The Ugandan Journal of Management and Public Policy Studies (UJMPPS)
December 2024, Vol. 25, No. 1, pp. 24-41
ISSN: 2078-7049 (Print), 2959-4316 (Online)

Published by Uganda Management Institute

Influence of Competitive Strategies on the Performance of Small Manufacturing Enterprises in Kampala Metropolitan, Uganda

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Article History

Received: September 03, 2024
Revised: November 30, 2024
Accepted: December 15, 2024

Abstract

The effectiveness of competitive strategies in enhancing firm performance has been widely acknowledged. Yet, their applicability and impact in small manufacturing enterprises operating in resource-constrained and competitive environments like Kampala Metropolitan remain underexplored. This study examines the influence of competitive strategies on the performance of small manufacturing enterprises in Kampala Metropolitan, Uganda. Using a cross-sectional research design, data were collected from 96 respondents, including owners, operations managers, and marketing managers of small manufacturing firms. The study employed a quantitative method to analyse the relationship between competitive strategies and firm performance. Results revealed that cost leadership and focus strategies positively and significantly influence firm performance, with cost minimization in production, human resource management, and procurement contributing to increased profitability. The focus strategy, mainly targeting specific market segments, was also found to enhance customer satisfaction and market share. While the differentiation strategy demonstrated a statistically significant positive relationship with firm performance in the correlation analysis, it was not significant under regression analysis. This suggests that although offering unique products and services can foster customer loyalty and premium *pricing, the overall impact of differentiation on performance is less pronounced when considering the combined influence of all strategies. The study confirms the relevance of the Resource-Based View (RBV), Institutional Theory, and Dynamic Capabilities Theory in explaining how competitive strategies drive firm performance. Theoretical and practical implications highlight that small firms' need to implement cost leadership strategically, focus on niche markets, and prioritize differentiation to achieve long-term business growth. The study's main limitations include its geographical scope and cross-sectional design, suggesting areas for further research.*

***Keywords**:* *Competitive Strategies, Cost Leadership, Focus Strategy, Differentiation, Firm Performance, Small Manufacturing Enterprises, Kampala Metropolitan*

1.0 Introduction

Small Manufacturing Enterprises (SMEs) play a pivotal role in emerging economies' economic development and industrial growth, particularly in Africa, where they comprise over 90% of businesses and make substantial contributions to GDP (Kharub, Mor & Sharma, 2018; World Bank, 2019; MoFPED, 2024). To promote the growth of the Ugandan economy by accelerating industrial development, the Ministry of Trade, Industry, and Cooperatives has supported the growth of several Industries. The expansion of the industry has led to the creation of numerous manufacturing companies, both domestic and foreign-owned, which encompass a wide range of sectors such as food processing, tobacco, beverages, footwear, textiles, clothing, paper, chemicals, publishing and printing, paints and soaps, cement, clay, metal products and ceramic products (UIA Report, 2021/2022). These SMEs are key drivers of employment opportunities and are crucial for promoting innovation and localized production (MoTIC Reports, 2020/201).

In the context of Kampala Metropolitan, small manufacturing enterprises form a vital part of the local economy, providing essential goods and services while driving innovation and productivity in various sectors, such as food processing, textiles, and chemicals (NPA, 2020; Uganda Investment Authority, 2021/2022; MoFPED, 2024). Despite their importance, these enterprises encounter numerous challenges, including limited access to capital, competition from larger firms, and insufficient institutional support, all hindering their growth and sustainability (Alkasim, Hilman, Bohari, Abdullah, & Sallehddin, 2018; Mathiyazhagan, Sengupta & Mathivathanan, 2019). This study examines the impact of competitive strategies, specifically cost leadership, focus, and differentiation on the performance of small manufacturing enterprises in Kampala, offering valuable insights for businesses operating in competitive markets within resource-constrained settings.

Research in strategic management often references Porter's (1980) generic strategies (such as cost leadership, differentiation, and focus) as foundational approaches for achieving and sustaining competitive advantage. Cost leadership, for example, allows firms to operate with the lowest production costs in their industry, attracting price-sensitive customers by offering lower-priced products without compromising quality (Porter, 1985; Valipour, Birjandi,

& Honarbakhsh, 2012). Studies (Soni & Kodali, 2011; Surono, Suryanto, & Anggraini, 2020) suggest that cost leadership can be particularly effective for small manufacturing enterprises in price-sensitive regions such as Kampala, where consumers tend to prioritize affordability over brand recognition. By optimizing operational efficiencies and minimizing waste, small manufacturing enterprises pursuing cost leadership can improve profit margins and enhance market share, enabling them to compete effectively against larger firms with more excellent financial resources (Kharub et al., 2018).

Furthermore, Zahay and Griffin (2010) and Alkasim et al. (2018) emphasize that achieving sustainable cost leadership is challenging, requiring a careful balance between ongoing cost control measures and maintaining product quality to avoid negative impacts on brand reputation. This balance is especially critical for small manufacturing enterprises, where resource constraints often hinder the implementation of large-scale cost-reduction strategies without compromising product or service quality. Studies (including Valipour et al., 2012; Kharub et al., 2018) indicate that while pursuing cost leadership can enhance market penetration and increase profitability, sustaining it requires investment in efficient production processes and rigorous quality management to ensure customer satisfaction and loyalty. Despite the documented advantages of cost leadership, it is not universally applicable across all market segments or industries.

Researchers such as Ge and Ding (2005) and Baker and Sinkula (2005) argue that small manufacturing enterprises in developing markets often gain more from adopting a focused strategy that targets specific niches or customer segments with tailored products or services. This approach enables small manufacturing enterprises to leverage specialized knowledge and resources to meet the unique needs of a defined market, often resulting in enhanced customer satisfaction and loyalty (Valipour et al., 2012). In Kampala, where local consumer preferences and market demands vary significantly, focus strategies allow small manufacturing enterprises to differentiate themselves by quickly responding to localized needs (Alkasim et al., 2018). By concentrating their resources on a niche market, small manufacturing enterprises can achieve higher performance levels through increased customer retention, repeat purchases, and stronger brand loyalty (Kharub & Sharma, 2018). Furthermore, Baker and Sinkula (2005) and Porter (1980) emphasize that a successful focus strategy necessitates continuous market research and adaptability to ensure the firm remains aligned with the evolving needs of its target segment. This strategic alignment enables small manufacturing enterprises to maintain competitive edge and respond proactively to market shifts, ensuring sustained customer satisfaction and loyalty.

The differentiation strategy, one of Porter's competitive strategies, focuses on creating unique products or services perceived as superior or more desirable than those offered by competitors. This approach often requires investments in innovation, branding, and quality enhancements, allowing firms to command premium prices and establish a robust market presence (Valipour et al., 2012; Kharub et al., 2018). The firm's Resource-Based View (RBV), introduced by Barney (1991), supports differentiation by highlighting the significance of unique, valuable, and inimitable resources in achieving sustained competitive advantage. For small manufacturing enterprises in Kampala metropolitan, differentiation can enable competition based not only on price but also on product value and quality, thereby attracting a loyal customer base willing to pay higher prices for perceived benefits (Zahay & Griffin, 2010; Ge & Ding, 2005). However, executing a differentiation strategy requires substantial financial resources, posing challenges for resource-constrained small manufacturing enterprises. Valipour et al. (2012) noted that maintaining differentiation over time necessitates continuous investment in innovation and brand development to stay ahead of competitors and fulfil customer expectations.

In Uganda, eight out of ten newly established small manufacturing enterprises that start tend to close the business due to their inability to cope with the cutthroat competition that they face from older industries and multinational and foreign-owned companies that benefit from tax holidays and exemptions (UMA Reports, 2021/2022). This study sought to fill this gap by examining how small manufacturing enterprises in Kampala can strategically leverage competitive strategies to improve performance and establish a competitive foothold in the market. The findings of this study were aimed to contribute to the broader field of strategic management by contextualizing competitive strategies within an emerging market framework. Understanding the influence of competitive strategies on small manufacturing enterprises' performance in Kampala metropolitan could offer actionable insights for business practitioners and policymakers, helping to shape support programmes that foster the growth and resilience of SMEs.

2.0 Literature Review

2.1 Theoretical Framework

The study is based on the Resource-Based View (RBV) theory, which asserts that a firm's competitive advantage arises from its internal resources and capabilities (Wernerfelt, 1984; Barney, 1991). According to the RBV, rare, valuable, inimitable, and non-substitutable resources (VRIN) are essential for achieving sustained competitive advantage. In the context of small manufacturing enterprises, the RBV provides insight into how firms can utilize unique assets, such as specialized knowledge or proprietary technologies to differentiate themselves and enhance performance (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter, 2006; Helfat & Peteraf, 2015; Komakech, Ombati, Kikwatha & Wainaina, 2024). However, the RBV theory has faced criticism for its insufficient consideration of external factors, such as market conditions and industry dynamics, which significantly influence firm performance (Scott, 2008). A recent literature review by Komakech et al. (2024) on RBV in Supply Chain Management (SCM) expands on this critique, highlighting that the internal focus of RBV may overlook significant complexities within supply chains and broader industry pressures. Specifically, the study underscores the increasing reliance on advanced technologies such as Blockchain, Artificial Intelligence, and the Internet of Things as strategic resources within SCM. These technologies enhance transparency, efficiency, and responsiveness and signify a shift towards sustainable practices, aligning with RBV principles to provide lasting competitive advantage in SCM (Komakech et al., 2024).

To address the internal focus of the RBV, there is need to integrate Dynamic Capabilities Theory (Teece, Pisano & Shuen, 1997). This approach tackles the limitations of RBV by emphasizing a firm's ability to adapt to dynamic market environments, which is vital in the volatile landscape of small-scale manufacturing, including managing dynamics in the costing and pricing of goods and services. Additionally, Institutional Theory (DiMaggio & Powell, 1983; March & Olsen, 1984; Scott, 2008) complements the RBV by illustrating how regulatory, normative, and cognitive pressures shape organizational behaviour, thus providing a more comprehensive understanding of how external factors influence competitive strategies. Moreover, Komakech et al. (2024) highlight the significance of cross-functional collaboration and technology in Supply Chain Management (SCM), reinforcing the value of RBV while pointing to the necessity for an adaptable SCM framework. For small manufacturing firms in Kampala, strategically investing in technology-enabled SCM systems could significantly enhance operational efficiency and responsiveness, empowering them to leverage their internal resources while gaining the agility needed to meet market demands. This theoretical integration indicates that while RBV offers a foundational grasp of how internal resources contribute to competitive advantage, the perspectives of dynamic capabilities and institutional theory are essential for understanding how firms navigate complex environments. Collectively, these frameworks enable small manufacturers to develop competitive strategies that effectively balance internal strengths with external challenges.

2.2 Conceptual Framework

This study focuses on three competitive strategies: cost leadership, focus market, and differentiation strategy, as Porter (1980) outlined. The cost leadership strategy emphasizes minimizing operational costs through enhanced efficiency and achieving economies of scale to offer competitively priced products. This approach improves market penetration and boosts profit margins while maintaining a focus on quality (Porter, 1980; Valipour et al., 2012; Teeratansirikool, Siengthai, Badir & Charoenngam, 2013; Kharub et al., 2018). The focus market strategy allows customized offerings that enhance customer loyalty and increase market share, crucial for adaptability in dynamic environments such as Kampala (Baker & Sinkula, 2005; Ge & Ding, 2005). Differentiation, on the other hand, stresses the development of unique, high-value products supported by innovation and strong branding, leveraging rare resources for a sustained competitive advantage; however, the associated resource demands may pose challenges for SMEs (Wernerfelt, 1984; Valipour et al., 2012; Kharub et al., 2018; Komakech et al., 2024). The conceptual framework illustrated in Figure 1 demonstrates the hypothesized relationships between competitive strategies (cost leadership, focus, and differentiation) and the performance of small manufacturing enterprises.

Competitive Strategies (IV)

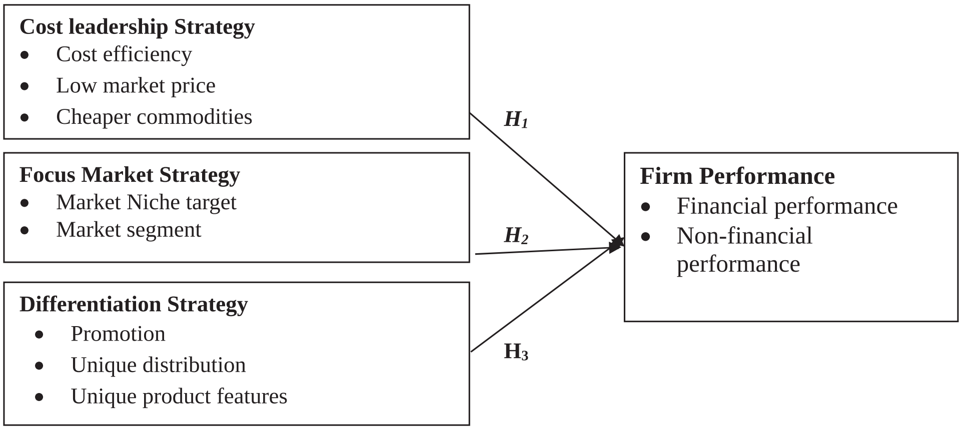

Figure 1: Competitive Strategies on the Performance of Small Manufacturing Enterprises

Source: Adopted from Porter (1980), Barney (1991), Teeratansirikool et al. (2013) and modified by the researchers.

2.3 Cost Leadership Strategy and Firm Performance

Cost leadership remains one of the most widely used strategies for competitive advantage in various enterprises. Michael Porter (1980) initially proposed that businesses could outperform their competitors by minimizing operational costs. This notion remains relevant in contemporary business environments, where cost leadership allows firms to lower prices while maintaining profitability. Pursuing a cost leadership strategy necessitates stringent cost control measures, investments in production efficiency, and optimization of supply chain processes (Porter, 1985; Valipour et al., 2012). This approach is especially pertinent in enterprises with price-sensitive consumers prioritizing affordability over brand differentiation. Research on SMEs indicates that adopting a cost leadership strategy can result in significant performance improvements due to reduced operational costs, ultimately enhancing profit margins (Alkasim, Hilman, Abdullah & Sallehddin, 2018; Kharub, Mor & Sharma, 2018).

Empirical evidence suggests that SMEs implementing cost leadership strategies frequently experience heightened efficiency and competitive pricing, leading to better market penetration and sales growth (Alkasim et al., 2018). This aligns with the theoretical perspective that firms that achieve cost efficiency can reallocate resources to scale operations and increase market share (Ge & Ding, 2005). Valipour et al. (2012) state that companies must balance cost reduction and product quality; failing to do so may result in customer dissatisfaction and diminished brand loyalty. Research across various global contexts has highlighted that integrating quality management can enhance the positive effects of cost leadership strategies on performance. Kharub et al. (2018) found that while cost leadership alone may not secure superior performance, incorporating quality management practices enables SMEs to maintain competitive advantages and improve overall firm performance. Based on the above assertion, the researchers hypothesized that:

Hypothesis 1: *Cost leadership strategy has a positive and significant influence on the performance of small manufacturing enterprises in Kampala Metropolitan.*

2.4 Focus Market Strategy and Firm Performance

The focus strategy, which targets a specific market segment or niche, allows firms to customize their products or services to address the distinct needs of a defined customer base. Porter (1980) posited that this strategy could enable firms to build strong customer loyalty by offering tailored products or services. This strategic approach is particularly beneficial for small and medium-sized enterprises (SMEs) aiming to distinguish themselves in highly competitive markets (Baker & Sinkula, 2005; Zahay & Griffin, 2010). Ge and Ding (2005) and Zahay and Griffin (2010) highlight that companies employing focus strategies often emphasize building strong customer relationships and offering specialized products, which results in heightened customer loyalty and retention. By tailoring their offerings to meet the specific needs of a targeted segment, these companies create value that resonates with customers, fostering long-term loyalty.

Furthermore, research on market orientation indicates that SMEs utilizing a focused approach can align their resources and capabilities more effectively with customer preferences, enhancing their adaptability and responsiveness to market fluctuations (Ge & Ding, 2005). This strategic alignment promotes customer satisfaction and repeat business, contributing to sustained firm performance. However, the success of a focus strategy relies on the firm's ability to continuously evaluate and adjust its offerings to meet the evolving needs of its niche market (Baker & Sinkula, 2005). Focus strategies can be especially effective in developing markets like the Kampala Metropolitan one, where diverse customer demands and a competitive landscape prevail. Firms that successfully implement focus strategies often realize higher profitability by capturing specific market segments that larger competitors may overlook (Valipour et al., 2012; Alkasim et al., 2018). Therefore, the researchers hypothesized:

Hypothesis 2: *Focus market strategy positively and significantly influences the performance of small manufacturing enterprises in Kampala Metropolitan.*

2.5 Differentiation Strategy and Firm Performance

Differentiation strategy allows firms to distinguish themselves in the marketplace by offering unique products or services at premium prices. Porter (1980) emphasized that differentiation helps firms to create brand loyalty, reduce price sensitivity, and enhance profitability. This approach is grounded in continuous innovation, investment in research and development, and robust marketing efforts (Porter, 1985). Differentiation can significantly enhance firm performance by fostering brand loyalty and reducing customer churn (Baker & Sinkula, 2005; Zahay & Griffin, 2010; Valipour et al., 2012). Kharub et al. (2018) revealed that firms implementing a differentiation strategy often outperform those relying solely on cost leadership, mainly when catering to quality-conscious customers. Valipour et al. (2012) note that such differentiation requires substantial investments in innovation and brand development, which can be challenging for smaller enterprises with limited resources. For SMEs, maintaining a distinctive market position often involves allocating significant funds to product development and marketing efforts, which may strain their financial capacities.

In this regard, strategic resource allocation and cultivating partnerships for technological advancement are crucial for achieving sustainable differentiation (Alkasim et al., 2018; Komakech et al., 2024). For SMEs, combining differentiation with customer-centric approaches can enhance product development and customer satisfaction, ultimately leading to increased sales and a more vital competitive positioning over the long term (Baker & Sinkula, 2005). Ge and Ding (2005) emphasize that firms must ensure their differentiated offerings remain relevant and adaptable to market changes to maintain competitive advantage. By continuously aligning products with evolving customer preferences and market dynamics, firms can sustain their unique positioning and avoid obsolescence, reinforcing their long-term competitiveness. Based on the above, the study hypothesized that:

> ***Hypothesis 3:*** *Differentiation strategy positively and significantly influences the performance of small manufacturing enterprises in Kampala Metropolitan.*

3.0 Methodology

The study employed a quantitative approach using cross-sectional research, commonly used in social science research, to assess relationships among variables at a single point in time (Creswell, 2003; Babbie, 2020). This design was particularly suited for investigating the impact of competitive strategies on firm performance, given the constraints of time and resources. It facilitated the collection of quantitative data from a significant sample. Data were gathered using structured questionnaires, a method effective for obtaining standardized responses from many participants (Bryman, 2016). The target population consisted of small manufacturing enterprises (SMEs) registered with the Uganda Manufacturers Association (UMA), a key representative body for the manufacturing sector in Uganda. Out of a total of 7,000 operational factories in the manufacturing sector in the country, 40 small manufacturing enterprises were purposefully selected from Kampala Metropolitan to represent the sector. To ensure a robust dataset, data were collected from multiple respondents within each enterprise, resulting in a total of 122 participants. The sampling approach combined simple random sampling and purposive sampling techniques. Simple random sampling was used to select operational, marketing, supply chain, and sales managers within the SMEs, ensuring each respondent had an equal chance of inclusion and that diverse functional perspectives were captured (Creswell & Creswell, 2017). Purposive sampling, on the other hand, targeted owners and managing directors, whose comprehensive understanding of strategic decision-making was critical for the study (Patton, 2015). On average, three respondents were selected per enterprise, providing a multi-dimensional view of each firm’s competitive strategies and performance.

The sample size of 122 respondents was determined using Krejcie and Morgan’s (1970) table, which is widely employed in research to ensure adequate representation. This multi-respondent approach aligns with best practices in organizational research, allowing for richer and more reliable insights by capturing diverse perspectives from different roles within the organization (Kumar, Stern, & Anderson, 1993; Huber & Power, 1985). The methodology ensured that the findings were not only representative of the selected SMEs but also provided a comprehensive understanding of how competitive strategies are implemented and perceived across organizational hierarchies.

The structured questionnaire comprised closed-ended questions measured on a five-point Likert scale to capture respondents' perceptions of competitive strategies (cost leadership, focus, and differentiation) and firm performance. Likert scales are beneficial for assessing perceptions regarding complex constructs and enable straightforward coding and statistical analysis (DeVellis, 2016). The data collected through the questionnaires were analysed utilizing SPSS (Statistical Package for Social Sciences) version 23. Data analysis was conducted using SPSS, where descriptive statistics, including frequencies and means, were computed to summarize the data. Inferential statistics were employed for hypothesis testing, specifically Pearson correlation and multiple regression analyses, to investigate the relationships between competitive strategies (independent variables) and firm performance (dependent variable). These methods are well-suited for examining correlations and causality in quantitative data (Bell & Bryman, 2007; Pallant, 2020). Bell and Bryman (2007) emphasize the importance of ethical rigour in research; therefore, throughout this study, ethical considerations were rigorously upheld, including obtaining informed consent from all participants, ensuring the confidentiality of responses, and maintaining the integrity of the research by adhering to established ethical standards. These practices ensured that the study met high moral standards and provided valid, reliable, and actionable insights into the impact of competitive strategies on the performance of small manufacturing enterprises in Kampala Metropolitan.

4.0 Results / Findings

4.1 Response Rate

The study distributed 122 questionnaires, of which 96 were returned fully completed, yielding a response rate of 76.7%. The questionnaire response rate was 88.5%, while the interview response rate was 38.9%. The overall response rate of 76.7% is considered excellent, based on Mugenda and Mugenda (2009), as cited by Komakech (2020), who noted that a response rate of 50% is adequate, 60% is good, and 70% or above is excellent for analysis and reporting.

4.2 Demographic Characteristics

The demographic characteristics of the respondents in this study offer valuable insights into the structure and context of the small manufacturing enterprises surveyed in Kampala Metropolitan. By analysing factors such as age, gender, job titles, education level, tenure within the firm, and the number of employees, this assessment helps establish a profile of the workforce engaged in decision-making for competitive strategy.

Table 4.1: Showing Demographics Summary

Respondents	Frequency	Percentage
Age		
20-29	27	28.1
30-39	56	58.3
40-49	8	8.3
50 & above	5	5.2
Total	***96***	*100.0*
Gender		
Male	53	55.2
Female	38	39.6
Total	***91***	*94.8*
Title		
Owners/ Directors	7	7.3
Operations Managers	29	30.2
Marketing Managers	35	36.5
Supply Chain Manager	11	11.5
Sales Managers	14	14.6
Total	***96***	*100.0*
Education Level		
Secondary Education	9	9.4
Diploma	18	18.8
Bachelor's degree	43	44.8
Master's degree	26	27.1
Total	***96***	***100.0***
Duration in Firm		
Less than 1 year	7	7.3
2-5 years	51	53.1
6-9 years	25	26.0
10 years & above	13	13.5
Total	***96***	***100.0***
No. of Employees		
Less than 5	17	17.7
5-49	79	82.3
Total	***96***	***100.0***

Source: Primary Data, March 2023

The age distribution indicates that most respondents (58.3%) fall within the 30-39 age range, followed by the 20-29 age group at 28.1%. This finding suggests that critical decision-makers and employees in Small Manufacturing Enterprises are predominantly younger, with over 86% of respondents under 40. The presence of younger employees may introduce fresh perspectives and greater adaptability to strategic planning, which could favour innovative or modern approaches within the SME sector. Conversely, the low representation of older respondents (aged 50 and above) at only 5.2% may reflect a deficiency of experienced professionals in these firms, potentially affecting the stability and depth of strategic insight in managing competitive strategies. In terms of gender distribution, there is a moderate male majority, with males comprising 55.2% of the sample compared to 39.6% for females. Although a gender disparity is evident, the substantial representation of females suggests a relatively balanced workforce within these SMEs. Nonetheless, the slight male dominance may point to traditional gender roles in management, which could influence strategy preferences or approaches within these organizations.

The distribution of job titles showcases a diverse range of roles, with the majority consisting of Marketing Managers (36.5%) and Operations Managers (30.2%). This suggests that marketing and operational positions play a significant role in shaping these firms' competitive strategies. The higher proportion of marketing managers emphasizes a strong focus on customer-oriented strategy, likely reflecting the adoption of differentiation and focus strategies as fundamental competitive approaches. Conversely, the relatively low percentage of Owners/Directors (7.3%) among the respondents may indicate a tendency to delegate strategic planning to specialized roles rather than relying on centralized leadership. This delegation may impact the cohesiveness and alignment of strategic initiatives across departments. Additionally, regarding educational backgrounds, the respondents are predominantly well-educated, with 44.8% holding Bachelor's degrees and 27.1% possessing Master's degrees. This high level of formal education can be advantageous in understanding and implementing complex competitive strategies. The presence of individuals with diplomas and secondary education primarily suggests a focus on operational or technical roles rather than on strategic decision-making.

The employment duration data reveals that most respondents (53.1%) have been with their current firms for 2-5 years, followed by 26% who have been with their companies for 6-9 years. This relatively short tenure may suggest a youthful and dynamic workforce characterized by the influx of new ideas. However, only 13.5% have been with their firms for over 10 years, which could indicate challenges in retaining long-term employees or a high turnover rate within the sector. Furthermore, the employee distribution suggests that most firms are small in scale, with 82.3% employing between 5 and 49 workers and 17.7% with fewer than five employees. This underscores the small size of these enterprises, which aligns with their classification as SMEs. While smaller firms may benefit from flexibility and quick decision-making, they may also encounter resource constraints that hinder the implementation of complex strategies like differentiation. Understanding these demographic factors is crucial for contextualizing the strategic choices made by these SMEs. It offers valuable insight into the competitive strategies that may be most viable and effective in this specific workforce and business landscape.

4.3 Relationship between Competitive Strategies (Cost Leadership, Focus, and Differentiation) and Firm Performance

Analysing the relationships between various competitive strategies (cost leadership, focus market strategy, and differentiation) and firm performance reveals distinct insights about the strategic approaches that most positively impact firm performance.

Table 4.2: Correlation Matrix for Cost Leadership, Focus, and Differentiation and Firm Performance

Correlations					
Variables		**Firm Performance**	**Cost Leadership Strategy**	**Focus Market Strategy**	**Differentiation Strategy**
Firm Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	96			
Cost Leadership Strategy	Pearson Correlation	.734**	1		
	Sig. (2-tailed)	.000			
	N	96	96		
Focus Market Strategy	Pearson Correlation	.745**	.544**	1	
	Sig. (2-tailed)	.000	.000		
	N	96	96	96	
Differentiation Strategy	Pearson Correlation	.682**	.456**	.267*	1
	Sig. (2-tailed)	.000	.001	.030	
	N	96	96	96	96
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Primary Data, March 2023

The Pearson correlation coefficient reveals a strong positive relationship between cost leadership strategy and firm performance, with r = .734; $p < .001$, indicating statistical significance. Firms that adopt a cost leadership approach primarily by minimizing human resource and sales-related expenses tend to achieve enhanced financial and operational performance.

Among the three strategies analysed, the focus market strategy displays the highest correlation with firm performance, recorded at r = .745; $p < .001$, which confirms its statistical significance. This robust correlation suggests that companies emphasizing focus market strategies such as market segmentation, strategic marketing, customer feedback, and product quality are more likely to realize improved performance outcomes. By actively engaging with customer needs and targeting specific market segments, these organizations benefit from a customer-centric approach that fosters loyalty, responsiveness, and overall satisfaction.

Furthermore, the differentiation strategy shows a significant positive correlation with firm performance, as evidenced by r = .682; $p < .001$. Companies that implement differentiation strategies that highlight innovative marketing, exceptional customer service, skilled sales teams, and high product quality experience a positive impact on performance, albeit slightly less pronounced than the focus market or cost leadership strategies. This could be because the consumer may not be interested in the innovations but rather in a better price. This correlation indicates that differentiation through unique offerings and superior customer service effectively enhances customer loyalty and brand reputation, which are essential drivers of sustained business growth.

4.4 Overall Influence of Competitive Strategies on Firm Performance

A multiple regression analysis was conducted to determine how much cost leadership, focus, and differentiation strategies influence firm performance.

Table 4.3: Multiple Regression Results

Predictor Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.274	.280		0.978	.331
Cost leadership Strategy	.417	.151	.431	2.759	.007
Focus strategy	.457	.182	.489	2.509	.014
Differentiation Strategy	.030	.152	.017	0.199	.843
a. Dependent Variable: *Firm Performance*					
R = .771 R Square= .594	Adjusted R Square = .580	Adjusted R Square = .580	Std. Error of the Est. = .611	F Statistic = 42.405	Sig. = .000

Source: Primary Data, March 2023

The model was statistically significant ($R^2 = 0.594$, $F = 42.405$, $p < .05$), indicating that competitive strategies explain 59.4% of the variation in firm performance. Focus strategy had the most decisive influence ($\beta = .457$, $p < .05$), followed by cost leadership ($\beta = .417$, $p < .05$). In contrast, differentiation strategy was not significant ($\beta = .030$, $p > .05$). The findings confirm that competitive strategies significantly impact the performance of small manufacturing enterprises in Kampala Metropolitan. These results underscore the importance of strategic positioning in achieving business growth and sustainability.

5.0 Discussion

The findings emphasize the significant positive impact of the cost leadership strategy on firm performance, aligning with existing literature that highlights its effectiveness in enhancing profitability through improved operational efficiency and cost reduction (Valipour et al., 2012; Teeratansirikool et al., 2013; Kharub & Sharma, 2018). With a strong positive correlation ($r = .734$; $p < .001$). This strategy's focus on minimizing human resource and sales-related costs is consistent with Porter's (1980) framework, which positions cost efficiency as a vital competitive advantage. By underscoring the importance of resource optimization in emerging markets, this study challenges firms to adopt sustainable cost control measures while maintaining quality -- an essential balance emphasized in prior research as critical to preserving both cost efficiency and brand reputation (Zahay & Griffin, 2010). These findings underscore the practical significance of cost leadership in resource-constrained settings like Kampala metropolitan, where small manufacturing enterprises must navigate the challenge of achieving operational efficiency alongside competitive pricing.

The study reveals that the focus market strategy demonstrates the strongest correlation with firm performance, with a correlation coefficient of ($r = .745$; $p < .001$). This finding reaffirms previous research linking customer-centric approaches to enhanced performance through increased loyalty and responsiveness, as Baker and Sinkula (2005) and Ge and Ding (2005) highlighted. Furthermore, a notable regression coefficient ($\beta = .457$, $p < .05$) indicates that focus strategies centred on market segmentation and customized marketing efforts enable small manufacturing enterprises to target and capture niche markets effectively. This observation aligns with Porter's (1980) emphasis on specialization, illustrating that SMEs in emerging economies benefit significantly from strategies that specifically address unique customer needs. These findings contribute to the theoretical understanding by demonstrating that targeted customer engagement within specific market segments can lead to superior performance outcomes, particularly in developing economies.

In contrast, the differentiation strategy demonstrated a positive correlation ($r = .682$; $p < .001$), yet it was not statistically significant in predicting firm performance ($\beta = .030$, $p > .05$). This finding diverges from conventional Western-centric models, where differentiation is typically viewed as highly effective (Porter, 1980; Wernerfelt, 1984). These results suggest that resource-intensive differentiation efforts may hold less impact for small manufacturing enterprises in resource-constrained environments like Kampala, where market demand is often sensitive to price and firms lack the substantial investment necessary for sustained differentiation (Valipour et al., 2012). Consequently, the findings advocate for reassessing differentiation strategies in these contexts, highlighting the importance of practical, cost-effective differentiation rather than extensive investments in innovation. This challenges the notion of differentiation as a universally effective performance driver, underscoring the necessity for context-specific adaptations in strategic approaches.

The study's findings highlight that cost leadership and focus market strategies are particularly effective in enhancing the performance of small manufacturing enterprises in Kampala. This aligns well with the Resource-Based View (RBV), which underscores the importance of internal resources as key drivers of competitive advantage (Wernerfelt, 1984; Barney, 1991). The success associated with cost leadership illustrates how firms can utilize cost efficiencies to boost profitability, while the effectiveness of focus market strategies emphasizes the value of specialized customer knowledge and customized offerings, which help to foster customer loyalty (Alkasim et al., 2018; Baker & Sinkula, 2005; Teeratansirikool et al., 2013).

Conversely, the limited impact of differentiation strategies suggests that resource-constrained small manufacturing enterprises may face challenges in implementing unique product features without substantial financial and operational support, indicating the RBV's limitations in dynamic, resource-scarce settings. This perspective is further supported by the Dynamic Capabilities Theory (Teece et al., 1997; Eisenhardt & Martin, 2000), which highlights the need for firms to continuously adapt, innovate, and develop their capabilities to effectively respond to market changes. Small firms can set themselves apart from competitors by offering distinctive products or services, enhancing customer loyalty, and capturing a larger market share. Differentiation allows firms to create value through superior quality, innovative features, or exceptional customer service, ultimately driving performance.

5.1.0 Implications for Researchers and Practitioners

The section discusses theoretical advancements and practical applications of competitive strategies to improve the performance of small manufacturing enterprises.

5.1.1 Theoretical Implications

This study contributes significantly to the existing body of knowledge by empirically validating the relationship between competitive strategies and firm performance in the context of small manufacturing enterprises in Kampala Metropolitan. Applying the Resource-Based View, Institutional Theory, and Dynamic Capabilities Theory confirms that these theories are relevant to understanding how small firms can leverage internal resources, align with market expectations, and adapt to changing environments for sustainable competitive advantage. Specifically, the study reinforces RBV by showing that a cost leadership strategy enables small firms to achieve operational efficiency and cost savings, which are critical resources for sustaining competitive performance. Moreover, the study supports Institutional Theory by demonstrating that firms focusing on specific market segments can achieve legitimacy and improved performance. Dynamic Capabilities Theory is also validated, as differentiation strategies emphasizing innovation and adaptation enhance firm performance.

5.1.2 Practical/ Managerial Implications

From a practical perspective, this study provides valuable insights for managers and owners of small manufacturing enterprises, particularly in resource-constrained environments. The findings suggest that firms seeking to enhance performance should carefully implement cost leadership strategies by optimizing procurement processes, minimizing operational and human resource costs, and managing overheads efficiently. Additionally, the importance of focus strategies highlights that small firms can gain competitive advantage by targeting specific market segments and tailoring their products and services to meet customer needs, which drives customer satisfaction and loyalty. Finally, managers should also prioritize differentiation through innovation and customer service excellence, which can enable firms to charge premium prices, build brand loyalty, and maintain competitiveness in a crowded market. These strategies, if well-executed, can lead to long-term business growth and sustainability.

6.0 Conclusion

The findings of this study reveal that competitive strategies, namely cost leadership, focus strategy, and differentiation, play a critical role in influencing the performance of small manufacturing enterprises in Kampala Metropolitan. Cost leadership strategy significantly improved firm performance by enabling cost efficiency, which is vital for resource-constrained firms. This aligns with the RBV theory, which emphasizes the role of firm-specific resources in gaining a competitive edge. Small firms can offer competitively priced products and services by minimizing costs across production, human resources, and procurement, attracting a more extensive customer base and increasing profitability. The study also established that the focus strategy targeting specific market segments has a positive and significant effect on performance, as it allows small firms to tailor their offerings to the unique needs of particular customer groups. This strategy enhances customer satisfaction and loyalty, improving market share and sales growth. The findings are consistent with Institutional Theory, which suggests that firms gain legitimacy and performance benefits by aligning their strategies with market expectations.

Furthermore, the emphasis on customer feedback and research and development underscores the importance of innovation and customer-centric approaches in sustaining competitive advantage in small manufacturing enterprises. Finally, the differentiation strategy positively impacted performance by allowing firms to create unique products or services that stand out in the market. Firms can command premium prices and foster customer loyalty by offering distinct features, superior quality, or exceptional customer service. This conclusion supports the Dynamic Capabilities Theory, which emphasizes the importance of continuous adaptation and innovation in response to changing market conditions. Overall, the study underscores the importance of adopting well-structured competitive strategies for small manufacturing firms to enhance their competitiveness, profitability, and long-term sustainability

6.1 Study Limitations

One of the main limitations of this study is its geographical scope, as the research was conducted exclusively within Kampala Metropolitan, Uganda. While this context provides valuable insights into the competitive strategies of small manufacturing enterprises in this region, the findings may not be generalizable to other areas or countries where market dynamics, regulatory environments, and economic conditions may differ. Future studies could address this limitation by including a broader geographic scope to test the applicability of the findings across different contexts. Another limitation is the study's cross-sectional design, which captures data at a single point in time. This approach limits understanding of how competitive strategies and firm performance evolve. A longitudinal study could provide a more comprehensive understanding of how changes in competitive strategy influence performance in the long term, especially in enterprises where market conditions and consumer preferences are constantly changing. Finally, the study relied heavily on self-reported data from firm managers and employees through questionnaires. While this method helps gather firsthand insights, it is subject to potential biases, such as social desirability bias, where respondents might provide answers they believe are more favourable or expected. To mitigate this, future studies could triangulate self-reported data with objective performance metrics, such as financial statements, to ensure a more accurate representation of firm performance.

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