayachandran 2008) suggested that firms with production capability can pursue large-scale production, rigorous process improvements, and cost reduction through experience, as evidenced by the total quality management program and business process reengineering adopted by many firms.

5.2 Conclusions

This study seeks to identify the relationship between social media marketing, firm capability and performance of SMEs in Makindye Division, Kampala. For hypothesis testing, linear regression was used as a statistical tool. Within the context of this study, social media marketing is concluded to significantly contribute to the performance of SME. Additionally, firm capability is also found to be of equal significance with regards to SME performance. Social media marketing has certainly show to have bigger impacts on the performance of SMEs especially in relations to enhancing customer interaction, sharing content, trend and the accessibility of information and reduction of costs in terms of customer service and business marketing.

5.2 Recommendations

The research recommends that it is very important for companies to understand the strategic directions of their competitors in the future in order to be able to counteract them in a timely manner.

SMEs need to monitor and track the market trends, noting not only changes in products but also changes in organizational operations and strategies that include the adoptions of new technologies.

In all, it is recommended that businesses especially small medium enterprises to consider social media marketing tools and firm capability strategies in improving the performance of their companies.

5.3 Areas of further research

Further research is recommended in the following areas;

The influence of SME policy on the performance of SMEs in Uganda should be looked into. This is through determining if the current available policy that is drafted and being implemented has been a key factor in the current poor performance of most SMEs in the country.

Financial management and performance of SMEs in Uganda is another area for study. This is in order to determine whether poor financial management has been a major player in poor performance of the vast number of SMEs that do not make it past their first birthday and most certainly never make a second year in operation as they wind down due to poor financial health.

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APPENDICES

Appendix 1: Questionnaire

MAKERERE UNIVERSITY **BUSINESS SCHOOL**

Dear Respondent,

My name is **IRADUKUNDA BECKY**, a student of Makerere University undertaking a Master of Business Administration (MBA) at Makerere University Business School (MUBS). I am undertaking an academic study titled **"FIRM CAPABILITIES, SOCIAL MEDIA MARKETING AND PERFORMANCE OF SMALL AND MEDIUM ENTREPRISES IN KAMPALA."** You have been identified as a resourceful person, and your views are highly needed for the successful completion of this study. Please feel free to participate as whatever response you give will be kept confidential. Thank you so much in advance for your support.

SECTION A

PROFILE OF RESPONDENTS

Please tick (√) in the row below the specified variable.

Age	20-29	30-39	40-49	50 Above	
Gender	Male	Female			
Marital status	Married	Single	Widowed	Divorced	
Level of Education	Masters	Bachelors	Diploma	Senior 4 - 6 Certificate	Others Specify

SECTION B: BUSINESS FEATURES

1. How many years have you worked with this business?

Less than 5 years	5-10 years	Above 10 years
1	2	3

SECTION C

Instructions: Please tick the most appropriate option based on the scale provided below

Scale	**1**	**2**	**3**	**4**	**5**
	Strongly Disagree (SD)	Disagree (D)	Not Sure (NS)	Agree (A)	Strongly Agree (SA)

FIRM PERFORMANCE

	FIRM PERFORMANCE	**1**	**2**	**3**	**4**	**5**
FP1	Is there an increase in the number of new clients?					
FP2	Is there an increase in Sales to new clients?					
FP3	Is there an increase in Sales to current clients?					
FP4	Is there an increase in the number of clients who left the firm?					
FP5	Is there an introduction of technology for new processes?					
FP6	Is there an increase in the ratio of the number of new products?					
FP7	Is there any introduction of technology for new product development					
FP8	Is there an increase in Production costs?					
FP9	Has there been a reduction in the duration of production?					
FP10	Has there been a reduction in the duration to launch a new product?					
FP11	Is there an increase in Customer satisfaction?					
FP12	Has there been a reduction in the Ratio of on-time delivery of products?					
FP13	Has there been a reduction in the Defective product rate?					
FP14	Has there been a reduction in the Ratio of on-time delivery of products?					
FP15	Is there Employee happiness in this business?					

FP16	Is there an increase in gathering information about new products ?					
FP17	Is there an increase in gathering information about customers?					
FP18	Is there an increase in the employee turnover rate?					
FP19	Is there an increase in the number of employee suggestions?					
FP20	Is there an increase in the number of implemented employee suggestions?					

FIRM CAPABILITIES

	FIRM CAPABILITIES (Han, Lee, & Seo, 2008).					
	Technical IT capability					
FC1	We have our scheme for IT standardization					
FC2	We can integrate IT					
FC3	We understand the trend in IT					
	Managerial IT capability					
FC4	We can integrate the functional requirement					
FC5	We can leverage IT as a strategic core competence					
FC6	We have the blueprint of IT strategy by business strategy					
FC7	We can continuously update IT strategy according to the change in a business environment					
	Organizational relationship capability					
FC8	Our management reflects opinions from all departments in making decisions					
FC9	Our management communicates well with each other					
FC10	Department and end-users communicate well with each other					
FC11	Department and business departments trust each other					
	MANAGEMENT CAPABILITY					
FC12	We have formalized processes to select vendors					
FC13	We can evaluate the performance of outsourcing					
FC14	We have management processes for outsourcing projects					
FC15	We have systematic processes to manage					

	outsourcing contracts with vendors					
FC16	We have systematic processes to control outsourcing vendors					

SOCIAL MEDIA MARKETING

	Hennig-Thurau, Gwinner, and Gremler (2002) and Ju and Chung (2002). Park, Jeon, and Kwak (2007).					
	Interaction					
SMM1	Is it exciting to use social media?					
SMM2	Is it easy to convey my opinion through social media?					
SMM3	Is it possible to exchange opinions or conversations with other users through social media?					
SMM4	Is it possible to do two-way interaction through social media?					
SMM5	Is it possible to share information with other users through social media?					
	Sharing content					
SMM6	I would like to pass out information on brands, products, or services from social media to my friends.					
SMM7	I would like to upload content from social media on my blog or microblog.					
SMM8	I would like to share opinions on brands, items, or services acquired from social media with my acquaintances					
	Trends					
SMM9	Contents found on social media are up-to-date					
SMM10	Interacting with this brand's social media is trendy					

Appendix 2:Krejcie & Morgan (1970) table for determining sample size

Population Size	Sample size	Population Size	Sample size	Population Size	Sample size	Population Size	Sample size	Population Size	Sample size
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	301	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	100000	384

Krejcie, Robert V., Morgan, Daryle W., (1970) "Determining Sample Size for Research Activities", *Educational and Psychological Measurement*