Strategic Management Practices and the Performance of Small and Medium Agribusiness Enterprises (SMAEs) in Western Uganda

By

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Reg. No: 2013/PhD/045

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A Research Proposal submitted in fulfillment of the requirements for the award of Doctor of Philosophy of Mbarara University of Science and Technology

SEPTEMBER 2015

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

The agricultural sector is the backbone of many developing countries and is regarded as "Africa's Bread Basket" (Salami, Kamara and Brixiova, 2010). The sector is favorable to many Sub-Saharan countries because it absorbs high numbers of uneducated employees and there is high level of arable land, regular rainfall and high mineral deposits (Laker-Ojok, 2012). Small and Medium-sized Agribusiness Enterprises (SMAEs) play a vital role in the economic development of nations and the global economy (Sorooshian, et al, 2011). SMEs continue to be of significant importance to many developing countries and according to the OECD (2010) Report, SMEs represent 99% share of total establishments, 67% of employment, and over 50% of value added Gross Domestic Product (GDP) within the OECD community. Therefore, it is vital to understand the performance of SMAEs (Acs, 1999) as the sector has high backward linkages with the rest of the economy through its contribution particularly towards poverty reduction, job creation and improved health and nutrition (OECD, 2004; Gatukui and Katuse, 2014).

Currently there is an existing literature gap and lack of data on agribusiness sector, its contributions to the economy and its general performance (Mhlanga, 2010). It appears that SME sector is in its infancy stage of development (MFPED, 2011). Smallholder farmers with limited interaction with both product and input markets dominate agriculture. However, some growth has been experienced in the horticulture and fish exports though there is no official statistics to justify this growth, which necessitates much investment in the agribusiness sector research (Dannson, et al. 2004).

The failure rates among SMEs in Uganda are very high and the lack of extant literature and policies governing SMEs in Uganda still remain a challenge that justifies the study of smallholder agribusiness performance. This research will examine the factors that affect performance of agricultural SMEs in Uganda more especially focusing on strategic management practices. The growth of SME's competitiveness and sustainability is fostered by the application of strategic management practices that are able to guide the SMEs through unprecedented growth challenges (Shala, Kutllovci, and Troni 2012; Mitic, Vojvodić, and Branković, 2010; Moore and Manring, 2009). Strategic planning is important to SMEs particularly to compel the strategic direction of the firm, coordinate action and assist in achieving goals (Sandberg, Robinson & Pearce, 2001).

Strategic management in this study is viewed, as the independent variable while SME performance is the dependent variable. Strategic management for this study will be measured in the form of existing strategic and business plans, structure, networking, and innovation. Whereas; performance will be measured in terms of annual business growth and expansion, financial viability, and relevance with strategic planning as a moderating variable explained by the conceptual framework in figure1.

This first chapter discusses the background to the study, the statement of the problem, the purpose of the study, the objectives of the study, the research questions, the hypotheses, the scope of the study, the significance, Justification and operational definition of terms and concepts used in the study.

1.1 Background to the study

1.1.1 Historical Background

Small and medium enterprise sector is part and parcel of the Ugandan economy. There is clear evidence in our respective communities of the successes our great grand parents made of their respective trading concerns, iron smelting, farming, cottage industries and the likes (Ayozie, et al, 2013); a clear manifestation that SMEs started thousand years ago and they have been improved and formalized through various government programs to enhance a strong and vibrant SME sector.

The development of strategic management as an academic field originated as early as 1940, where it was seen as an art of war (Chaharbaghi, 2007) and to understand the essence of strategic management as a business field, we need to follow clearly its historical perspective (Ronda-Pupo and Guerras-Martin, 2011). Ketchen and Short (2013) noted, “the history of strategic management can be traced back several thousand years. Ketchen and Short (2013) cautions that ignoring the lessons of history can lead to costly strategic mistakes that could have been avoided Certainly, the present offers very important lessons; businesses can gain knowledge about what strategies do and do not work by studying the current actions of other businesses”. However, during its first decades of existence, strategic management almost involved in investigating strategic issues in large and established enterprises with little or no effort on the SMEs (Kraus and Kaurane, 2009; Analoui and Karami, 2003).

Strategic management has evolved through a series of developments and contributions by scholars like Chandler’s (1962) who wrote on Strategy and Structure and Ansoff’s (1965) on Corporate Strategy have been fundamental to this field.

Strategic Management as a field of study was recognized first time in 1962, when Harvard professor Alfred Chandler published *Strategy and Structure: Chapters in the History of the Industrial Enterprise*. The book focused on the relationship between strategy and organizational structure and how the two needed to be consistent with each other to ensure strong firm performance. A great number of people and researchers in the field of strategic management consider Chandler’s book to be the first work of strategic management research (Ketchen and Short, 2013).

Chandler (1962) emphasized the critical importance of taking a long-term perspective when focusing into the future and his work mainly concentrated on large firms to be able to create administrative structures to accommodate growth and clearly indicating how strategic change can lead to structural change (O’Shannassy, 1999). He emphasized that a long-term coordinated strategy was necessary to give a company structure, direction and focus (Hoskisson, et al, 1999).

However, his view was on large enterprises and the question remains; can his ideas apply to SMEs? And therefore, what then can SMEs in Uganda do to grow and achieve better performance? This research will aim at establishing the role of strategic management as a practice and its impact on the performance of small and medium agribusiness enterprises.

Igor Ansoff (1965) added on Chandler's work by adding a range of strategic concepts and developing a new face of the field of strategic management. He advocated for clearly defined scope and direction of the organization and further stated that corporate objectives alone are not enough to enable organizations meet their objectives. Ansoff accentuated that given the limitations in setting organizational objectives; rules need to be introduced if firms are to enjoy orderly and profitable growth (O'Shannassy, 1999). He came up with a strategy grid that compared market penetration strategies, product development strategies, market development strategies and horizontal and vertical integration and diversification strategies. Ansoff thought that management could use these strategies to systematically prepare for future opportunities and challenges objectives; rules need to be introduced if firms are to enjoy orderly and profitable growth (O'Shannassy, 1999).

In his 1965 classic Corporate Strategy Ansoff developed the gap analysis still used today in which we must understand the gap between where we are currently and where we would like to be, then develop what he called "gap reducing actions" (O'Shannassy, 1999).

Another scholar also praised for his contribution to the fied of strategic management is Peter Drucker. Drucker (1954) was a prolific strategy theorist and author of dozens of management books. His contributions to strategic management were many but two are most important. Firstly, he stressed the importance of objectives. An "organization without clear objectives is like a ship without a rudder". As early as 1954 he was developing a theory of management based on objectives Drucker (1954). This evolved into his theory of management by objectives (MBO). According to Drucker (1954), the procedure of setting objectives and monitoring your progress towards them should permeate the entire organization, top to bottom. This should be reflected in today's SMEs as no business can survive without clear objectives and focus. The research study will try to test this theory to ascertain its implications to the SMEs in Uganda.

Micheal Porter (1980) is among the founding fathers of stategic management as an academc field. He made fundamental contribution to the field of strategic management with key focus on the competitive strategy of the firm. Porter's contribution lies predominantly within the competitive positioning which represented the dominant strategy paradigm of the 1980s (Stonehouse and Snowdon, 2007).

Stonehouse and Snowdon, (2007) posit that Competitive Strategy brought the analytical rigor of microeconomics to strategy and significantly increased awareness of the subject among both academics and the business community. In 1985 porter equally published another influential work, Competitive Advantage (Stonehouse and Snowdon, 2007). These two books marked a turn-around on the way strategy was perceived by developing three linked concepts of the "five forces," "generic strategy," and "value chain" frameworks (Porter, 1980a, 1985a). Stonehouse and Snowdon, (2007) further assert that these frameworks are major analytical frameworks of the competitive positioning paradigm and remain at the heart of most business school strategy courses to this day. The five forces framework (Porter, 1980a) enables a firm to assess both the attractiveness (potential profitability) of its industry and its competitive position within that industry and this is done through a clear evaluation of the strength of the threat of new entrants to the industry; the threat of substitute products; the power of buyers or customers; the power of suppliers; and the degree and nature of rivalry among businesses in the industry. According to Porter, the potential for a firm to be profitable is negatively associated with increased competition, lower barriers to entry, a large number of substitutes, and increased bargaining power of customers and suppliers.

On the basis of analysis of these forces, Porter argues that an organization can develop a generic competitive strategy of differentiation or cost leadership, capable of delivering superior performance through an appropriate configuration and coordination of its value chain activities (Porter, 1985a). These strategies are key to SMEs if the are to achieve competitive advantage and superior performance over their competitors and without them firms can be seen being pushed out of the market (Stonehouse and Snowdon, 2007).

Andrew (1987) emphasised the need of strategy development in organisations and he moved ahead to define strategy as a pattern of objectives, purpose and goals stated in a way to define organizations business now and in the future. He further developed the concept of SWOT (Strength, Weaknesses, Opportunities and Threats) analysis aimed at measuring both the internal and external business environment of the organization (O'Shannassy, 1999). His ideas have been fundamental in today's business trying to design strategies to enable them flourish in the competivetive market environment and to Mintzberg (1990), this formed the basis of the design school. However, the Harvard Business Review (1995) demonstrated a shortcoming of this approach as it provides little on the assessment of the internal and external aspects of managing strategically which is key to firm performance. The concept of SWOT is fundamental to evaluating firm performance however, at this stage; the research study will concentrate on the factors that trigger SME performance rather than the tool in itself.

The fundamental works of the above scholars proivided the foundation of strategic management as an academic field as they help to answer critical concepts in strategic management including how strategy impacts on organizational performance, the role of external opportunities and internal capabilities toward the growth of the firm, the practical separation between strategy formulation and implementation and manager's role in strategic management (Hoskisson, et al, 1999).

Although not explicitly discussed, the footprints of the earlier scholars in management also provided a solid foundation in the development of strategic management field. The crucial importance of "distinctive competence" and leadership emphasized in Selznick's (1957) study in administrative organizations coincided well with early strategy scholars' focus on firms' internal strengths and managerial capabilities (O'Shannassy, 1999). Washington, et al (2007) stated that Selznick did not only discuss how organizations become institutions but also the key characteristics of leaders of these institutions. This is further explained in Penrose (1959) relating firm growth and diversification to the "inherited" resources, especially managerial capacities, a firm possesses (Pitelis, 2009). Her proposition complemented Chandler's (1962) findings on the growth of the firm. And all these aspects are key to SME performance for without distinctive competence and alteration of the firm's resources, they are seen being dominated in the industry and eventually out competed.

This overview clearly demonstrates how research in strategic management grew from rather a humble background and simple concepts of strategy intended to give practical advice to managers to a rigorous search from a positivist perspective for intellectual foundations with explanatory and predictive power to a field much more advocated by all businesses (Furrer et al, 2008) whose focus is to achieve a competitive edge and sustainable growth and more so, the field has witnessed a significant growth in diversity of topics and research methods.

1.1.2 Theoretical Background

Key relevant theories that will guide this research will be the Resource-Based View Theory, the Dynamic Capability Theory and Core Competence of the firm.

The resource-based view theory of the firm was advanced by Edith Penrose's work in the late 1950s. It was largely introduced to the field of strategic management in the 1980s and became a dominant framework in the 1990s. Penrose (1959) viewed the heterogeneity of the firms, with productive services available from their internal resources that give a peculiar character to each firm (Hoskisson, 1999) and from this, Penrose (1959) developed the Resource-Based View (RVB) where she conceptualized firms as bundles of heterogeneous resources distributed across firms that exist over time (Rugman and Verbeke, 2012). And these resources are valuable, non-substitutable, rare and inimitable that enables the firm to achieve a competitive advantage (Barney 1991; Eisenhardt, and Martin, 2000). The unique resources define the firm performance and differentiate it from others sustainably (Pribadi and Kanai, 2011). Resources include all of a firm's tangible and intangible assets, such as capital, equipment, employees, knowledge, and information. An organization's resources are directly linked to its capabilities, which can create value and ultimately lead to profitability for the firm (Barney 1991). Hence, resource-based theory focuses primarily on individual firms rather than on the competitive environment.

The recent emphasis on the RBV paradigm has been strategic management's reaction to the earlier emphasis on the impact of external environmental factors on strategic choices and outcomes especially as reflected in the predominance of Porter's Five Forces Model in strategy content development. Strategic management research has begun to stress firm's internal capabilities in order to explain and understand differences in firm performance. RBV addresses how to develop and utilize capabilities which will sustain and enhance firm performance (Lengnick-Hall, 1992). Wernerfelt (1984) looked at resources as the drivers of successful diversification, while Rumelt (1984) suggested that examination of firm resources was a suitable starting point for identifying products and markets where they could be applied. These two authors were among the first to explicitly focus on the management of resources. Since then considerable theoretical work has been done to develop the RBV paradigm

RBV theory views resource use and development as dynamic. Resources change as the result of innovative managerial behavior, as it is the use of the resources and not the resources themselves that generate profits.

This model emphasizes how human, physical and intangible resources will combine over time to create value. It allows for a dynamic view of firm behavior and manipulation of resources. Schumpeter (1950) discussed this behavior as a process of "creative destruction," wherein a firm must continually renew its resources and abilities by remaining innovative. Penrose (1959) also acknowledges that firm behavior is dynamic and that firms remain competitive by developing new combinations of resources. Firms

In the same way, core competence is seen a bundle of tangible and intangible resources and tacit know-how, that must be identified, selected, developed, and deployed to generate superior performance (Penrose, 1959, Wernerfelt, 19M). These scarce firm-specific assets may lead to competitive advantage.

The attributes of the management team may satisfy the conditions for achieving and maintaining competitive advantage. The management team is valuable when they exploit opportunities and/or neutralize threats in a firm's environment. The management team may be rare in terms of firm-specific knowledge of individual managers as well as knowledge embedded in the team. Relatedly, the accumulation of firm-specific knowledge may lead to imperfectly imitable advantages for firms that have assembled competent management teams. Barney, (1991) notes that: "managers are important in the resource-based model, for it is managers that are able to understand and describe the economic performance potential of a firm's endowments. Without such managerial analyses, sustained competitive advantage is not likely". A firm may achieve rents not because it has better resources, but rather the firm's core competencies involve making better use of its resources (Penrose, 1959). The firm may make better use of human resources by correctly assigning workers to where they have higher productivity in the firm (Prescott and Visscher, 1980; Tomer, 1987), and the firm may make better allocations of financial resources toward high-yield uses (Williamson, 1985). Fiol (1991) champions this Penrosean theme by considering how managers of a firm make sense of their stock of assets and manage the process by which resources are used and renewed.

Secondly, the **dynamic capabilities theory,** which explains how combination of resources can be developed, deployed and protected by the organization (Teece, Pisano, and Shuen, 1997). Wang, and Ahmed, (2007) define dynamic capabilities “as a firm’s behavioural orientation to constantly integrate, reconfigure, renew and recreate its resources and capabilities, and most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage”. By this definition, it’s evident that organizations can be assured of superior performance by closely refining and altering their resource base, integrating them so as to create a competitive advantage and generate new value creating strategies (Eisenhardt, and Martin, 2000).

Teece et. al. (1997) emphasize capabilities as the " mechanisms by which firms learn and accumulate new skills and capabilities." Such capabilities are aimed at deploying and coordinating different resources (Teece, et. al., 1997; Leonard-Barton, 1992). Capabilities are composed of knowledge, which occurs from the learning that takes place within the organization (Teece et. al., 1997). Learning and knowledge are fundamental to the development and the utilization of resources and capabilities in RBV theory. This focus is reflected heavily in Prahalad and Hamel's (1990) argument that sustained competitive advantage is achieved by core competencies, which involve "the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology"

The core competence Theory

The emerging core competence based view of the firm provides opportunity for assessing, deploying, and developing firm specific resources and capabilities Prahalad and Hamel (1990). It enhances the RBV paradigm by making linkages between the competitive advantage of the firm and its resources and capabilities. These become more specific in the framework provided by core competence Prahalad and Hamel (1990). Applying core competence to RBV theory moves the theory beyond the abstract to potential for actual application.

The term "core competence" has been described differently by a number of scholars.

Dosi, Teece, and Winter (1992) define core competence as "a set of differentiated technological skills, complementary assets and organizational routines and capacities". Winterschied (1994) refers to "th e specific tangible and intangible assets of the firm assembled into integrated clusters which span individuals and groups to enable distinctive activities to be performed". Prahalad and Hamel (1990) tend to down play physical assets and define core competence as the "a technical or management subsystem which integrates diverse technologies, processes, resources and know-how to deliver product and services which confer sustainable and unique competitive advantage and added value to an organization."

Prahalad and Hamel (1990) argue that to stay competitive in today's global markets, it is necessary to seek competitive advantage from capability, which lies behind the product that the firm produces. It is this ability, that these authors call core competence of the firm. In their view, core competence gives an organization a unique competitive advantage because it enables the firm to diversify into new markets by migrating the core competence. Similarly, because it is a hidden capability which competitors cannot easily imitate, a firm may obtain a dominant position, even a near monopoly, in its chosen markets. Prahalad and Hamel's definition of core competence focuses on the resources and capabilities relating to technology and products in an organization.

The concept of core competences takes a step further in differing from other organizational competencies descriptions such as core capabilities and distinctive capabilities. Core competences are conceptualized as knowledge embedded in the technical subsystem that comprises both the creative and implementation capability of the organization to develop technologies and applications (Leonard-Barton, 1992). In general, a firm's competence involves the differential skills, complementary assets, and routines used to create sustainable competitive advantage. Core competence gains strategic importance, which moves beyond the functional abilities (Snow and Hrebiniak, 1980) and the ability to compete (Aaker, 1989). Core competence must have some level of firm specificity found through non-imitability. It must also, as Prahalad and Hamel (1990, 1994) argue, provide a basis to access or enter new markets. It should make a disproportionate contribution to the perceived customer value or to the efficiency with which that value is delivered. A core competence is an organization's hidden capability of coordination and learning which competitors cannot easily imitate. When exploited it delivers the organization a near monopoly position in its chosen markets. Prahalad and Hamel (1990) assert that it is necessary to seek competitive advantage from a core competence, which lies behind the products that serve the market. In their view core competence gives an organization a unique competitive advantage because it enables the organization to diversify into new markets by migrating the core competence and creates strategic competitive barriers to other firms.

The above theories are relevant to this study due to the critical importance of strategic management in determining firm performance. Firms deploy resources to operate effectively and without them, they are seen struggling to compete with the rest in the market. The dynamic capability theory enables firms to stay abreast of the changing business environment in terms of flexibility, speed and innovation whereas core competence considers the firm’s unique resource application capable of compelling then achieve superior and competitive edge among competitors which are key aspects of SME performance.

1.1.3 Conceptual Background

The two major variables to be examined for this research will be strategic management practices and smallholder agribusiness performance in Uganda. Strategic management practices will be measured in form of firm structure, strategic resource deployment both internal and external, formal business planning, the level of innovation within the firm business networks with other business in order to improve quality and capture market, as critical factors determining firm performance. Through forming networks, SMEs with complimentary skills can maximize their output from limited research and development resources (Thomas, et al. 2011).

Strategic management is a disciplined approach utilizing the principles and process of management to identify the corporate objective or mission of any business. It determines an appropriate target to satisfy the objective, recognize existing opportunities and constraints in the environment, and device a rational practical way by which objective can be achieved Thompson and Strickland (2003).

Strategic management represents a case of an academic field whose consensual meaning might be expected to be fragile, even lacking. The field is relatively young, having been abruptly re-conceptualized and relabeled from ‘business policy’ in 1979 (Schendel and Hofer, 1979). Its subjects of interest overlap with several other vigorous fields, including economics, sociology, marketing, finance, and psychology (Hambrick, 2004), and its participant members have been trained in widely varying traditions some in economics departments, some in strategic management departments, some in organizational behavior, some in marketing, and so on (Nag, Hambrick and Chen, 2007).

There is no clear definition of strategic management as many authors give divergent views on what strategy and strategic management (Abu Bakar et al, 2011). However, due to the growing interest the field has gained popularity in terms of its applicability to both social and business environments resulting from the rapid and competitive external market forces. Its underlying assumption suggests that companies can reach their goals if they are in step with the environment; hence it involves being able to analyze internal and external situations to align a firm's activities with the environmental context (Selznick, 1957; Ansoff, 1965 and 1979).

Strategic management is both the process and philosophy for determining and controlling the organizational relationship in its dynamic environment. As a process, it attempts to define approaches and techniques to assist management adapt to the changes in today's business environment, through the use of objectives and strategies. Strategic management endeavors to achieve effective and efficient programs that help organization's accomplish the goals and objectives. As a philosophy, it changes how manager looks at competitors, customers, markets and even the organization itself. Its objective is to stimulate management's awareness of the strategic implication of environmental events and internal decision.

Lawrence and William (1988) defined strategic management as a stream of decisions and actions, which leads to the development of an effective strategy or strategies to help achieve corporate objectives. The strategic management process is the way in which strategists determine objectives and make strategic decisions. Strategic management's main focus is the achievement of organizational goals taking into consideration the internal and external environmental factors (Selznick, 1957; Ansoff, 1965 and 1979).

Porter (1985) argues that the essence of formulating comprehensive strategy is relating a company to its environment. Strategic management permits the systematic management of change. It enables organization to purposefully mobilize resources towards a desired future.

Chandler (1962) also posited that any effective successful strategy is dependent on structure, thus to achieve any effective economic performance the organization needs to alter its structure. As SMEs struggle to improve performance, it's important for them to design a good organizational structure that brings out order and provides a guide on how one unit should relate to another, in order to establish efficiency in operations and effectiveness in decision making (Chandler, 1962; Mazzarol, 2004). It sets out a chain of command for all company employees. SMEs may not need complicated structures such as those adopted by big corporations, but they should establish one that fits their operations and which they can enhance as they grow.

Firms need resources to operate and key is the strategic deployment of these resources (Barney, 1991). As stated by (Teeece et al, 1997, Eiesenhardt and Martin, 2000), resources enable the firms to gain competitive advantage and superior performance. These resources should enable firms craft a strategy aimed at creating networks vital for firms to achieve competitive advantage and affirm their position in the market. As Blisson and Rana, (2001) posits that networks consist of firms, owner- managers, support agencies, voluntary associations and other bodies through which small firms connect to the wider economy and this enables them to strengthen their value chains and expand market opportunities. At the center stage of SME agribusiness growth and development is the level of innovation within the sector, as Mazzarol (2004) states, SMEs must possess capacity to generate innovation in products and process that will allow the firms to build a competitive advantage within chosen markets which is key to their performance.

Measuring performance in small and medium enterprises is very difficult because the concept is complex and multi-dimensional. For this reason, researchers suggest that multiple performance indicators should be used to measure such a complex construct (Lumpkin and Dess, 1996; Kaplan and Norton, 1996; Atkinson et al., 1997; Wiklund, 1999). These authors note that financial performance measures and traditional accounting measures such as sales growth, profitability, and return on investment are not sufficient to measure overall performance of a firm. They suggest that indicators of both financial and non- financial performance measures, such as market share, sales growth, profitability, productivity, reputation, and consumer satisfaction have to be used in measuring performance. Recognizing the limitations of relying solely on either the financial or non-financial measures, owners-managers of the modern SMEs have adopted a multidimensional performance measure of using both the financial and non-financial measures. These measures serve as precursors for course of actions.

In this study, performance is measured in form of efficiency, effectiveness, relevance and number of employees as non-financial measure of performance; and Market share, Equity and Annual turn over on the part of financial measures all dependent on strategic management practices. For example, it’s understood that if firms are innovative, risk-taking and proactive, they will have high performance (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005).

Strategic planning in this study will play a moderating role because overtime, management of SMEs as indicated by many studies (Brinckmann, Grichnik and Kapsa, 2010; Shala, Kutllovci and Troni, 2012) has been generally informal, unstructured, irregular, and incomprehensive and in most cases the entrepreneurs are the owner managers and therefore business failure is attributed to the fact that firms do not strategically plan leading to poor performance. The concept and practice of strategic planning is important in business management and has been embraced worldwide and across sectors because of its perceived contribution to organizational effectiveness and it is conceptualized that firms that have effectively embraced strategic planning, records better performance than those that have not (Arasa and K'Obonyo, 2012). Today organizations from both the private and public sectors have taken the practice of strategic planning seriously as a tool that can be utilized to fast track their performances. Strategic planning is arguably important ingredient in the conduct of strategic management

The application of strategic management in business has for long been concerned with large enterprises and neglecting SMEs which play important roles to many economies in terms of employment and revenue generation. The strategic awareness of entrepreneurs and owner-managers is a key engine towards growth and expansion of the SME sector. The adoption of a clear strategic perspective in small and medium enterprises (SMEs) is one of the factors that will improve the SME performance and management efficiency and also translate into better ability to identify and capitalize on market opportunities. Having good strategy is also one of the important factors that enable organizations/firms to survive and go further (Abu, et al 2011).

This study will try to bridge the gap that currently exits in the implementation of strategic management practices in small and medium agribusiness enterprises in Uganda that consequently affects their performance.

1.1.4 Contextual Background

Today, SMEs operate in a challenging environment resulting from rapid development of new technologies and increasing globalization (Hitt, Haynes and Serpa, 2010) which affect their performance. The key challenge facing SMEs in Uganda as pointed out by UIA, (2008) is lack of general management skills. Therefore, to enable SME growth, competitiveness and sustainability, managers ought to embrace strategic management concepts in their operations (Shala, et. al., 2012, Mitic et. at, 2010, Moore and Manring, 2009) that will result into improved performance and management efficiency**.**

However, Bititci and Aylin, (2009) posits that SMEs strategy is managed from an informal and intuitive fashion with a *fire fighting* approach and short- termism something that has hindered their growth and better performance. Bititci and Aylin, (2009) further assert that less effort has been put to study what drives performance in small businesses and what needs to be done to improve the negative trend. Therefore, this study will seek to establish strategic management practices key to improving firm performance and also help the SME sector to identify and close this gap in order to enable many start-ups transform to larger and recognized enterprises.

Thus, these growth challenges make SMEs unprofitable, less competitive and unable to follow responsible business management practices. It would therefore, be interesting to find out why SMEs are not productive and competitive as expected. Unless these challenges are thoroughly investigated and handled by stakeholders at various business levels, the potential for SMEs to perform and thereby stimulate faster economic development of the country will remain stagnant thereby harboring social injustices like unemployment and poor living standards among others. This study will mainly focus on the strategic management practices in SMEs and how such practices affect their overall performance.

1.2 Statement of the Problem

Much has been written about small business and in particular about small business failure rates (Watson and Everett, 1996). Richard (2000) stated that there are many reasons for the failure rate of start-up businesses, including lack of adequate working capital, poor market selection, and rapidly changing external market conditions. And many researchers have even gone ahead to argue that strategic management procedures in SMEs are particularly in appropriate since such enterprises have neither management nor financial resources to commit in elaborate strategic management practices and techniques (Cragg and King, 1998). However, the most significant reason for this high failure rate is the inability of SMEs to make adequate use of essential business and management practices as many of them fail to develop an initial plan, and those that do establish a plan fail to continually adjust and use it as a benchmarking tool. Zaei, et al (2013) demonstrates that the use strategic planning and management in business organizations whether public or non profit organization can help organization clarify the future direction; think strategically and develop effective strategies; establish priorities; deal effectively with rapid changing circumstances; build teamwork and expertise; and solve major organizational problems; and improve performance

The government of Uganda has introduced various programs to promote SME development and these include; the Plan for Modernization of Agriculture, Business Uganda Development Scheme (BUDS), Microfinance Outreach Plan, UNIDO Master Craftsman program, the Jua Kali Initiative, and the Warehouse Receipt System (Randall, 2008; UIA, 2008). And with all these programs, we continue to witness many SMEs collapsing and under-performing a sign that significant investment is required in research in order to come with proper management policies that will reverse the current trend.

Despite the SME sector's enormous size and contribution to the Ugandan economy and the evident commitment by the government of Uganda to see a strong, vibrant and enduring sector through various support programs, its growth is still illusive, complex to explain and boast about. This is evidenced by the World Bank's ranking, which puts Uganda's business environment in the 129th position out of 183 countries and therefore, not sufficiently enabling (MFPED, 2011). Majority of SMEs are predominantly informal and young aged between 1 and 5 years. This implies that for every business created nearly another is closed; hence the high mortality rate, with less than 10% of the enterprises having operated for more than 20 years. As MFPED, (2011) observed, Uganda's SME sector is not competitive enough. Similarly Jocumsen (2004, p.659) posits that SMEs still face great operational constraints and their survival rates is still at brick "plagued by high failure rates and poor performance levels" and this is supported by Randall (2008) who stresses that most SMEs in Uganda are unable to reach their first birthday due to poor management, low productivity and weak financial management. However, for firms that strategically plan, they have achieved sustainable and competitive advantage over those that don't (Analoui and Karami, 2003) There is need, to examine strategic management practices in SMEs and their impact on performance.

1.3 Purpose of the study

The purpose of the study is to examine the effect of strategic management practices on the performance of Small and Medium agribusiness enterprises in Uganda.

1.4 Objectives of the research

i. To explore the effect of firm structure on the performance of small and medium agribusiness enterprises mediated by strategic planning;

ii. To establish whether firm strategy affect SMEs performance

iii. To determine whether strategic resource deployment has an effect on SME performance;

iv. To examine the relationship between business networking and agribusiness SMEs performance

v. To assess the relationship between innovation and agribusiness SMEs performance

vi. To determine whether strategic planning affects SME performance

1.5 Research Questions

i. What is the effect of firm structure on the performance of SMEs Agribusiness?

ii. To what extent does firm strategy affect the performance of SMEs Agribusiness?

iii. What is the effect of strategic resource deployment on SME performance?

iv. What is the relationship between Business Networking and agribusiness

SMEs performance?

v. Is there a relationship between innovation and SMEs agribusiness performance?

vi. How does strategic planning affect SMEs agribusiness performance?

1.6 Hypotheses

H_1. Firm structures significantly affect SME agribusiness performance.

H_2. Firm strategy has a significant effect on agribusiness SME performance.

H_3. Strategic resource deployment has a positive effect on SMEs agribusiness performance.

H_4. Business Networking has a significant relationship with SMEs agribusiness performance.

H_5. There is a significant relationship between innovations and SMEs agribusiness performance.

H_6. Strategic planning significantly affects SMEs agribusiness performance.

1.7 Conceptual framework

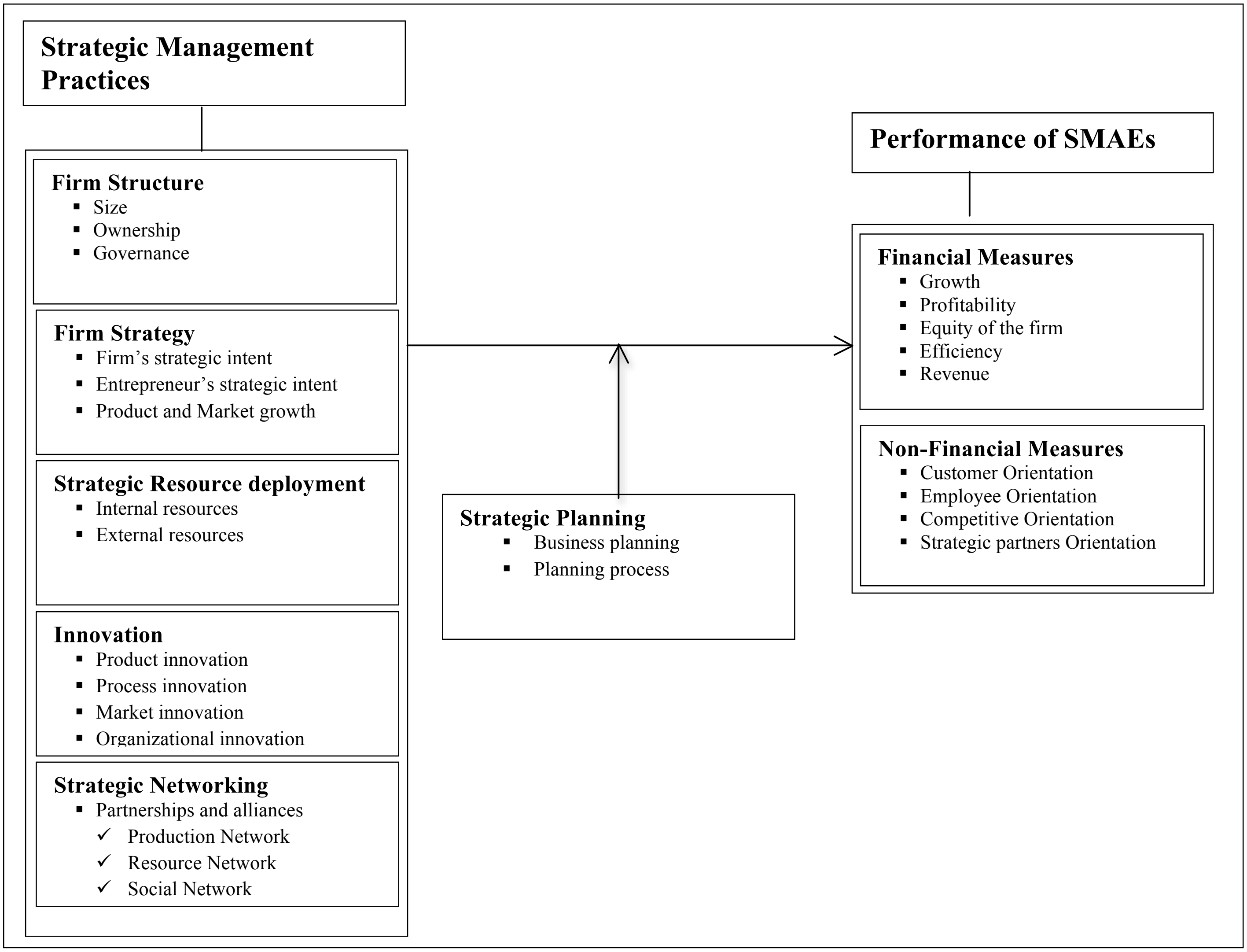


Figure I: Conceptual Framework
Source: *Adapted from Mazzarol, (2004) and modified by the author*

The figure above is a proposed conceptual framework for understanding strategic management practices and their effect on SME performance. The framework assumes the resultant effects of strategic management practices which include firm structure, firm strategy, strategic resource deployment, innovation and strategic networking moderated by strategic planning directly affecting the performance of SME agribusiness both in terms of financial and non financial aspects.

This framework recognizes the strategic theories that suggest the need to maintain a harmonious relationship between strategic direction and the organisation's structure (Chandler, 1962). However, it also recognises the importance of building future strategy around the firm's resources and not out-stripping those resources (Barney, 1991). Strategy requires the considered positioning of the firm and its products within targeted markets seeking to use innovation to create a competitive advantage through differentiation (Porter, 1980). However, the firm must have adequate core competencies (Prahalad & Hamel, 1990), which can be both tangible and intangible but offer superior outcomes over what might be available to competitors (Reed & DeFillippi, 1990). For resources to be a source of competitive advantage they should be of commercial value, not available to competitors, not easily substituted by customers and difficult for competitors to easily copy (Barney, 1986).

For small firms this framework is likely to be particularly important as it is likely that resource constraints will significantly impede the firm's capacity to fulfill it intended strategy. However, while very small firms generally lack any specific organisational structure, as they grow in scale and scope, it will be important for them to develop appropriate structures that enhance their strategy and make best use of their relatively limited resources. Successful growth will typically involve the continuous juggling of the various dimensions of strategic management.

1.8 Significance of the study

The study will contribute in three fold as follows:

i. The research will be used for academic purposes and students will have a wider scope of literature on which to infer.
ii. With respect to practical contribution, the findings of this study will be used as a guideline by the ministry of agriculture and other interested bodies to improve the design and administration of small and medium enterprises
iii. The research will guide SME organizations and owner managers on practical implementation and adoption of strategic and key management practices for improved organizational performance.

1.9 Justification of the study

The Small and Medium Enterprises sector form the highest percentage of all the businesses in developing countries with a large number being employed in the agricultural sector which forms the backbone of many economies in terms of their contribution to the revenue and job creation however, their growth and expansion is still limited. Therefore, this research aims to explore factors affecting successful implementation of strategic management practices in SMEs to enable them stay in business and improve their performance.

1.10 Scope of the study

The research will focus on strategic management practices and organizational performance in small and medium enterprises in Uganda and will be carried out in the western region of the country in the districts of Mbarara and Bushenyi.

1.11 Operational definitions of key Concepts

Strategic management

Thompson and Strickland (2003) defined strategic management as the process whereby managers establish an organization's long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute the chosen action plans.

Small and Medium Enterprises

While there is no official and universally acceptable definition of SMEs, there are generally accepted traits; the number of employees in an organization cannot exceed a certain amount, as well as the fact that they should have limited levels of revenues and assets (Dababnesh and Tukan, 2007). In Uganda, Randall, (2008) defines SMEs as follows; and these definitions have been recommended in a 2007 report by the Commonwealth Secretariat.

A Micro Enterprise is defined as an enterprise employing maximum of 4 people; annual sales/revenue turnover of maximum Uganda shillings 12 million (approx. USD 7,000, or €4,500) and total assets of maximum Uganda Shillings 12 million.

A Small Enterprise is defined as an enterprise employing maximum 50 people; annual sales/revenue turnover of maximum Uganda Shillings 360 million (approx. USD 215,000, or €137,000) and total assets of maximum Uganda shillings 360 million.

A Medium Enterprise is defined as an enterprise employing more than 50 people; annual sales/revenue turnover of more than Uganda Shillings 360 million (approx. USD 215,000, or €137,000) and total assets of more than Uganda shillings 360 million.

According to the Organization for Economic Cooperation and Development (OECD), the characteristic of SMEs not only reflects the economic patterns of a country but also the social and cultural dimensions. These differing patterns are noticeably reflected within different definitions and criteria of SMEs adopted by different countries: whereas some refer to the number of employees as their distinctive criteria for SMEs, others use invested capital, and some other use a combination of the number of employees, invested capital, sales and industry type (Rana and Farah 2007).

1.12 Summary

Chapter one covers background of the study and has presented the research aim, which is aligned with the research topic. The chapter has also put forward the research questions and has reviewed literature that provides a background to the research. The literature reviewed indicates that there is an increasing demand for research on strategic management practices and its impact on SMEs performance not only in Uganda but world over. Problem statement for the research was presented and the objectives and research questions also were presented in this chapter. In addition, the significance of the research was discussed which highlighted the proposed contributions of the study. This indicated that the research would be of benefit to SMEs organizations and owner managers on practical implementation and adoption of strategic and key management practices for improved organizational performance. It is hoped that the outcome of this research will assist in increasing the level of SME performance in Uganda.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section is divided into four major parts. First it explores policy framework and the general environment surrounding SME development. Secondly it explores the understanding of SME development, challenges and interventions. Thirdly, it presents the theoretical framework relating to strategic management practices and the performance of small and medium enterprises and lastly reviews the related literature.

2.1 Policy Framework conditions on SME Support and Development

Support to SME competitiveness should be a top priority for all countries as the sector is increasingly recognized as the prime vehicle for economic development in both developed and developing countries. SMEs are major source of employment, revenue generation, both developed and developing countries where the economic dependence of SMEs has increased over the years (Dababneh and Tukan, 2007; Ocloo, et al 2014). Therefore, improving SME competitiveness requires a combination of financial and non-financial support and a legal SME-friendly and administrative framework.

The regional workshop on SMEs development in Africa (AU, 2013) asserted that one of the daunting challenges faced by Africa today is how to manage its transition into a knowledge-based economy and further emphasizes that in a globally changing landscape characterized by continuous structural changes and enhanced competitive pressures, the role of SMEs has become even more important as providers of employment opportunities and key players in the wellbeing of local, national and regional communities (AU, 2013).

In Africa, the SME sector is one of the most important industrial sectors capable of meeting the challenges of eradicating poverty (Wilson, 2009). Generally, the SME sector accounts for nearly 90 percent of African economies. It is the largest source of employment, providing a livelihood for over three quarters of the working population, especially women. The sector is the backbone of almost every economy on the continent. However, the relative share of the sector in total output and exports is generally much lower as compared to other parts of the world. For decades, the capacity and productivity of SMEs in most African countries has remained very low. This is due mainly to the inadequate public support to the sector. In order to promote and enhance the development of industrial SMEs in Africa, there should be an institutional framework whereby entrepreneurial capabilities could be upgraded. The institutional framework could facilitate an effective and efficient coordination of the value chain, starting from analyzing the market, standardizing the conditions, designing, training, and financing of the sector.

It must be acknowledged that the national and local environment in which SMEs operate are very different and so is the nature of SMEs themselves, including crafts, micro enterprises, family owned or social economy enterprises. Therefore, policies addressing the needs of SMEs need to fully recognize this diversity and fully respect the principle of subsidiarity. Since the sector does not require sophisticated technology and high level of training to develop, the right policy framework could promote their growth and development. African dynamic entrepreneurs are well placed to reap the opportunities from globalization and from the acceleration of technological change. The capacity of Africa to build on the growth and innovation potential of Small and Medium- Sized Enterprises (SMEs) will be decisive for the future of African economic growth.

SMEs have to manage growth and change in an environment where the pace, pattern, and organization of production have evolved fundamentally. Trade liberalization at the global and regional levels has created opportunities as well as challenges for the development of the SME sector. In the recent past, many African countries have implemented business reforms aimed mainly at reducing red tape for the establishment of SMEs. In addition, the business environment for SMEs has improved considerably in many African countries according to the latest Africa – Doing Business Report of the World Bank, 2009.

Despite this encouraging progress, the continent still needs to take further significant measures to release the full potential of SMEs. In general, African SMEs still have lower productivity and grow more slowly than those in other parts of the world. In fact, the recent financial and economic crisis has reinforced the urgent need for Africa, considering the important role of SMEs in the economic growth of their economies, to continue to carry out economic reforms and create public support for the establishment and growth of industrial SMEs.

Government support programs for SMEs in Uganda

Many governments design programs of assistance to enhance the developments of SMEs. These are usually in the areas of finance, extension and advisory services, training and provision of infrastructural facilities and so on. In Uganda, the agricultural SME sector has received considerable attention from researchers and the government's efforts have recently been diverted towards promoting the growth and development of the SME sector through programs like Plan for Modernization of Agriculture (PMA) whose main objective is poverty eradication through commercialization of agriculture, Poverty Eradication Action Plan (PEAP), Business Uganda Development Scheme (BUDS), Microfinance Outreach Plan, UNIDO Master Craftsman Program, the Jua Kali Initiative and the Warehouse Receipt System (Randall, 2008).

The national government has considerably revamped government by streamlining ministries and staff, as well as specifically by creating semi-autonomous organizations such as the National Agricultural Research Organization (NARO), the National Agricultural Advisory Services (NAADS), and the Dairy Development Authority (DDA) in support of the SME development in the country (Larsen, Ronald and Theus, 2009).

Developing a clear SME policy requires an internal and external analysis of the environment surrounding the operation of SMEs in Uganda. MFPED, (2011) reports that Uganda has enjoyed a strong and stable macroeconomic environment over the last two decades characterized by low inflation, stable foreign exchange rate, reserves averaging five months of import cover and an average GDP growth rate of 6% per annum. However the question still remains whether the provisions of the MSME policy (2011) adequately covers the ever changing needs of the SME sector and if it's able to guide them through the volatile market environment? Are there alternative ways to ensure growth and sustainability of SMEs in Uganda? Therefore, the research will aim at answering some of these questions in order to realize consistent growth and performance of SMEs.

The Ugandan government has put in place policies to support agribusiness growth, such as liberalization and privatization; structural reforms for infrastructure development; civil service reforms to improve public services; decentralization; land policies; and specific agricultural subsector policies. The policy-related constraints to agribusiness innovation are not necessarily due to lack of appropriate public policies, but rather inadequate implementation of well-intentioned policies (Larsen, Ronald and Theus, 2009). Given such policies in place, the agribusiness sector should be seen growing from one level to another and therefore, the study will seek to examine the effect of strategic management practices on small holder agribusiness performance in Uganda.

2.2 Performance Characterization of SMEs

Small and medium-sized enterprises and start-ups have almost by definition fewer resources than larger enterprises, and the types of resources of these two groups of enterprises are different. SMEs possess such capabilities as niche filling, speed and flexibility that allow them to exploit certain opportunities faster and more effectively than established firms (Kraus and Kaurane, 2009).

Uganda has an extensive small and medium enterprise sector. There are estimated 1,069,848 SMEs in urban and rural arrears which account for 90% of the private sector. They contribute 75% of Uganda's Gross Domestic Product (GDP) and employ some 2.5 million people (Hatega, 2007). Employment growth has been estimated at around 25% per annum. SMEs are the prime source of new jobs and play a crucial role in income generation, especially for the poor.

The SME sector in Uganda, like other developing economies, is highly diversified by ownership, type of enterprise and stage of development. According to the Uganda's

Small Scale Industries Association, SMEs are spread across all sub-sectors of the economy with the majority operating in the informal sector (Randall, 2008).

In Uganda's most SMEs are largely concentrated in urban areas, mainly in Kampala and the central region. They are predominantly engaged in hospitality and entertainment, education, wholesale and retail trade, manufacturing, finance and insurance, health, social work, furniture, agriculture, professional services, and Information and Communication Technology (ICT).

Ownership of the enterprises is almost equally distributed between the male and female genders at 47.4% and 52.6% respectively, with more females engaged in micro enterprises.

Uganda's SMEs are predominantly informal and young enterprises, majority of which are aged between 1 and 5 years, suggesting a high enterprise mortality rate. Generally, less than 10% of the enterprises have operated for more than 20 years. Even at the top end of the spectrum, only a handful of indigenous enterprises have been able to survive the demise of their founders (MFPED, 2011).

MFPED, (2011) further asserts that most of the SMEs are sole proprietorships, which constitute 43% and private limited liability companies that comprise 33%. Others include partnerships (18%), associations (2%), cooperatives (3%) and NGOs (1%).

2.3 Theoretical Review

2.3.1 The Resource Based View (RVB) Theory

The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance**.** Barney (1991), asserts that firm's resources include all assets, capabilities, organizational processes, firm's attributes, information, knowledge, among others controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness.

The Resource-Based View Theory of the has attracted the attention of many authors in strategic management field after the renown works of Edith Penrose 'the theory of the growth of the firm' in 1957 (Teece et al, 1997). Barney, (1991) states that strategic resources are cornerstone for firm's performance in helping them gain competitive advantage and performing better than their competitors in the same industry.

RBV highlights the logic of how firms in the same industry perform better than the other and concentrates more on the deployment of internal resources of the firm to achieve a competitive advantage and sustainable growth and development (Rangone, 1999, Barney, 1991, Eiesenhardt and Martin, 2000). The theory holds that not all resources to the firm are important to enable it achieve competitive advantage. However, in order to have a sustained competitive advantage, these resources must be valuable, inimitable, non-substitutable and non-transferable (Barney, 1991, Teeece et al, 1997, Eiesenhardt and Martin, 2000).

Wiklund and Shepherd (2003), after studying the significant relationship between resources, entrepreneurial orientation and performance, posits that firm's performance should be based and measured on a wider dimension, namely organizational & procedural knowledge; innovativeness, proactiveness, risk- taking; net profit, sales growth, cash flow, product & process innovation, product & service quality & variety, and customer satisfaction. They further argue that resource-based view (RBV) research focuses mainly on the characteristics of resources, paying less attention to the relationship between these resources and the way firms are organized.

Wernerfelt (1984), in his study of resources and returns, explores the usefulness of analyzing firms from the resource side rather than from the product side. He concludes that resources such as brand names, technology, skilled personnel, and trade contacts, machinery, efficient procedures and capital are the foundation for attaining and sustaining competitive advantage position.

The study by Fahy (2000) on competitive advantage and resources provides a detailed insight into the logic of the resource-based view and highlights its contributions to the debate on the nature of competitive advantage. The study operationalizes the significant relationship between resources and competitive advantage in terms of superior firm performance, characteristics and types of advantage- generating resources, and strategic choice by management.

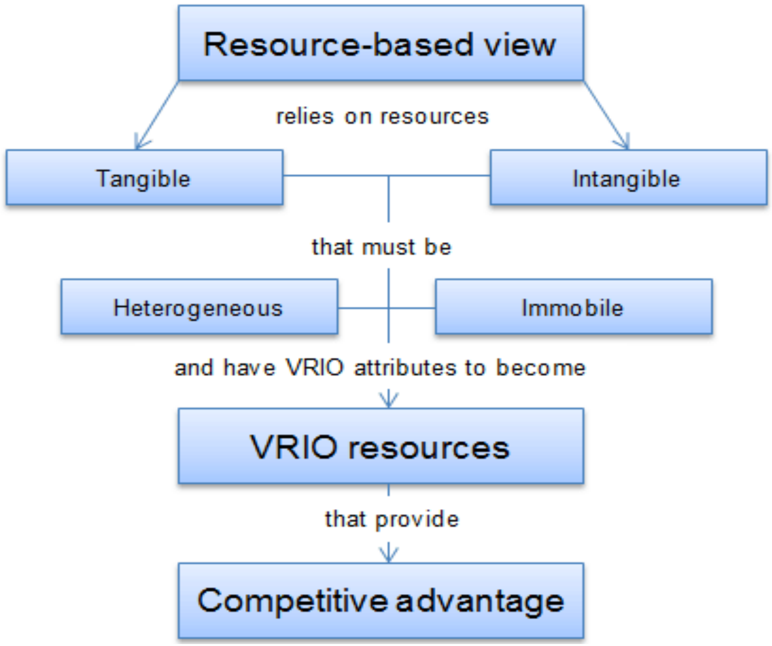
Further, Barney (2001a, 2001b) asserts that resource-based view (RBV) theorists argue that strategic implementation of resources and capabilities will give the firm a competitive advantage, provided such resources has elements of value, rareness, are inimitable and non-substitutable, and these are the ones that will eventually enhance firm performance.

Despite the several advantages of the RBV theory of the firm, researchers and academicians have failed to measure the intangible resources and this prompted some scholars start using archival proxies (Barney, Wright and Ketchen, 2001). For example, Miller and Shamsie (1996) assessed movie studios' creative resources by tracking the amount of Academy awards won by each studio. Such proxies allow for large sample empirical investigations, but they are subject to concerns about construct validity. Indeed, Miller and Shamsie acknowledge that their proxy could also serve as a performance measure. To overcome these theoretical challenges, Rouse and Daellenbach (1999) contend that intangible resources should be diagnosed via qualitative methods.

However, Chi, (2002) argues that the principal contention that Rouse and Daellenbach (1999) make in their "studies of competitive advantage using the RBV require a different approach" than the dominant "large-sample, cross- sectional analyses" that rely on secondary sources of data. They provide three key arguments to support their views about the inadequacy of the prevailing empirical methods. First, "since only firms with unique resources and competencies are assumed to have the potential for competitive advantages, the use of large-sample, cross-sectional analyses is unlikely to be able to disentangle the variety of effects associated with time, industry, environment, strategy, and the resource/capability of interest." This argument has been used to criticize cross-sectional analysis generally, but Rouse and Daellenbach's emphasis is perhaps that large sample sizes are not suitable for pinpointing idiosyncrasies that provide a firm with true competitive advantage. Second, data gathered from secondary sources (e.g., annual reports, industry association newsletters, and trade journals) are readily available to all competitors and therefore cannot be measures of unique and valuable competencies. The reason for this is that because “new technologies diffuse rapidly and competitors are likely to react quickly to actions/resources/competencies discernable from secondary sources” (Chi, 2002). Third, intrusive methods provide the key to uncovering sustainable advantages because as “sustainable advantages are organizational in origin, tacit, highly inimitable, socially complex, probably synergistic, focus on pinpointing idiosyncrasies that give a firm unique strength. Because of the causally ambiguous nature of these idiosyncrasies, only intrusive work can accomplish this goal (Chi, 2002).

Truijens, (2003) reveals that RBV critics are fundamentally and academically useful in identifying the exact contribution of the RBV current insights on the link between a firm’s resources and capabilities and sustainable competitive advantage. More so, they assist in revealing the areas of theoretical attention and sometimes even suggest ways to address such criticisms. He further asserts that a critical examination and discussion of any theory is the only way forward to improve its theoretical soundness and to challenge theorists to constantly revise and improve on their studies.

Resource-Based View Model



Source: Barney (1991)

2.3.2 The Dynamic Capabilities Theory

Resources are at the center of the RBV and the concept of dynamic capabilities complements the principle of the RBV of the firm and has been a subject of research for many scholars in the last decade who consider dynamic capabilities to be at the heart of strategy, value generation and competitive advantage (Wang and Ahmed, 2007). Dynamic capabilities are the antecedent organizational and strategic routines by which managers alter their resource base acquire and shed resources, integrate them together, and recombine them to generate new value-creating strategies (Pisano, 1994). As such, they are the drivers behind the creation, evolution, and recombination of other resources into new sources of competitive advantage (Teece *et al.*, 1997).

Therefore according to Eisenhardt and Martin (2000), dynamic capabilities is defined as "the firm's processes that use resources specifically the processes to integrate, reconfigure, gain and release resources to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die". In order to understand dynamic capabilities, there is need to make a clear distinction between dynamic and functional competencies or operational capabilities and Collis (1994) distinguishes between lower-order operational capabilities, which are described as the purposive combinations of resources that enable an organization to perform functional activities. If resources provide the inputs, organizational capabilities represent the firm's capacity to coordinate, put it in productive use, and shape inputs into innovative outputs (Collis, 1994).

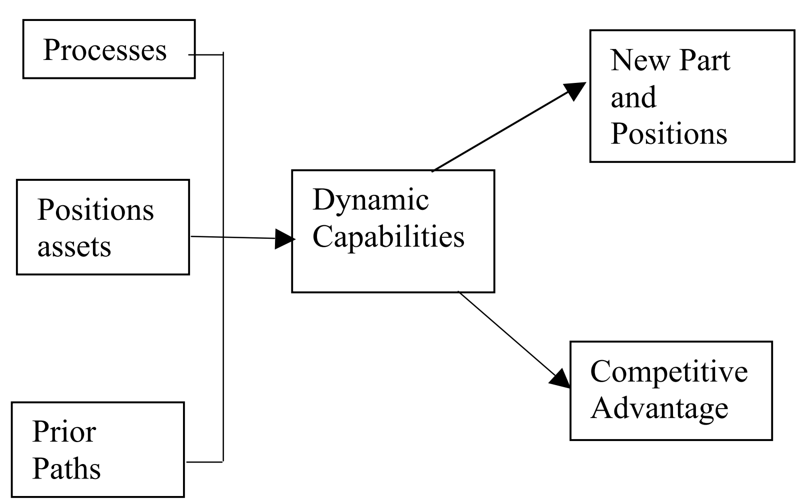
There is increasing evidence that a firm's dynamic capabilities significantly affect firm performance and Henderson and Cockburn (1994) corroborate that a firm's ability to integrate knowledge from external sources is positively related to its research productivity, measured by patent counts. Zollo and Singh (1998) in their study of post-acquisition integration processes in the banking sector, provide evidence that acquirers who invested more effort in collating their integration processes achieve superior profitability performance compared to competitors. Similarly, Deeds *et al*. (1999) show that dynamic capabilities such as research personnel quality or alliance formation processes are significantly related to the number of newly developed products in the biotechnology sector.

Despite the ongoing progress made in the empirical inquiry of the differential effects of specific dynamic capabilities, it seems that few studies have provided a comprehensive account of their precise impact on firm performance. Collis (1994) suggests that dynamic capabilities, which can be defined as higher-order or meta-capabilities are important because they may help firms to avoid path dependencies imposed by their current lower-order competences. Therefore, a firm has to develop capabilities to learn and redefine its resource base in order to overcome the trap laid by their existing competences and creates new sources of competitive advantage.

Eisenhardt and Martin, (2000) agree that dynamic capabilities show some kind of similar characteristics across firms in terms of their key attributes, and therefore are neither inimitable nor immobile. They further assert that dynamic capabilities cannot in themselves be a source of sustainable competitive advantage but rather they contribute to the achievement of superior firm performance by combining and renewing functional competencies, which in turn affect performance

Teece, Pisano and Shuen (1997) state that the dynamic capabilities approach is promising both in terms of future research potential and also as means to management endeavoring to gain competitive advantage in increasingly demanding environments.

The Dynamic Capabilities Framework



Dynamic Capabilities Framework (Teece, et al. 1997)

2.3.3 Strategic leadership and strategic decision theory

More so, key to this study is **Strategic leadership and strategic decision theory of the firm** which emphasizes that strategic leaders are a key resource to the firm and key characteristic of a strategic leader is the ability to articulate the business model that enables the organization to achieve its vision (Hill and Jones, 2008). As such, strategic leadership has developed into a significant stream of strategic management research (Finkelstein and Hambrick, 1996). Leadership has significant impact on strategic management process. Especially it helps to determine the vision and mission of the organization. Further, it facilitates the organization to execute effective strategies to achieve that vision (Azhar et al, n.a). All this examines the future directions, both in terms of theory, practices and methodologies, as the study of strategic management evolves (Hoskisson, 1999; Furrer et al, 2008).

Bass, (2007) stresses that there are many challenges that face strategic leaders who are constantly involved in dealing with both the need for continuity and the need for change. He states that directions, meaning, purposes, and goals of the organization are a result of strategic leadership. However, deciding what decisions are strategic is still a complex phenomena for example determined what decisions should be included in a strategy is a big challenge to managers (Van den Steen, 2011) and therefore, Bass, (2007) cautions that a long-term perspective of the organization can only be achieved by amalgamating other competencies.

2.4 Review of related literature

2.4.1 Structure and SME performance

One of the most elementary decisions a small firm owner or manager has to make is the design of the firm's organization. As soon as a small firm hires one or more employees, some kind of organizational structure develops. Firm structure is critical to the performance of every business and managers ought to ensure that structures are aligned to the overall business strategy as they provide the means for clarifying and communicating the lines of responsibility, authority and accountability (Montana, and Charnov, 1993). Mazzarol, (2004) demonstrates that while very small firms generally lack any specific organizational structure, as they grow in scale and scope, it will be important for them to develop appropriate structures that enhance their strategy and make best use of their relatively limited resources. Chandler, (1962) further advances this in his book "strategy and structure" that there is need to maintain a harmonious relationship between strategic direction and the organization's structure in order to guarantee strong firm performance.

Organization design is not simply about mapping out an organizational structure, but also about how the organization is aligned with all other aspects, functions, processes and strategies within the business. When looking at organization design, the context within which the business exists must be taken into consideration (Stewart and Rogers, 2012).

Performance measures are another element in organization design. After all, the purpose of organization design is ultimately to improve the performance of the organization and there are many ways of measuring organizational performance. For many businesses, financial measures are key, although not exclusive to all other outputs. Simons (2005) accentuates that ‘Organization design demands the right performance measures. A good measure must be objective, complete, and be responsive to the efforts of the individual whose activities are being monitored. In addition, a measure must be clearly linked to economic value creation.’

Where as, very small firms generally lack any specific organizational structure, as they grow in scale and scope, it is paramount for them to develop appropriate structures that will help them enhance their strategy and make best use of their relatively limited resources.

Meijaard, Brand and Mosselman (2002) in their study conclude that the relationship between organizational structure and business performance is complex because SMEs are a very heterogeneous bunch, both across sectors and across size classes. Strategies and objectives provide some insight in the operational fit of particular structures, but more thorough analysis is desired. This study will present a substantial step towards a better understanding of how organizational structure affect firm performance.

2.4.2 Strategic Planning and Performance of SMEs

Strategic planning is generally accepted to be positively related to a firm’s performance. If the purpose of strategy planning is to assist the firm to accurately anticipate and forecast imminent environmental changes, then it becomes evident that firms that undertake to engage in a form of strategy planning will tend to show a better performance (Falshaw, Tatoglu and Glaister, 2006). However, many SMEs are unregistered and carry out their activities in an informal manner. Informality here refers to the legal status of business owners' enterprise. In many cases, small and micro-enterprise operate without legal registration and mostly just referred to as "informal sector". According to Schiebold (2011), unregistered business has an implication on the business success in a number of ways. Due to its informal status or non-registered, they are unable to conduct business with official institutions or large formal businesses. Furthermore, they are excluded from exporting their products and therefore this could give them problem in raising the much needed working capital through official channels including banks and other Micro Finance Institution with whom and through which Government channels its funds for the SMEs (Gatukui, and Katuse, 2014).

Kotter (1996) argues that the strategic planning process can be used as a means of repositioning and transforming the organization. Thompson, Strickland and Gamble (2007) postulate that the essence of good strategy making is to build a market position strong enough and an organization capable enough to produce successful performance despite unforeseeable events, potent competition, and internal difficulties. Quinn (1980) further illustrates that well-formulated strategies help marshal and allocate an organization's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents. Indeed Arasa, (2012) contends that strategic planning enables a company to gain, as effectively as possible, a sustainable edge over its competitors and he further states that strategic planning assists organizations to develop a comparative advantage or an edge over competitors and creates sustainable competitive advantage. Therefore, a range of potential benefits to intrinsic values accrues to both the company and external stakeholders from the use of strategic planning.

McDonald and Barnett, (2012) argues that strategic management is all about creating a new attention for the organization, focusing on a compelling vision of the future. Strategy goes-round all business functions and establishes how effective the collaboration is between them, making it the management practice with the greatest potential to improve the fortunes of a business. He emphasizes that 'strategy could transform business as whole and thus entire economies'. Zaei, et al (2013) also demonstrates that the use strategic planning and management in business organizations whether public or non profit organization can help organization clarify the future direction; think strategically and develop effective strategies; establish priorities; deal effectively with rapid changing circumstances; build teamwork and expertise; and solve major organizational problems; and improve performance

2.4.3 Performance Measurement in SMEs

Amoah-Mensah (2013) suggests that there is no consensus on the specific criteria that should be adopted in measuring the performance of firms. Some of the most prominent indicators that have surfaced in the literature were output, profits, sales volumes, assets and the number of employees.

SMEs performance can be measured from financial and non-financial aspects. Standard for such measurement are different for organizations that are dependent on objective & goal, which they want to achieve. This is

Neely et al (2002) is of the view that measuring SME performance is very critical since it assists managerial development through collecting and analyzing information. In addition, it helps the organization translate its strategy into results, (Lingle and Schiemann, 1996) and provides feedback to managers on the progress towards the goals of the organization, (Simmons 2000). Further more, (Simmons, 2000) advances that there are two types of performance measurements: objective and subjective.

Financial or accounting measures like profits, returns on sales and returns on assets (ROA) are objective measures (Rieple and Haberberg, 2008) while the traditional approach, which emphasizes on organizational effectiveness by using qualitative or intangible success factors for measuring it; for instance, a company"s image, culture, technological competence learning, employee morale, customer satisfaction and quality of a product or service is also examples of non-financial and subjective measures (Analoui and Karami, 2003). Financial performance measures are seen to be reliable, very simple and easy to understand (Otley, 1999).

Amoah-Mensah (2013) states that managers have criticized financial performance measures as being lagging measures because they give feedback on historical performance of firms, which gives room for manipulation. On the other hand, subjective performance measures are considered as leading measures because they measure future performance, (Simmons 2000) and also allows managers to provide clears projection and planning of their business, which is very key for SME performance. Kaplan and Norton (1992) are of the view that the traditional accounting (financial) performance measures show misleading signals for continuous improvement and innovation, hence multidimensional measures comprising both financial and non-financial are needed.

According to Garengo et al (2005), SMEs are concerned with operational and financial aspects of their performance. They only measure the performance of single aspects like delivery precision and quality levels. In view of this, a multidimensional performance measure is suitable for them. The study will adopt both financial (financial viability, market share and profitability, equity of the firm and annual turnover) and non-financial (efficiency, effectiveness, relevance and number of employees) measure as instruments for measuring performance of SMEs in Uganda.

2.4.4 Strategy and SMEs Performance

Many authors have come up with diverse definitions of strategy and according to Mintzberg, et al. (1998) there is no single, universally accepted definition of strategy (Abu Bakar et al, 2011). The early definition of strategy was provided by the American business historian, Chandler who defined strategy as determination of basic long-term goals and objectives of an enterprise, and the adoption of the course of action and the allocation of resources necessary for carrying out those goals. Mintzberg (1994) indicates strategy as a plan-direction, a guide or course of action into the future and as a pattern, that is, consistent in behaviour over time. There is need for a uniform definition of strategy to give it more meaning and the future authors and researchers should aim at combining the various definitions into a single universally accepted definition of strategy that is measurable and consistent with the organizations objectives of achieving their long-term goals and objectives.

However, some science scholars, researches and academicians state that science does not require consensus (Ronda-Pupo and Guerras-Martin, 2011) and as new ideas emerge, they replace the older ones. Markides (2004) posits the fact that, ‘despite the various importance of a superior strategy to the success of an organization and despite decades of research on the subject, there is little agreement among academics as to what strategy really is. From notions of strategy as positioning to strategy as visioning, several possible definitions are fighting for legitimacy. Lack of an acceptable definition has opened up the field to an invasion of sexy slogans and terms, all of which add to the confusion and state of unease'.

Research into strategy formulation and implementation, particularly in small and medium sized enterprises has become one of the main focuses of academia and industry and this is because with the accelerating dynamics of competition, SMEs are seen to play a key role in generation employment, promoting innovation, creating competition, generating economic wealth and enhancing organizational effectiveness (Mazzarol et al, 2013; Arasa and K'Obonyo, 2012).

Strategy plays a crucial role in the firms' performance. Strategy gives the direction that a firm has in mind and in which way they want to achieve their goals. The performance of an enterprise is determined by the business strategy it adopts. Strategic management is a management process and utilized specifically to increase the performance of an organization's operations and administration. The application of strategic management practices in SME's can help them to enhance their performance through improved effectiveness, efficiency and flexibility (Barnett, 2012). However, it does not necessarily mean that better formulated strategies will automatically translate to superior performance for the firm (Gakure, et al, 2012).

Companies with sound strategies know what their business model is and the system by which they generate distinctive value. This knowledge gives them strategic goals and the plans to achieve them. With these foundations in place, key performance indicators and an appropriate incentive structure can follow, as can effective communication of this collective strategic thinking and planning to the stakeholders on whom the ultimate results will depend (Barnett, 2012).

Strategy has had a greater impact on organizational performance of SMEs by providing direction that firms have and the way they want to achieve their strategic goals. The performance of the an enterprise is determined by the strategy it adopts (Turyahebwa, et al, 2013)

2.4.5 Strategic Resources and Firm Deployment

This research adopts Barney's (1991) definition of resources: firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.

The RBV Theory explains well how firms use resources to gain competitive advantage and superior performance (Teeece et al, 1997, Eiesenhardt and Martin, 2000). Where as, research on the performance of small firms based on the resource based-view acknowledges that firms' unique resources give them competitive advantage (Amoah-Mensah, 2013), Akio, (2005) posits that if competitors can easily duplicate the resources possessed by a firm, even though the resources are a source of competitive advantage of the firm, such advantage will be lost in the short run.

According to Fahy (2000), the key elements of the RBV theory are:

- *Sustainable competitive advantage and superior performance*
- *The characteristics and types of advantage-generating resources and*
- *Strategic choices by management*

Amoah-Mensah (2013) argues that in order to achieve competitive advantage and superior performance, firms should combine different sets of resources. Black and Boal cited in Shook et al (2009) contend that "each firm possesses different resources and capabilities and the way the firm acquires, develops, maintains, bundles and applies these resources leads to superior performance thereby having a competitive advantage over time". Thus, not only do firms resources becomes strategic when they are valuable, difficult to be copied by competitors, non transferable or have no close substitutes, they are key to SME performance. In addition to building competitive advantage, strategic resources may also increase the firm's capacity to charge high prices and, thus, contribute to performance by helping the firm to appropriate the value linked to competitive advantage. Furthermore, resources may be used to erect entry barriers and so increase performance at the industry level (i.e. for all industry players included the breakeven competitor).

Amoah-Mensah (2013) accentuates that firms have both tangible and intangible resources. He further explains that Tangible assets are physical resources, which can be seen and evaluated (Wilk and Fensterseifer, 2003). These include plant, equipment, land, stocks, and financial (debtors, creditors, cash in hand and at bank). Intangible assets on the other hand are those that cannot be seen and quantified (Wilk and Fensterseifer, 2003). For example, reputational resources like trademarks, patents, brand and goodwill as well as networks, individual and group skills, interactions and the organizational routines and processes used to organize and co-ordinate these resources.

In his study (Amoah-Mensah, 2013) advises SMEs not only to rely on internal resources for competitive advantage. External resources also include relationships with and knowledge acquired through suppliers and customers, competitors and institutions and all this is key to SME performance (Akio, 2005). He further opines that recent studies on the strategic literature suggest external resources acquired through competitors, suppliers, customers, consultants, research institutions, alliances and acquisition influence that firms' performance. The study of Fey and Birkinshaw (2005) also indicates that resources from competitors and other institutions influence research and development performance of firms. Laursen and Salter (2006) study shows a link between firms seeking external innovation ideas and performance. Teece (2007) study reveals that enterprises adapt to business ecosystems and shape them via innovation and collaborations with competitors and other institutions**.**

2.4.6 Network Structure and SME Performance

The promotion of inter-firm linkages is another issue deserving more attention and recognition. As a result of globalization, there is an emergency of new industries in technology, communication, transport among others, where opportunities for contracting, sub-contacting and outsourcing exists for SMEs. The potential of such opportunities must be tapped by SMEs to enhance their competitive capability and improve performance. Blisson and Rana, (2001) posits that networks consist of firms, owner- managers, support agencies, voluntary associations and other bodies through which small firms connect to the wider economy and the process of networking usually involves participants engaging in activities which brings the network into existence and sustains it through time. In today's society rapid changes in a transitional global economy there is increased competition between business and organizations that produce value for customers and superior performance is not only achieved by having abundant resources but also ensuring those resources are networked in away that will promote organizational performance (Farinda, Kamarulzaman, Abdullah and Ahmad, 2009).

They continue to emphasize that social networks are important value addition to business environments especially to the small and medium-sized enterprises particularly agricultural business where farmers produce without the idea of where to market their produce. Shaw, (1999) further accentuates that entrepreneurial networks are important drivers to business growth because through them, entrepreneurial firms are able to share technical and scientific information in a way that encourages new product development and technology transfer. And networks also have been found to encourage pooling and sharing of resources in SMEs, which helps them to develop new products and compete with their larger counter parts (Shaw, 1999).

While strategic networking is most times a challenge for small firms, those that practice it are likely to gain significant benefits in the accumulation and exploitation of resources around them and in seeking sustainable growth over time, SMEs will need to chart a trajectory through the growth vector with a series of product-market combinations that allow them to build upon their market opportunities, core competencies and strategic alliance partnerships (Mazzarol, 2004).

Mazzarol, (2004) asserts that strategic network relationships operate on three broad levels or layers. The first is the *production network layer*, He emphasizes that in this, there is vertical supply-chain relationships flowing through a particular business activity system. Critical to this are the *key suppliers* and *lead customers* that make up the production network in which the firm operates. Key suppliers are those firms that offer critical inputs to the firm and who would degrade the firm's competitiveness if they allowed their own quality or efficiency to degrade (Holmlund & Tornroos 1997). Lead customers are typically dominant in their own industries and have above average levels of competitiveness. They assist the firm to benchmark its quality to the highest levels, and consistently drive up performance standards (Holmlund & Tornroos 1997).

According to Wilson, (2009) six main types of mechanisms have been identified necessary for supporting business linkages and SME development. They Include;

- Linkages along individual company value chains
- Groups of companies in the same industry sector or location working collectively together
- Traditional trade and industry associations enhancing their capacity to better serve SMEs
- Joint public-private financing mechanisms
- Dedicated small enterprise support centers
- Multi-stakeholder public policy structures

The importance of various network and alliance configurations has become important to strategists. Such relationships have been studied in several different settings, including cooperative- competitive networks (Madhavan, Gnyawali, and He, 2004). Strong "internetworking" systems have been shown to facilitate external partnering (Brews and

Tucci, 2004) among organizations. A subset of general network structures involves those supporting sophisticated supply chain management functions and the benefits, which they can provide to corporate strategies (Hult, Ketchen, and Slater, 2004). Other networks have been studied in the context of innovation and related product launches (Venkatraman and Lee, 2004).

In Uganda the successful sector that has achieved the benefits of business linkages is the telecommunication sector for example, MTN has extensive backward and forward linkages with small support companies that provide a wide platform of services to it.

Network structure as key part of strategic management has received little attention by researchers and enterprise performance is anchored on how well a business network has provided a conducive environment to implement strategies or has helped formulate new ones. Therefore, this study will bring out the vital aspects of networks in the operations and performance of small and medium agribusiness enterprises in Uganda.

2.4.7 Innovation and SME Performance

According to Freudenburg (2003), "innovation is defined as the development, deployment and economic utilization of new products, processes and services and is an increasingly important contributor to sustained and sustainable economic growth both at micro and macro levels". Can Ugandan SMEs achieve superior performance without clear innovative strategies? Thomas, et al. (2011) posits that the measure of innovation performance in SMEs is the development of new products, services, advancement of manufacturing technology and process improvement, research and development. Almost all SMEs need to be innovative if they are to contain the volatile environmental and market forces. This is inline with Mazzarol (2004) who insists that SMEs must possess capacity to generate innovation in products and process that will allow the firms to build a competitive advantage within its chosen markets which is key to their performance.

Porter and Stern (2001) argue that all entrepreneurship ventures need to innovate to secure for themselves a point of difference within its chosen markets. Teece et al (1997) insists that firms should constantly alter their resources in a way that will enable them achieve a competitive edge and remain relevant in the market and this can only be achieved through constant innovation and development of value-adding strategies. Remaining competitive in today’s modern world require organizations to pursue innovation (Teece, 2007). However, the million-dollar question in this regard relates with ‘how to innovate’ which still captures researchers attention and how SMEs can achieve performance through innovation.

Mazzarol (2004) posits that innovation is more evidenced in small firms than large firms due to the need for small firms to constantly adapt to changing environments. He further states that small firms have much interface and develop close partnerships with customers that define a strong market orientation and therefore, the need to respond to customer demands acts as an opportunity for SMEs to constantly change their product offerings. Small firms that possess innovative orientations are more likely to emulate the autonomous, multi-disciplinary project teams that are often difficult to generate within larger organizations. However the attitude and orientation of the owner-manager is the key to innovativeness within the small firm (Chandler, Keller & Lyon, 2000).

Product and Process innovation are key to firm performance and companies that know how to innovate do not necessarily throw resources in research and development instead they cultivate a new style of corporate behavior that is confortable with new ideas, knowledge, risk and change. Scholars suggest that innovation is an important vehicle for small firm growth and success (Schumpeter, 1996; Burns, 1996) and due to mounting competition, the capability to control the innovation and manage the innovation processes is extremely important to SMEs future growth and development.

Whereas, the capacity for innovation among small firms should be held important and significant for SME performance, some thoughtfulness is prerequisite. As small firms grow, they must introduce new products, processes, and management changes and acquire new systems and markets, all of which can be viewed as innovative activities (Gibb, 2000) however, this has been a limitation to Uganda's SMEs. Sustainable innovations that lead to major shifts in technology and dominant designs in products or service deliveries are less common among small firms, although when they do occur they are particularly noteworthy. Nevertheless, the need for adaptation and change, the lack of bureaucracy, the multi-disciplinary nature of the work environment and the closeness of owner-managers to customers and employees, all serve to increase the likelihood of innovation in smaller firms, a view supported by empirical research (Vossen, 1998, Mazzarol, 2004).

2.5 Constraints to SME development

Overall, most SMEs, whether in developed or developing countries, are facing more intense competition and pressures. The forces of internationalization and globalization are pressuring firms of all sizes, including SMEs, to improve their competitive position. Pressures to defend profit margins, cut costs, innovate and adopt the most efficient technologies are becoming increasingly important. Such competitive pressures are not only impacting on individual SMEs but also on existing clusters and SME networks (Wilson, 2009).

SMEs face a number of challenges right from the start-up phase to growth and development among them is limited management and operational capacity that slows the performance and growth potential of SMEs (UIA, 2014). Poor business performance has for long remained unexplained most especially in the third-world countries perspective where the Small and Medium Enterprises occupy the large part of the economy and this is due to failure of SMEs to innovate and carryout research, which is the main pillar for growth and development especially, for firms competing in the volatile market environment (OECD, 2004; Mutambi, 2011; Gatukui and Katuse, 2014). On the other hand however, Gatukui and Katuse (2014) accentuates that the quality of management that lacks the financial acumen, entrepreneurial skills and practical knowledge greatly affects the performance of small and medium enterprises.

Stathacos and Adoum (1996) support the above aspect that SMEs are facing growth constraints due to lack of resources to enable them effectively disseminate to producers the necessary technologies and agricultural practices. They further emphasize that policy inconsistency and instability renders the ability of firms to make strategic investment decisions quite difficult and these policies include; liberalization of import duties, fiscal reforms, privatization and thus creating a lack of confidence among small and medium enterprise that affects business decisions.

SMEs face certain constraints that are less applicable to large companies in Uganda. SMEs are more dependent on business development services for growing their businesses, face major constraints in their access to finance and markets, and are disproportionately affected by regulatory barriers. On the other hand, they can offer good investment opportunities for investors willing to enter this sector (UIA, 2008). Growth of the SME sector is seen as a strategic development in addressing some of the problems causing poverty in Uganda (Randall, 2008).

Owner-entrepreneurs usually do not feel the need to rationalize company strategies, nor to adopt tools for strategies' implementation. In small organizations, the entrepreneur's vision and company goals are an outcome of an intuitive and unstructured process that depends on the entrepreneur's perception of the external environment which is typically undisclosed. No systematic screen of environmental trends is carried out, nor instruments for strategy formulation are used. With reference to implementation, managerial tools are considered too bureaucratic to be effective instruments and they contrast with the traditional small firms" business model based on organizational flexibility. Moreover, the introduction and maintenance of such mechanisms (as well as the recruitment of experienced professional managers) are seen as too costly and considered unnecessary because the entrepreneur itself is involved in operational activities. Therefore, SMEs ought to deal with environmental forces if they are to survive, grow and meet their expectations (Banham, 2010; Karami, 2008)

2.6 Strategies for SME development

The National Micro and Small Enterprise Policy (MFPED, 2011) points out that transforming Uganda from a peasant to a medium economy in the foreseeable future is real and achievable, and one sure way to attain this is to transform the SME sector into a vibrant and sustainable one. The SME policy in Uganda posits that achieving SMEs growth and sustainable development requires the efforts of both the Government and the private sector. The policy states that the government's role will be to devote its efforts towards providing infrastructural support, organizing, regulating as well as building the sector's internal capacity to produce and compete both in the domestic and international markets. Whereas, the private sector should be alert to exploit the provisions made in the policy to maximize output especially of value added products in order to compete sustainably.

A number of initiatives, policies and programs have been put in place to enhance the development of SMEs in Uganda and minimize the challenges these businesses have been facing that have for long inhibited their growth. The key programs the government has implemented in an effort to improve SME development include; Plan for modernization of agriculture, Business Uganda Development Scheme, Microfinance Outreach plan, UNIDO Master Craftsman Program (MCP), the Jua Kali Initiative, Warehouse Receipting System and Presidential Investors Round Table (PIRT).

SME development requires a crosscutting strategy, for example the success of these enterprises will very much depend on the governments efforts to develop and implement clear sound macroeconomic policies and stakeholders/entrepreneurs who are capable of developing conducive microeconomic business environments, and the ability of SMEs to implement competitive operating practices and business strategies. Thus, SME development strategy must be integrated into the broader national development strategy and growth strategy if developing countries are able to obtain the benefits arising from proper management of these enterprises (OECD, 2004).

2.7 Summary

Chapter 2 provides an overview of the nature and importance of small and medium-sized enterprises. The chapter also discusses the policy Framework conditions surrounding SME support and development, and performance characterization of SMEs. In this chapter, SMEs are defined and conceptualized, and their most important contributions are highlighted. Finally, the challenges facing SMEs are discussed and possible strategies for SME development.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section presents research methodology that will guide this study. It covers the research design, study population and sample size, sampling design and procedures, data sources and collection instruments, reliability and validity of research instruments, measurements of research variables, data analysis, and limitations to the study.

3.1 Research Design

The study will adopt a cross sectional design. A survey is a detailed investigation into the characteristics of a population as expressed at a particular point in time (Leedy, 1997: 192). According to Kumar (2005:77), cross sectional surveys are ideally suitable for studies that require rapid data collection and an understanding of the population from a part of it and they take place at a single point in time and do not involve manipulating variables. Tuckman (1994: 238) suggests that in cross sectional surveys, the study sample represents a cross-section of the target population and notes that cross-sectional design is good for establishing the prevalence of a phenomenon across the whole population. The survey method is preferred because it will allow the researcher to obtain detailed information on the relationship between strategic management practices and SMAEs performance within the most appropriate and generally acceptable time period. This design is appropriate because it is effective in collecting descriptive information and enables a researcher to collect different kinds of information at the same time and thus minimizing the costs

RESEARCH STRATEGY

For a mixed research approach, six research strategies can be applied (Creswell 2003): sequential explanatory strategy; sequential exploratory strategy; sequential transformative strategy; concurrent triangulation strategy; concurrent nested strategy; and, concurrent transformative strategy. In this research, the concurrent triangulation strategy was used. This strategy helps researcher use different methods in an attempt to confirm, cross-validate, or corroborate findings within a study (Creswell 2003).

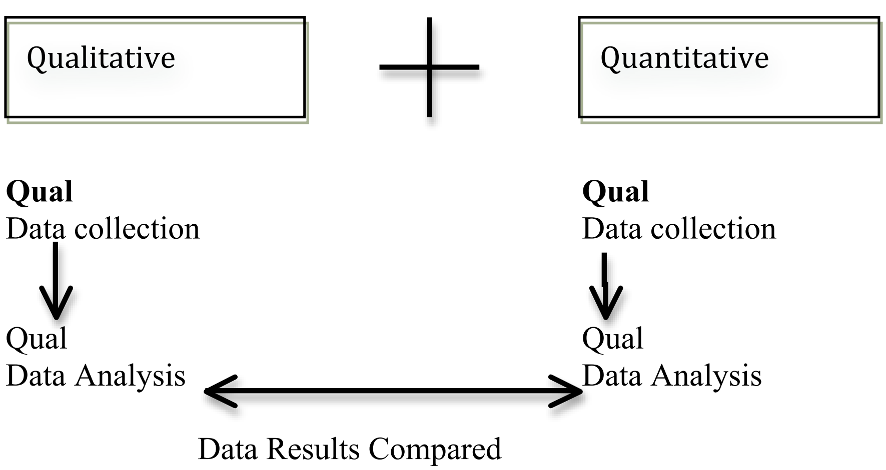
TRIANGULATION

Triangulation refers to a method that answers research questions in more than one way (Collis and Hussey 2003); it was broadly defined by Denzin (1978) as “the combination of methodologies in the study of the same phenomenon.” Triangulation can help researchers improve the accuracy of their judgments by collecting different kinds of data bearing on the same phenomenon and reduce the impact of potential biases that can exist in a single method (Jick 1979). Triangulation can be used in both qualitative and quantitative research. Scholars suggest that accepted triangulation protocols include: data source triangulation; investigator triangulation; theory triangulation; and, methodological triangulation (Denzin 1989; Stake 1995).

There are two types of triangulation in this research. As mentioned in previous section, this study employed concurrent triangulation strategy, which mixes both qualitative and quantitative approaches. At the same time, data-source triangulation was applied in this study. In qualitative research, the data are derived from interviews. In quantitative research, questionnaire surveys were employed.

According to Bryman and Bell (2003), triangulation of methodology occurs when more than one research strategy and data source are used in a study of social phenomena. Triangulation can be undertaken within a single research strategy by using multiple sources of data or across research strategies (Bryman and Bell, 2003; Marlow and Carter 2006). The combination of qualitative and quantitative design strategy has been recommended and used by researchers in situations where one of the approaches is insufficient to reveal all that is required to be known about a phenomenon (Bryman *et al*. 1996; Wilson and Marlino 2005). The importance of diversifying data sources and methodological approaches is also under scored by Yin, (1994) and Wilson and Marlino (2005) who specify that the rationale for using multiple sources of data is to triangulate evidence in order to increase the reliability of the data and the process of gathering it and hence validate the data gathered from different sources.

Concurrent Triangulation Strategy



Source: Creswell (2003)

Concurrent Triangulation Strategy minimizes the inherent weakness within one method by strengthening others; this is done by using separate quantitative and qualitative methods. According to Creswell (2003), this strategy is advantageous because researchers are familiar with it and its findings can be well-validated and substantiated. However, the limitations of this strategy are: (1) it requires great effort and expertise to adequately study a phenomenon; (2) it is difficult to compare the results of two analyses using data of different forms; and, (3) it is difficult to resolve discrepancies that arise in the results.

Ideally, the priority would be equal between the qualitative and quantitative methods, but in practical applications priority may be given to either the qualitative or quantitative approach (Creswell 2003). In this research, the qualitative approach was undertaken prior to the quantitative approach.

3.2 Study Population

TABLE 1: Target population

DISTRICT	NO.OF AGRIBUSINESS	NO.OF STAFF
MBARARA	200	1600
BUSHENYI	150	1200
TOTAL	350	2800

Source: Uganda National Farmers Federation

Table 1 above indicates the targeted population. The study will focus SMEs agribusiness only in the Western Uganda in the districts of Mbarara and Bushenyi, which have been in existence for at least four years and employ at least 8 staff. This population is chosen because of the highest number of agricultural households (UBOS, 2010) and is key player in agricultural who are in position to give accurate views on the influence of strategic management practices and performance of small and medium agribusiness enterprises.

According to the data obtained from the Uganda National Farmers Federation, there are about 200 Agribusiness SMEs identified in Mbarara and about 150 in Bushenyi. The study will consider SMEs as a relative term that covers a wide range of formal and informal businesses.

3.3 Sample Size Determination

Table 2: Sample size and sampling techniques

District	Number of SMEs	Sample SMEs	Sampling method	Population	Sample Size	Sampling method
Mbarara	200	75	Simple random sampling	1600	234	Stratified simple Random sampling
Bushenyi	150	50	Simple random sampling	1200	196	Stratified simple Random sampling
Total	350	125		2800	430	

S**ource**: Krejcie and Morgan (1970), Table Guide for Sample Determination

In determining the sample size for this study, the researcher will use Krejcie and Morgan sample size table. The researcher will consider 75 SMEs out of the 200 and 50 SMES out of the 150, which will be randomly selected in the districts of Mbarara and Bushenyi respectively. The enterprises will be randomly selected in each of the districts without considering where they are situated because SMAEs are distributed across the districts and not concentrated in one particular location. This will also enable the researcher to study the different characteristic of these enterprises given their location. The subjects will be selected using stratified random sampling as indicated in Table 2. Stratified sampling will be used because organizations have structures and its paramount to get views from different heads of departments and sections in order to reach at the critical issues affecting SMAEs performance in the selected districts of Uganda.

While the Simple random sampling will be used to select the SMEs, Stratified random sampling will be used to select the subjects from each selected SMEs.

3.4 Data Collection Methods

The research will use a triangulation approach adopting several methods of data collection involving; use of questionnaires and this will include range of response questions, close-ended questions, providing limited answers to specific responses or on a numeric scale, survey document review as well as interviews.

Quantitative data collection

The study will employ a closed structured questionnaire consisting of both questions and statements measured on a 5 likert scale ranging from strongly agree to strongly disagree. Sekaran (2003) defines a questionnaire as “a pre-formulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives”.

Anderson (2004) contends that surveys using questionnaires are perhaps the most widely-used data-gathering technique in research and can be used to measure issues that are crucial to the management and development of human resources, such as behavior, attitudes, beliefs, opinions, characteristics, expectations and so on. As Sekaran (2003) stated, questionnaires have the advantage of obtaining data more efficiently in terms of researcher time, energy, and costs. Thus, the design and administration of a relevant questionnaire is appropriate for measuring SME performance.

Qualitative data collection

The interview guide will be designed to include questions that are geared to answer the research questions. All the questions in the interview guide will be open-ended allowing further probing, substantiation and deeper clarification of issues considered to be critical to the interpretation of the data (Zikmund, 2003). The interview guide will be developed to address the key strategic areas facing small and medium agribusiness enterprises. This approach is synonymous with the work of Cooper and Schindler (1998) and Saunders *et al*. (2003) who state that in-depth interviews constitute one of the vital approaches for understanding phenomena that have not been significantly studied.

3.5 Reliability and Validity

Validity can be defined as the extent to which a measure correctly represents the concept of a study (Hair et al. 2006). Reliability, on the other hand, is the degree of consistency between multiple measurements of a variable. In other words, are the variables or a set of variables consistent with what they are intended to measure? Reliability differs from validity in that the former does not relate to what should be measured, but instead to how it is measured (Baker 2003). A number of 84 different methods are available for assessing validity and reliability. In this study several methods will be used to enhance the reliability and validity of the data.

Reliability of instruments

The questionnaire will be pre-tested on 5 SMEs before data collection. This will test the reliability of each construct and question in capturing the information used.

Various methods will be used to measure reliability but the common measure of reliability is internal consistency. The research study will asses consistency of the entire scale with the use of Cronbach"s Alpha (Hair et al. 2006).

Cronbach"s Alpha measures the internal reliability of a set of related items. Specifically, it summarizes the extent to which sets of items are interrelated with each other (Hair et al. 2006). The measure has a coefficient ranging from 1 to 0; a value of 0.7 or less generally indicates unsatisfactory internal reliability. Nunnally (1978) notes that coefficient alpha provides a good estimate of reliability. Alpha values of between 0.80 and 1.00 are considered reliable; values of between 0.50 and 0.80 are acceptable while values of below 0.50 are considered less reliable and therefore unacceptable (Sekaran, 2003).

Validity of instruments

The questionnaire will be sent to a number of experts like the supervisors and other technical staff in SMEs to measure the content validity. The questionnaire will be modified on the basis of the suggestions offered by the experts.

Validity is the extent to which the interpretations of the results of a test are warranted and actual, which depends on the particular use the test is intended to serve and it is defined as the extent to which an instrument measures what it purports to measure. Validity requires an instrument to be reliable however, important to note is that an instrument can be reliable but not valid (Kimberlin and Winterstein, 2008).

In this study, the question of external validity will be taken into consideration, particularly in the choice of the population and areas to be covered. The regions chosen reflects the true picture of Uganda's agribusiness SMEs as far as possible. However, once the data has been collected it will also be important to determine the degree to which it is reliable and internally valid.

3.6 Data collection procedures

The researcher will seek for an introductory letter from the University, which will be used to indicate to all those concerned that the exercise being carried out is purely for academic purposes and poses no danger to anyone including Government or the participants. Permission will be obtained from the enterprises where the research is going be carried out and consent obtained from the subjects themselves. Anonymity, self-determination and confidentiality will be ensured during administration of the questionnaires and report writing.

3.7 Data Analysis

The data analysis will involve three main phases, namely: data preparation, descriptive analysis and hypothesis testing. Data preparation will take place soon after the completion of the fieldwork, from which all the questionnaires will be entered in the computer using SPSS software. Qualitative data will be imported into Nvivo software and coded in order to obtain a full understanding of how strategic management affect the performance of Small and Medium agribusiness enterprises. Thereafter, descriptive statistics, Factor Analysis, and hypothesis testing will be performed. The section below details how these approaches will be employed in this study.

Descriptive statistics

Descriptive statistics will be applied to describe the general characteristics of the study sample. This involves calculations of averages, frequencies and percentage distributions.

Analysis of Variance (ANOVA)

Analysis of Variance (ANOVA) is a statistical technique for examining the differences among means for two or more populations (Malhotra, 2006). This technique is very handy in determining the significance of the mean differences across groups. In this study, ANOVA will be used to determine whether there is a relationship between strategic management and performance of small and medium agribusiness enterprises on the other hand.

Regression analysis

Regression analysis is a technique used to analyze the relationship between a single dependent variable and one or several independent variables. The general assumption is that there is a linear correlation between the dependent variable and the independent variable(s) (Hair et al. 2006). As indicated in Chapter One, the main objective of this study was to examine the relationship between strategic management practices and performance of small and medium agribusiness enterprises in Uganda. Accordingly, linear regression analysis is an appropriate statistical technique for examining such relationships.

Significance level

A significance level represents the probability the researcher is willing to accept that the estimated coefficient is classified as different from zero when it is actually zero (Hair et al. 2006). Setting this significance level is very necessary and appropriate, especially when the analysis is based on a sample of the population rather than the entire population. This significance test determines whether the impact represented by the coefficients can be generalized and applied to other samples from this population. The choice of significance level normally ranges from 0.01 to 0.10, though decreasing the significant level to a lower value such as 0.01 allows for a lower chance of being wrong (Hair et al. 2006). The statistical test, however, then becomes more demanding. Likewise, increasing the significance level to a higher value such as 0.10 allows for a larger chance of being wrong but also makes it easier to find significance. Because of the risks associated between choosing one or another, the most widely used level of significance is 0.05 (or 5%). By following previous studies, a 5% level of significance will be used in this study.

3.8 Ethical Issues

Ethics in research refer to the code of conduct or expected societal norm of behaviour while conducting research (Sekaran 2003). In any research conducted, there are a number of ethical issues that need to be taken into consideration. Ethical issues are of great importance to all kinds of research and of particular importance when human subjects are involved (Marczyk, DeMatteo and Festinger 2005). These ethical issues arise in each stage of the research process from problem identification to the dissemination of research results (Sekaran 2003). In social sciences, a number of ethical codes have been developed to provide guidance when doing research. These research ethics include protecting human participants, such as respecting the respondents, doing no harm to the respondents and selecting the respondents fairly (Malhotra 2006). Additionally, other ethics relate to informed consent and confidentiality of the information provided by respondents. In fact, it is the duty of the researcher to maintain the confidentiality of all information that might affect the privacy and dignity of the research participants (Marczyk, DeMatteo and Festinger 2005).

The conduct of research brings moral and ethical considerations (Hussey and Hussey, 1997; Bouma, 2000). This study poses a number of ethical issues that need to be dealt with during the whole process of conducting the study.

a) Consent of individual respondents: Ensuring that everyone who participates in the study has freely consented to participation without being coerced or unfairly pressurized.
b) Confidentiality: The researcher will ensure that the identity of the respondents participating in the research process in highly protected.
c) The research staff and subjects will be fully informed about the purpose, methods and intended possible uses of this research

3.9 Anticipated Limitations to the Study

The following limitations may be likely encountered in this study:

i) Data collected from SMEs and individuals may not be sufficient, as questions used in the study may not yield similar results compared to past studies.

ii) The study will be longitudinal where the researcher has to work with the respondents for a long period of time. In case some respondents transfer to another area, it will affect the sample size since there will be no consistence.

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Table: Dimensions of strategic management; Measures and Indicators for SMEs

Dimension	**Measures**	**Indicators**
Firm Structure	Size	Number of employees; assets; number of branches
	Ownership	Sole ownership or partnership
	Governance	Levels of management
	Organizational design	Management structures
Firm Strategy	Firms strategic intent	Participatory approach to strategy development; presence of a definite firm strategy
	Entrepreneurs strategic intent	Individual goals and objectives; entrepreneur's involvement in business operations; creativity and innovations
	Product and market growth strategy	New Product Development (NPD) plans; Number of new products introduced; Expansion to new markets; relative market share and position
Strategic resource deployment	Firm internal resources (tangible and intangible)	Financial capital and cash flow; level of stock; employee experience; level of education; processes
	External resources	Number of suppliers; Customers of the company; competitors; reputation; low cost distribution channels; sources of raw materials
Innovation	Product innovation	Introduction of new products and services to the market with respect to their characteristics and intended use; addition of new product lines
	Process innovation	Implementation of new or significantly improved production or delivery method; changes in techniques, equipment and software
	Market innovation	Implementation of new marketing methods involving significant changes in product

		design or packaging, product placement product promotion or pricing; continuing expansion of the firms customer population
	Organizational innovation	Implementation of new organizational method in firm business practices, workplace or external relations.
Strategic Networking	Production Network	Contracts with key suppliers; contacts of key customers; agreements with partners
	Resource Network	Agreements with resource network actors; contracts with consultancy firms; knowledge of international markets; benchmarking programs
	Social Network	Membership to social organizations; contacts with friends and business partners
Strategic planning	Business planning	Availability of business plans; well formulated vision and mission; clear goals and objectives; knowledge of strategic plans by employees of the organization
	Planning process	Presence of a planning department; involvement of all employees in panning activities; communication of planning outcome to all employees.

Table: Performance Dimension; Measures and Indicators for SMEs

Dimension	**Measures**	**Indicators**
Financial performance	Growth	Growth on profit, Growth on revenue, Growth on annual sales volume
	Profitability	Return on sales; Profit after tax, Overall profit
	Liquidity	Net cash flow, Cash flow relative to competitors, Case flow to sales

	Efficiency	Return on assets; Return on investment; Return on equity; Average return on sales
	Revenue	Gross revenues; Revenue per customer;
Non-financial and intangible performance	Customers orientation	Customer satisfaction; Customer service calls; sales volume from single customer; The growth of customer number; The distribution of customer.
	Employees orientation	Employee satiation; Employee turnover/royalty; Remuneration and benefits benchmark; The culture building; Employee training; the collaboration between employee and business units.
	Competitiveness orientation	Growth on market share; Position in the market; New market entry; Customer satisfaction relative to competitors; Other indicators relative competitors...
	Strategic partners orientation	The indicators on cooperation with supplier; The process align with other organizational processes on the value chain; The network building on NPD or sales;
Specific performance	Depends on the SMEs' business types and strategies employed	

Appendix I: Interview Guide for owner managers of SMEs

The aim of this research is gain a better understanding of the strategic management practices in your firm. In order to meet this objective, I will be asking you a few questions relating to how the process is carried out in your firm. The interview, which will last approximately 15 Minutes, will be recorded in order to accurately capture the responses during the analysis phase of the research.

Background on company and respondent

The following information is sourced from each respondent at the beginning of the interview.

1. Please describe for me the history of your company and its performance overtime?
2. Please describe the current organizational structure of your company.
3. What products do you offer to your customers?
4. What are your company's goals and objectives?
5. Briefly describe your role in the firm. How long have you been with the company?
6. Please describe your target market.
7. Has your target market changed over the years?
8. Who participates in the strategy formulation process? What's their role in the process?
9. How would you describe your business environment?
10. Do employees abide by the policies?
11. From your company's opinion, what are the key factors that influence SMEs performance?
12. How does the strategy influence a company's performance?
13. How does business environment influence a firm's performance?

Appendix II: QESTIONAIRE FOR EMPLOYEES OF SMEs

Strategic Management Practices and the Performance of Small and Medium Agribusiness enterprises in Uganda

Dear Respondent,

I am a Student at Mbarara University of Science and Technology who is undertaking a Ph.D program. My thesis is based on a study of the strategic management practices and their effect on the performance of SMEs agribusiness in Uganda. I am writing to invite you to participate in this research through the completion of the enclosed questionnaire.

This survey is being conducted as part of my Ph.D. research at Mbarara University of Science and Technology. The questionnaire should take approximately 20 minutes to complete.

Please be assured that all information collected will be treated as strictly confidential. No individual identities will be revealed and only aggregate results will be presented.

If you have any questions, please feel free to contact me at my e-mail address below. Should you be interested in the findings of the study, I can share with you on request.

The success of this study depends upon your responses; accordingly your participation is much appreciated.

Yours sincerely,

Peter Abesiga Ph.D Candidate

Mbarara University of science and Technology

perrie4j@gmail.com

Mobile: +256 782 593 072, +256 702 593 072

Section I: Background information

1. What is your gender?

Male	[ ]	Female	[ ]

2. How old are you?

20 to 30 years	[ ]	41 to 50 years	[ ]
31 to 40 years	[ ]	51 years and above	[ ]

2. What is your education level?

Secondary	[ ]	Diploma	[ ]
Degree	[ ]	Masters	[ ]
PhD	[ ]	Professional courses	[ ]

3. How many years have you worked in this organization?

0 to 5 years	[ ]	5 to 10 years	[ ]
Above 10 years	[ ]		

4. What is your position in the organization?

Owner	[ ]	Manager	[ ]
Supervisor	[ ]	Employee	[ ]

Others Specify

Section II: Company profile

5. How many years has your firm been in business?

1-3 years	[ ]	4-10 years	[ ]
More than 10 years	[ ]		

6. Please estimate the number of employees in the firm

1 to 5	[ ]	6 to 20	[ ]
21 to 100	[ ]	101 to 250	[ ]

More than 250 [ ]

7. What is the type of your firm?

Producer	[ ]	Processor	[ ]
Supplier	[ ]	Transporter	[ ]
Marketer	[ ]	Storage	[ ]
Extension service Provider	[ ]	Others Specify………………	

8. Annual sales turnover

US $250,000	[ ]	US $250,000 to US $1.0m	[ ]
US $1.0m to US $5.0m	[ ]	US $5.0 to US $10m	[ ]
US $10m to US $25m	[ ]	More than US $25m	[ ]

Section III: Strategic Management Practices

Organization Structure

9. What is the form of your company's organizational structure?

Functional	[ ]	Matrix	[ ]
Divisional	[ ]	Any other	[ ]

10. In what way are individual positions and units clustered within your organization unit?

By Function	[ ]	By target group	[ ]
By product	[ ]	By service	[ ]
By project	[ ]	By place	[ ]

11. How many levels of hierarchy are there in your organization?

Many (Hierarchical)	[ ]	Few (Flat)	[ ]

12. How does the communication work in this hierarchy?

Formal	[ ]	Informal	[ ]

Firm Structure

13. What is an ideal structure for your company?

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Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: “Strongly agree **(1)**”; “Agree **(2)**”; “Undecided **(3)**”; “Disagree **(4)**”; and “Strongly Disagree **(5)**”.

	(1)	**(2)**	**(3)**	**(4)**	**(5)**
14. We have an effective governance structure					
15. We have a clear reporting structure					
16. Lower staff are able to express their views to management					
17. Top management team develops strategic guidelines					
18. Top management team commands strategic direction					
19. Top management team develops the structure of the organization					
20. The organization has a board of directors					
21. There is constant interaction between the board and management					

Firm Strategy

22. Briefly describe your company’s strategy

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Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: "Strongly agree **(1)**"; "Agree **(2)**"; "Undecided **(3)**"; "Disagree **(4)**"; and "Strongly Disagree (**5)**".

Statement	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
23. The company has a definite strategy					
24. The strategy of the firm documented and communicated to the employees of the firm?					
25. Strategies are based on target customers, markets, environment					
26. Management encourages employees to participate in the development of the firm strategy					
27. The leader team considers employees' idea when planning the company's future.					
28. The strategy are developed, reviewed and updated periodically based on the information from customers, environment, and performance measurement.					
29. Well formulated strategies greatly affects company's performance					
30. The strategy is deployed through a framework of key processes					
31. Internal factors affect the company's strategic decision making					
32. External factors affect the company's strategic decision making					
33. Our organization adopts new strategies to achieve competitive advantage					
34. The company does the external and internal analysis to know the strategies to adopt					
35. Strategy management affects overall company's performance					
36. The company provides new products to existing					

market					
37. The firm provides established product to exist market (differentiation on price, quality and other values comparing competitors)					
38. Provide established products to new market					
39. Provide new product to new market					

Please indicate the extent to which the following firm strategies have been adopted by your organization to achieve a competitive advantage by ticking in an appropriate box using this scale: "Never **(1)**"; "Low extent **(2)**"; "Moderate extent **(3)**"; "High extent **(4)**"; and "Very High extent (**5)**".

Strategy	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
40. Market strategy					
41. Products reputation					
42. Customers differentiation					
43. Product pricing					
44. Cost control					
45. Technology					
46. Product quality					

Strategic Resource Deployment

47. What do you understand by term strategic resource deployment?

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How important do you believe the following factors or managerial practices for your company are to achieving excellent performance? *Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale*: "Strongly agree **(1)**"; "Agree **(2)**"; "Undecided **(3)**"; "Disagree **(4)**"; and "Strongly Disagree (**5**)".

Statement	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
48. Availability of capital					
49. The executives' managerial experience					
50. Access to overall low cost factors of production					
51. Technical resource (patents, exclusive technologies...)					
52. Comprehensive and efficient organizational system, structure and planning.					
53. Expertise in product/service development					
54. Expertise in marketing					
55. Expertise in customer service					
56. Expertise in management					
57. Access to low cost distribution channels					
58. Enterprise culture					
59. Unique resources are a source of sustained competitive advantage in the firm					
60. Reputation					
61. The added value is a source of competitive advantage					

Innovation

62. What is innovation in relation to your company?

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Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: "Strongly agree **(1)**"; "Agree **(2)**"; "Undecided **(3)**"; "Disagree **(4)**"; and "Strongly Disagree **(5)**".

Innovation					
Structural Innovation	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
63. We redesign different strategies to meet our objectives					
64. We review the functions of departments in our organization					
65. We review performance plans in our organization					
66. We improve our systems of handling organization risks					
67. We improve our systems of handling organization risks					
68. We review our programs					
69. We have improved on the time our customers take to get served					
70. We review the job descriptions of different jobs in our organization					
71. We have improved the methods of delivering our services					
Process Innovation					
72. We redesign the flow of work by the use of information communication technology					
73. We design the Internet to deliver our services					
74. We do improve the Internet to deliver our services					
75. We change the flow of work by eliminating certain activities					

76. We change the flow of work by merging certain activities					
Innovation and learning					
77. The investment in new products development (NPD)					
78. The efficiency of NPD process (the input of NPD/output of NPD)					
79. The company emphasis on the employees training.					
80. The organizational structure and system is renewed based on the environmental changes.					
81. Flexibility to adapt to new industry and market trends					

Strategic Networking

In your company, how do you define strategic networking?

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Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: "Strongly agree **(1)**"; "Agree **(2)**"; "Undecided **(3)**"; "Disagree **(4)**"; and "Strongly Disagree **(5)**".

Statement	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
82. The organization use an external network to obtain information					
83. The firm co-operates with other companies to develop innovative products					
84. The company performs outsourcing of market research					
85. The organization benchmarks with other companies to improve performance					
86. The firm operates several bank accounts					
87. Employees are encouraged to save with various financial					

institutions					
88. The firm invests in capacity building of its staff					
89. We have increased knowledge about international markets					
90. We belong in a business association/cooperative					
91. The company gets information from other members and organizations					
92. The organization hires consultancies within different fields					
93. The organization is a member of business networks					
94. The firm manages its strategic alliances more effectively than competitors					
95. The firm uses strategic networking that enables the company to access complementary resources and skills that reside in other companies					
96. There are no alternative relationships.					
97. Our business may engage in relationships with other role players if potential for higher profit exists.					
98. Our current relationships with other companies are irreplaceable.					
99. When I attend industry forums & other business related networking events, I build connections with people I did not know before					
100. When I attend social events, I build connections with people I did not know before.					
101. When I meet a new person, I find out if he or she is connected to people I already know.					
102. I make an effort to find out as much as possible about a new person that I meet.					
103. When meeting a new person, I find out how he or she will benefit from our (potential) relationship.					
104. I take actions to build personal friendships with my business contacts.					

105. I find it difficult to keep in touch with my contacts without having a specific reason					
106. I assess whether my current contacts would be valuable to me in the future.					
107. I write down a priority list of the things that are most important for building my network.					
108. I systematically record my contacts' address and personal details.					

To what extent does your firm achieve the following as a result of using strategic business networking? Tick as appropriate using the scale “Not at all”; “Small extent”; “Moderate extent”; “Great extent”; and “Very great extent”

Statement	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
109. Increase of markets (rapid entry into other markets while keeping the cost down)					
110. Financial risks sharing (New, uncertainty and instability in a particular market, sharing risks becomes particularly important)					
111. Improve organizational learning (Allow ready access to knowledge and expertise in an area that a company lacks)					
112. Flexibility development (Ability to introduce novel product or service in short time)					
113. Better resource utilization (Extension of value-creating resources, which are otherwise unattainable independently)					
114. Networks contribute to the firm‘s innovation process					
115. Synergy and competitive advantage (Leverage off each other‘s strengths, bringing synergy)					

To what extent does your firm consider the following in order to ensure that its networking succeeds? Tick as appropriate using the Tick as appropriate using the scale “Not at all”; “Small extent”; “Moderate extent”; “Great extent”; and “Very great extent”

Statement	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**

116. Using clearly understood roles					
117. Creating an environment of trust					
118. Empathizing with for others, even those who are still competitors in other areas					
119. Having committed senior management					
120. Having Clearly defined, shared goals and objectives					
121. Maintaining broad strategic vision					
122. Communication between partners: maintaining relationships					
123. Frequent performance feedback					

Section IV: Strategic Planning

How does strategic planning impact the performance of your company.

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Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: "Strongly agree **(1)**"; "Agree **(2)**"; "Undecided **(3)**"; "Disagree **(4)**"; and "Strongly Disagree **(5)**".

Statement	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
124. The company has a clear vision and mission statements					
125. We have a directed strategy with delineated goals					
126. The organization has a three to four year strategic plan					
127. Planning department develops strategy					
128. The organization has a fixed planning cycle					
129. Strategic planning enables the company to develop future strategies, tactics and operations					
130. Strategic initiatives are made part of your operating business plans					
131. Strategic planning helps in controlling current activities					
132. Planning facilitates measuring and evaluating firm performance					
133. Strategic planning helps in optimizing the use of firm‘s resources					
134. Reducing subjectivity in the decision making process is aided by a clear strategic plan					
135. We have identified our strengths, weaknesses, opportunities and threats					
136. Improving internal and external communication is achieved by developing clear strategic plans					

Section V: SME Agribusiness Performance

How do you determine performance in your company?

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Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: "Strongly agree **(1)**"; "Agree **(2)**"; "Undecided **(3)**"; "Disagree **(4)**"; and "Strongly Disagree (**5**)".

Financial Measures	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
137. Operating income of the firm has increased					
138. The firm's financial position as measured by its working capital rations, has improved					
139. Return on investment has greatly improved over the years					
140. The organization has improved product on most of its products					
141. Sales growth are on increasing trend					
142. Cash flows have improved over the years					
Non-Financial Measures					
143. Number of customer complaints					
144. The organization has a large market share for its products					
145. The firm has developed new products and or product lines for its markets					
146. There is improved customer satisfaction relative to competitors					
147. We receive less or no complaints about the quality of the organization's products					
148. Employee turnover is high					
149. The organization has the ability to compete and dominate the market					
150. Remuneration and benefits have improved					
151. The level of productivity has greatly improved					

152. Products are delivered on time					
153. Product quality has improved overtime					
154. Generally employees are satisfied with the working conditions					

Thank you very much for your participation.