

Contribution of Innovation towards the Competitive Advantage of Printing SMEs within the Kampala Central Business District.

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Abstract: *This study assessed the contribution of innovation towards the competitive advantage of small and medium size printing enterprises in Kampala. The study covered the current period of 2017 because this is the time when Ugandan printing industry has greatly improved and become competitive. The study had the following specific objectives: i) To assess the contribution of product innovation on competitive advantage in printing SMEs in Kampala; ii) To assess the contribution of process innovation on competitive advantage in printing SMEs in Kampala; and iii) To assess the contribution of market innovation and competitiveness advantage in printing SMEs in Kampala. A cross-sectional survey study design was adopted for this research. Data was obtained through questionnaire, interviews, and documentary review. A total of 52 participants took part in the study from a sample of 64 respondents who were selected. This represents 81.25% total response rate from both the questionnaires and interview guide which was significant for the study. The results showed that competitiveness among the printing SMEs within Kampala Central Business District has increased over the years due to Ugandan government support to local investment initiatives. The study showed that innovation significantly affects competitive advantage among printing SMEs within Kampala Central Business District with product innovation accounted for 18.7%, process innovation accounted for 23.0% and market innovation accounted for 37.8% of the variances in competitive advantage of the firms other factors constant. It was concluded that an effective and efficient innovation is crucial to achieving competitive advantage among printing SMEs within Kampala Central Business District. It was recommended that staff be involved in developing innovation strategy so that its implementation is carried out with a true picture of what to be achieved by the SMEs within Kampala Central Business District. The study is expected to expand the body of knowledge in the area of innovation and competitive advantage. Suitable areas for further research were proposed not limited to "The impact of product innovation on competitive advantage of the firms", and "The impact of innovation on the printing SMEs in other districts in Uganda".*

Keywords: Innovation ; Business ; Competitive Advantage ; Printing SMEs ; Kampala Central Business District

1.0 Introduction

Business managers have been interested in innovation but especially for its contribution to economic growth however, the beginning of the idea of innovation is a mystery story. It is a story of myths and speculative confusions. From its very appearance in Ancient Greece, the idea of innovation had a political association. In the present day, the idea of innovation is fused to an economic doctrine that we easily forget that it has mainly been a political and contested idea for the last five hundred years (Benoit Godwin, 2015). The origin of innovation began as an expression related with science and industry in the 19th century heading toward the Industrial Revolution though the dialect of that era concentrated intensely on invention predominantly technical invention. A number of elements aided invention develop a reputable and constructive association containing the rise of purchaser culture, greater amount of patents, and strong government emphasis on construction of labs for research and evolution, (Godwin 2015). Over time a new component got mixed up into the meaning of innovation transferring its usual understanding to "bringing to market a new technology". In Godin's view, it was tied to government sponsorship for development and research in foundations and laboratories. As early as the 1950s until the 1980s he said that innovation was recognized as a procedural activity. Theoretical research in labs presumed the inceptive base. Applications were formulated and developed into commercialized commodities.

Innovation was thought of as a foreseeable research product packaged according to government sponsorship for these kinds of

ventures that had a close similarity to the rise of understanding of innovation (Godwin, 2015). The invention culture has grown and owes its presence to a number of factors. One of the factors is the “consumer revolution” (Berg and Clifford, 1999). Another or second factor is what came to be known as the “industrial revolution” and the usage of technologies in industrial processes (Hardy, 2006). Later, a third “revolution” transpired at the end of the nineteenth century at the start of the twentieth century. There were about 300 industrial research laboratories in the United States alone by 1920 and twenty five years later industrial research was considered to be more than two-thirds of national costs allocated to research and development (R&D) in various countries. This contribution has been widely interpreted through new processes and products but also new ways of organizing economic and business activity. Interest has largely focused upon the end result of creativity that is innovation (Ville, 2011). Lately, innovation is discussed in the technical and scientific literature, in social sciences like economics, management, history and sociology, and also in arts and humanities. Innovation is widely common in the world of products or goods certainly and additionally in the domain of words. Innovation is also a pivotal idea in the prevalent imaginary, public policy, media and is part of the general vocabulary. It has further been referred to as the organizational, technological, financial, scientific and commercial activities vital to breed, administer and market new or refined products and processes (OECD report, 1997).

In Uganda, the private sector is majorly composed of micro, small, and medium enterprises (SMEs) and a number of these ventures are struggling in their infancy stage. Uganda continues to acknowledge SMEs as a major economic institution and an opportunity for increasing the rate of the country’s sustainable economic growth (BOU Sector Report, 2009). In reference to the same report, SMEs contributed to economic growth through job creation, innovation, and the competitive markets.

The history of the private sector printing and publishing industry has not been researched or written about much but there traits of its existence since the economic liberalization of the 1990s. Uganda Printing and Publishing Corporation (UPPC), is a State Corporation formulated by the Uganda Printing and Publishing Corporation Act in 1902 as a printer for government works however entity handles both governmental and private sector printing as well as publishing. Other print and media houses that are widely known and have been in existence for a reasonable period of time include fountain publishers and graphic systems among others. There are over 100

SME printing companies in the country as according to the KPMG TOP 100 SMEs survey report produced in 2015. Nasser Road in Kampala is a well-known printing nest of companies providing all forms of printing services, including offset printing, digital printing, signage, typesetting, designing, color separation, sorting, numbering, binding, packaging and delivery

(Nexus Partnerships Limited, 2017). The Uganda Printers Association is the main representative body of the sector.

However, it had been analyzed that these SMEs struggle or do not manage to reach to their year one birth date and for about 35% of the SMEs businesses that face closure, over 37% re-start new businesses (Private sector foundation report, 2010). Due to the discoveries, Uganda was ranked as the second highest when it comes to business startups and also ranked as the country with the highest new venture failure rate in the entire world. Enterprise Uganda in collaboration with Uganda Investment Authority, supported by UNDP has facilitated training programs focusing on leasing competence development among SMEs managers and within a year, 3500

SMEs had benefited (Investment Authority, 2008 & 2010). SMEs are viewed to be a productive base in regard to innovation. The positives lay in the flexibility and little rigid organizational structures that on average promote a slightly greater speed of response. It is assumed that the investment of innovation in SMEs will create a competitive advantage for the organization which later leads to company growth and achievement through return on investments, customer value and market share value (Ocici, 2008).

A company’s potential to develop innovative products and services can be hindered by a usual lack of financial strength as well as technical and managerial skills (Gray, 2006). Consequently, interventions need be checked in terms of technological innovations in order support new product and services offering, reasonable financial packages to foster the development of such innovations and managerial skills in order commercialize the innovations. Through the context of new technologies and globalization it is useful to investigate the role of innovation, how it contributes towards competitiveness of small and medium enterprises (SMEs) as innovation is essential to sustaining competitive advantage (Hamel, 2000).

2.0 Literature Review

2.1 Theoretical Review

2.1.1 Theory of Economic Development (Innovation)

The term “innovation” was for the first time used by Schumpeter at the epitome of the 20th century. Schumpeterian ideas and research have later on been improved by a great number of authors and researchers. Schumpeter defined innovation as process, product and organizational variances that don’t necessarily arise from new scientific findings but may develop from a mixture of existing technologies and their application in a newly birthed context (Zizlavsky,

2011). This study was guided by Schumpeter's (1911) theory of economic development commonly referred to as the *Innovation theory*.

Schumpeter refers to innovation as a process of industrial modification that constantly transforms the economic structure from within destroying the old one and creating a new one. Schumpeter assumed that to seek profits, one must innovate and also related innovation as a vital catalyst of competitiveness and economic dynamics. He addressed evolution as an ancient process of systematic changes greatly driven by innovation which was divided into five types:

1. New product launch or new species of an already known product;
2. Application of new procedures of production or sales of a product
3. Opening of a new market
4. Attaining of new sources of supply of raw material or semi-finished goods;
5. New industry assembly such as the creation or demolition of a domination position.

The model assumed for any business venture to make profits or attain its competitive advantage it must innovate. The whole process of Schumpeter's theory was ground on the innovator whom is regarded as a model person and that development economically is the result of the recurrent process. The theory therefore regarded innovation a main cause of economic development plus a driver to a company's competitive advantage. These assumptions therefore applied to the study with the view that new product launches or new species of a re-known product lead to re invention thus explaining how innovative profits from the new products will lead to the competitiveness of the company from the new product. Competitiveness and profits or economic development could also be realized from application of new procedures of production or sales of a product, new markets acquisition, and new sources of supply of raw materials and new industry formation or strategies. Innovation therefore does not only look at the technological aspect of the company but the creativity, re invention, new strategies and research within a firm aiming at profitability and competitiveness.

To further explain and contribute to the Schumpeterian theory of innovation, Edith Penrose (1959) theory of growth of the firm leaned on an approach of profits and innovation in the company that completely incorporates the concepts governing the growth of companies and the rate at which firms can flourish reliably. Penrose put great emphasis on the time proportions and protection of the ongoing advantage with continued attempts to innovate to renew economic value. She incorporated the most important elements of Schumpeter's original theory of innovation and competitiveness. Penrose further aids us to connect together the two aspects and from that perspective to supplement upon Schumpeter's theory of innovation in relation to profits and growth for a current institutional setting.

Whereas the theory was criticized that Schumpeter assumed a ideally competitive economy which is in static equilibrium, there was no flawless competitive equilibrium. However according to Schumpeter, the practicability and activity of the entrepreneurs drawing upon the conclusions of scientists and inventors create entirely new avenues for growth, investment and employment. The theory however remained relevant to the purpose of the study as it reflected upon the independent and dependent variables of the study. The theory further examined the relationship between new products, market dynamics and process innovation as a tool to achieve a competitive advantage.

2.2 Conceptual Review

2.2.1 New Product Launches and Competitive Advantage

New product development was notably the ability of a firm to develop products which outperformed their rivals in the market place and proved to profit a firm in building its own competitive advantages (Kok, 2006). New product development is one of the riskiest, but most analytical strategies in any competitive industry (Cooper, 2001; Clark *et al* 2006). Business companies spent enormous amounts of money for new product development due to various vital reasons. The rationale for new product development is the habitually quoted by peak business executives for diversification, corporate growth and the quest for a competitive edge over the competitor's business firms (Sachs and Benson, 2001). As globalization paves the way to more extreme competition amongst production firms with increase in customer demands, organizations opt to seek a competitive advantage by creating products with enhanced and valued features, such as quality, flexibility or reliable delivery (Baines and Langfield-Smith, 2003). Product innovation has widely and expansively been studied and categorized into four elements namely: product design,

product quality, new product innovation, and unique product features. These elements are assumed to relate to sales growth and customer satisfaction of a firm which are competitive advantages. Product innovation looks at the improvement of product quality and re-inventing of already existing products which is applicable with printing SMEs. It is therefore necessary that SME printing firms understand the customer and improve the firm's products as a possible tool of producing and sustaining a competitive edge over other rivals in the industry. In relation to product innovation, Martín-de Castro et al. (2013) mention the importance of technological advances saying that creating fruitful technological innovations is vital for creating and maintaining an organizations' competitive advantage.

Additionally, the desire for precise product attributes could all of a sudden become so strong that a firm is properly advised to produce and introduce new products in order to utilize this new opportunity hence meet the strong customer demand (Hise, 2007). Product innovation expands to product differentiation which creates an advantage in terms of quality and differentiation from the other competitors in the industry. A firm can therefore be in a safe position relative to its rivals if it has a new or innovative product. Pleased customers are the main determinant of sustainable competitive advantage for an organization. To maintain clients and lure new ones a firm needs to concentrate on creating value to the customer in a manner that is more effectual than that of its competitors (Marius – Dan, 2011).

The failure rate of new products has been persistently high for the previous decades according to the reports by consumer federation of Kenya (2012). New products do not stay new for too long because of new technologies. New products change a lot more frequently than they have in the past due to the absence of marketing tactics to push the products and the consumer level of income has hindered the success rate of the new products into the market. The study therefore intends to investigate on how SMEs can create a new product innovation as a sustainable competitive advantage.

2.2.2 New Product Sales and Competitive Advantage

New product introduction (NPI) was one of the tools that firms used to achieve growth, boost profitability and increase or sustain current market share (Ganna, 2012). According to Tidd et al. (2006) innovation contributed to attaining a competitive advantage in a number of aspects. He clearly outlines that new products assist conserve market shares and enhance *profitability*. Profitability in innovation looked at the new percentage accrued from the sale of new products. Launching of new products and services in the market illustrates an important origin of increasing the magnitude of a business and the earnings of a firm however the accomplishment of presenting new product on the market is a serious issue of the current marketing programs (McCole, 2005 and Hoffman, 2005). Most studies show fiscal performance indicators amount to a firm's total returns or profits attributable to freshly introduced products in either outright terms (Brenner, 1994) or comparative to total sales or profits (John and Snelson, 1998). While it appears as if financial performance methods are precise and easily computable, it must be stated that they are delicate to the time interval stuck between market introduction and performance measurement (Hauschildt, 1991). Bayus et al.(2003) shows that new product innovations certainly affect a firm's asset progress and profit rate but it has to go through the decline in sales, common and managerial expenses strength rather than the rise in unrefined operating return.

However, there may be trade-offs amongst financial limits (Hart, 1993). However, if price discounts increase product sales, records on sales and profits may tell altered stories.

Conclusively, it was wholesome that there are equally benefits and losses linked with new product innovations. Rendering to the producer theory, all companies are profit-maximizers (Ganna, 2012). It was therefore highly significant for a firm to make a precise decision of whether a new invention should be presented or not. If authentic sales remain beneath expectations, the firm may have financed in overcapacities. If the authentic sales are beyond expectations, the firm may error returns due to a scarcity of production and circulation capacity. Basing on the literature viewed, the studies aimed investigate on how printing SMEs could benefit positively from new product innovation to increase sales and profitability.

2.2.3 Increased Productivity and Competitive Advantage

Productivity is a degree of the rate at which elements of output of goods and services are formed per unit of input for instance capital, labor and raw materials. According to the Australian treasury (2009), rises in productivity may possibly cause diminishing the use of inputs for a certain output or maximizing output for a known input. The two often used dimensions of productivity are labor and multi-factor productivity (MFP). Labor productivity measures the fraction of real output to labor input while MFP is a measure of output to a subjective blend of labor and capital inputs. Innovation when nurturing competitiveness, output and job creation is measured as a vital strength for starting and powering the engine of growth (Romer, 1986). Improvement in products and processes are critical for productivity enhancement. The innovating companies are not the solitary ones that profit from the innovations. When innovations are subtle, they subsidize to higher productivity and higher standards of

living for an economy as a whole (Neely, 1998). Accumulative competition in the global market compelled that productivity ought not be reflected as an display of efficiency only it must measure efficiency yet the discrepancy amongst the two is frequently overlooked (Marius – Dan, 2011). For instance a firm that yields according to process stipulations may be using its assets resourcefully but except if it is producing what its clients want it may not be using them efficiently. Pitra (2006) states that innovation is the outcome of employees' imagination in an organization and must be always directed at customers and convey added value to be profitable, a firm must judge productivity and value from the viewpoint of the customer.

Porter (1990) also argued that native competition reassures innovation by compelling firms to innovate or fail. In his view, for any specified set of industrial collections, competitive pressure boosts innovation and productivity. However, when estimating the effect of innovation on productivity, the measures of innovation that are typically used include amount spent on Research & Development, the number of patents the workplace applied for or more recently the percentage of sales coming from products less than five years old (Dostie, 2014). The literature therefore showed the relationship between productivity, process innovation and product development.

2.2.4 Decrease in the Unit cost of Production and Competitive Advantage

Cost of production is an economic pointer evaluating the economic presentation of production. Cost is well-defined as the value of a factor of production (input) engaged in the creation of final outputs (Cesaro *et al.* 2008). As explained by Hall (2011), innovation can increase effectiveness and expand the goods and services that a firm proposes hence aggregate demand and reduce the costs of production. In a competitive situation, a business must motivate a purchaser to buy its products rather than those of rivals at a price that is more than its cost of production. A coherent customer however would prefer to exploit value for his money. Therefore, a positive producer must improve the overall value of the products so that the price is suitable to the customer while the costs are sufficient to allow room for profit. Das and Joshi (2007) observed that the processes of innovation can also lead to manufacture time shortening and speed up original product development in contrast to rivals however if an organization is not skillful of presenting innovations on an current basis, it threatens that it will delay and the initiative will be occupied over by other competitors. Attaining a higher effectiveness by means of innovations means creating less costly produces of enhanced quality compared to those manufactured by rivals (Hana, 2013). Decrease in the unit cost of production, delivery, marketing according to various scholars could be realized through cost optimization.

Cost optimization was acute to industrial SMEs because of its capital continuous and business capacity (Shahidul and Anwar, 2007). Cost optimization states to recognizing the non-value extra inputs and eliminate it from the production procedure in order to make complete products more competitive. Hence, there is a possibility to expand the general performance of SMEs therefore their production and processes cost optimization is vibrant for manufacturing SMEs in nourishing business domain by accomplishing quality product at an affordable cost (Roztock, et al., 2004). In order to address cost optimization problem, SMEs are advised to distribute the production process into numerous components such as labor, inventory, raw materials, energy, R&D and supply chain. Major areas considered in the literature were skilled labor, supply chain performance, application of ICT, capacity utilization, production processes and bench marking though emphasis is on production and operations management issues.

2.2.5 New Markets Penetrated and Competitive Advantage

Innovative capacity gave SMEs their competitive lead a main element in seizing market triumph and inter-firm competitiveness (Mole and Worrall, 2001). Innovation enabled SMEs to adventure into new products and markets through improving the cost base and pricing policies (Mole and Worrall, 2001). Cummins et al., (2000) argued that while innovation can comprise new-product development, it integrates innovative developments in other features of marketing. Innovative new companies create new proficiencies grounded on existing and prospect market drifts and customer strains since they are driven by a profit seeking undertaking. Cooper and Kleinschmidt (2007), further pointed out that in order to elevate the performance of new product progress a company first collects associated market statistics, assesses the core and outward environment and resources then plan development approaches of new products that counterpart business objectives. Firms hence see marketing strategy synonymous with marketing innovation. The blend aids a company recognize new opportunities with clients and markets and how to take stake from players in existing markets hence penetration into new markets. However, numerous tactics are engaged by the company to make certain that the marketing strategy is efficiently delivered and new products are capable to navigate into the market. Consequently innovative marketing strategies visibly ensure the need of clients in the market and thus results to the success of a new product. The study intended to find out whether sales tactics and marketing determined the success of a new product into the market within the printing SMEs.

2.2.6 Market Positioning and Competitive Advantage

In relation to market positioning and ranking, competitive advantage was historically believed of as a substance of position, where firms occupied a competitive space, built and protected market share (Evans and Shulman, 1992). The most central features of innovation included a resilient relationship amid market performance and new products as new products help uphold market shares and increase profitability. Zemplerova (2010), highlighted that the overheads on research, development and overview of innovations are the determining features for gaining a leading part of the market. This kind of research points at a firm understanding its market hence

applying tools that could guide them towards market innovation. Richey et al. (2005) observed the relationship between innovation and a firm's performance. In doing so, they specified that innovation should increase a firm's market and internal cost efficiency which are competitive advantages. They also indicated that innovations can lead to increased returns attributable to added services and upgraded customer satisfaction. A number of marketing concepts have been tried out however the distinctive one is market – orientation. Market-orientation is a rational, developmental, and a folk aspect of a firm's marketing conception that puts the customer at the epicenter of the business and its development. However, experimental studies on the outcome of market-orientation on greater performance discovered unpredictable results (Han et al., 1998). According to Pelham (1997), a market-oriented firm with excellent market facts gathering and processing abilities, is able to forecast the necessities and fluctuations in markets precisely and hastily, permitting them to respond rapidly and suitably hence boost their competitive advantage. Incidentally, it has been affirmed by scholars in the SME writings that market-orientation offers small firms with a possible competitive advantage over larger firms for SMEs are closer to consumers and able to exploit their needs and wants swiftly and flexibly. They would also be able to transfer customer acumen quickly with less corrosion due to their condensed organizational strata and establishment. This could help device the marketing strategy fast as it is less formal.

3.0 Methodology

3.1 Research Design

This study was subjected to a cross sectional research design to compare the different variables. The cross sectional survey research design was employed because the mixture of qualitative and quantitative approaches provided a comprehensive understanding of the research problem than one approach. The study involved the collection of both qualitative and quantitative data in response to the research questions and hypothesis. The design saved time and helped in collection of necessary information. Data was collected using largely interviews and questionnaires then analyzed using descriptive analysis. The data to be collected may be primary or secondary or both (Sekaran & Bougie, 2010).

3.2 Study Population

The study consisted of 70 respondents from five different printing companies with in the Kampala Central Business District. Five companies were easily accessible as the target population because it was impossible to study the entire population due to a lot of time, money and other resources involved. This made the population narrowly defined and manageable. The 5 printing firms chosen were Wave media, Inline printers, Sketchers design promoters, Clear media and Magic color . Printing SMEs had an estimate staff number of between 5 – 30 members. This was a very diverse group and this allowed the researcher to test the hypothesis which consisted of gathering information on a group of different entrepreneurs, managers and general staff. This diversity helped the study to investigate data to show the relationship between innovation and competitive advantage amongst the printing SMEs in Uganda.

3.3 Sample Size and Selection

The population size of interest in this study consisted of 5 printing SMEs with a target of about

10 general staff and 4 key informants per company. This summed up to 50 general respondents and 20 key informants were selected totaling up to the overall number of 70 respondents. The Managing Directors, General Managers and Heads of departments (finance and marketing) were targeted as the key informants whose data was collected through the interview guide because there was need for appropriate information. The sample size total of 64 respondents was derived from the initial population size of 70 respondents as summarized in the table below using Krejcie and Morgan (1970) tables.

Table 3. 1: Sample size table

Category of Respondents	Population Size	Sample Size	Sampling Technique
General staff members	50	44	Simple Random
Managing Directors	5	5	Purposive
General Managers	5	5	Purposive
Heads of Departments	10	10	Purposive
Total	70	64	

Source: sample size from Krejcie and Morgan (1970).

3.3. Sampling Technique and Procedure

The study entailed the usage of both probabilistic and non-probabilistic sampling techniques. Simple random sampling for general staff and purposive sampling techniques for the key informants was considered. The choice of these two techniques was because every element of the population had a probability greater than being selected for the sample during probabilistic sampling. Each person in the population had equivalent opportunity for selection as a subject and the technique also increases sample's representativeness of the population while non – probabilistic sampling restricts generalization. The researcher used personal judgment to hand- pick subjects that are considered to be representative of the population thus handpicked distinctive subjects undergoing problem being studied.

3.4 Data Collection Methods

Data collection methods are essential ways through which the researcher collects data. The researcher used both quantitative and qualitative data collection methods.

3.5 Data collection Instruments

The instruments used included the interview guide, questionnaires and the documentary checklist.

3.5.1 Interview Guide

According to Thomas L. Carson (2000), the schedule is nothing but a list of questions which is necessary to test the hypothesis. Face to face interviews had a diverse advantage of allowing the researcher to establish a relationship with probable participants and hence gain their cooperation. These interviews yielded utmost response rates in the research. An interview guide was used with the key informants/respondents who comprised of the general managers, heads of departments and managing directors. Interview guide permitted the researcher to simplify unclear answers and when appropriate, seek follow-up information. Open ended questions were used and through personal contact between the researcher and respondent, accurate information were collected.

3.5.2 Questionnaires

A closed ended questionnaire was used with the general staff respondents. Closed ended questions were developed to help respondents make easier alternatives to choose from. The questionnaires were generated using questions from the objectives, research questions and hypothesis to generate responses and data for analysis of the relationship between the factors being investigated. In the open ended questions, respondents were free to provide any additional relevant information necessary to the study but not included in the questionnaire. The justification to use questionnaires as a data collection tool is that they were quick and an easy way to collect data. They are also convenient for the respondents because they are followed by alternative answers (Mugenda and Mugenda (2003).

3.5.3 Documentary Review Checklist

Documentary review checklist was used to collect more in-depth data on the study. The checklist provided qualitative information which may not easily be collected with the closed ended questionnaire. Written materials and other documents from the

different organizations archives, memos and correspondence, official journals and reports, letters, text books, photographs, and transcribed responses to open-ended surveys would be used.

3.6. Data Quality Control

The diversity of data sources brought abundant data types and complex data structures and increased the difficulty of data integration; however, to control the quality of the data, reliability and validity checks were adopted. Quality control was an integral part of the research at all stages, starting from proposal design; data collection, entry, analysis; and reporting.

Pretesting of Data Collection Instruments

The research instruments were pretested amongst the senior management team of other printing SMEs namely; Horizon lines, Brand Mark, Standard signs, MPK and Advent city within Kampala Central Business District to ensure validity and reliability of the instruments before distribution to the actual respondents.

3.7 Data Analysis

This research used of a mixture of two approaches during the survey hence leading to qualitative and quantitative data analysis as elaborated.

3.7.1 Qualitative Data Analysis

Qualitative data obtained from face to face sessions or a key informant interview was analyzed using content analysis. The qualitative information collected was grouped, sorted out and laid in form of themes and narrative statements. Only valuable information was used to supplement on the quantitative one that was used.

3.7.2 Quantitative Data Analysis

For quantitative data analysis, Statistical Program for Social Scientists (SPSS) version 20 was used. The exercise involved designing data entry screens before entering raw data for analysis. The researcher used data quality checks during data collection and data entry to check for completeness, accuracy and consistency. Before data was analyzed, it was sorted, cleaned and edited to identify and correct missing, messy data. This ensured that all information on the key variables was collected. Both inferential and descriptive statistics were used to examine sample data with the aim of generalizing findings on the larger population as well as establish the level of relationship between the variables. Descriptively, data was presented in form of frequencies, percentages, means and standard deviations. These were presented in tabular forms. Inferential statistics were presented using both the Pearson's correlation coefficient (bi-variate) technique used to investigate relationships between two continuous variables by measuring the strength between the independent and dependent variables and regression (linear) to determine the percentage (variation) between the variables. All the data was then analyzed at a level of significance of 95% which is a coincidence level. This value was selected considering the sample size was embraced for figures calculated using the 0.05% confidence levels.

3.8 Ethical Considerations

The research involved permission, admittance and related moral issues, since it was based on data from people about people according to Punch (2000). The proposed study ensured that well-versed consent was attained from the participants. Permission was acquired from the different printing firms to carry out research on by making appointments with the managing directors in order to access the archived documents useful to the study. The participants were given full facts about the research including the reasons they had been chosen to participate. Participants' confidentiality and secrecy were assured. A highly close ended questionnaire was used in consideration of time and nature of interview which seemed sensitive to the respondent so as not to cause either bodily or sensitive harm to respondents. This was something as simple as being vigilant how the researcher would be word sensitive on challenging questions during the interviews.

4.0 Presentation, Analysis and Interpretation of Data

This part focuses on the outcomes obtained from the relationship between innovation and competitive advantage of printing small and medium enterprises (SMEs) in Kampala. First, the respondents' background information is outlined followed by descriptive statistics on the study variables. Then explanations of product innovation, process innovation and records market innovation are given in comparison with the extent to which they contribute to the competitive advantage of the printing SMEs. The corresponding hypotheses tested in this study are explored using; tests of significance, spearman correlation coefficients and their meanings drawn in line with the research objectives.

Response Rate

This discusses the number of people who responded to the survey compared with the total of people in the sample usually

expressed in percentage form. In this study, the sample was 64 respondents and the study managed to get 52 of them (14 respondents for interviews as key informants from the managerial category 2, 3 and 4 while 38 respondents for questionnaires from the general staff sample size). The break down for each is shown in the table below.

Table : Response rate

	Category of staff	Sample Size	Obtained Sample	Response Rate (%)
1	General staff	44	38	86.4%
2	Managing Directors	5	3	60.0%
3	General Managers	5	3	60.0%
4	Heads of Department	10	8	80.0%
	Total	64	52	81.2%

Source: Data from the field

Table above shows that the response rate was 81.2%. According to Amin, (2005) the response rate should be a minimum of 50%. The above response rate was obtained because majority of the targeted respondents could be obtained from one place and the researcher frequently reminded them to respond to the questionnaires distributed as well as make appointments for interviews. A lot of explanation and encouragement was done to ensure maximum feedback. Therefore, the results were considered to be thoroughly representative of what would have been obtained from the population.

Stage of the Business

The stage of the business in the lifecycle of business operations is fundamental is ascertaining the number of stumbling blocks they have had to outgrow to reach the stage where they are at. It comes with a massive wealth of experience for those that are in the latter stages and otherwise. Table below shows the results obtained from the study.

Table :Stage of the Business

	Stage	Frequency	Percentage (%)
1	Start up	6	15.8%
2	Growth	23	60.5%
3	Maturity	6	15.8%
4	Diversification	3	7.9%
	Total	38	100.0

Source: Data from field

The study findings show that most of the businesses (60.5%) were in the growth stage while

15.8% were in their maturity stage. The number of startups was found to be at 15.8% which is an indicator that most of the businesses surveyed were in position to explain the ups and downs of the business. They are likely to have undertaken a number of innovations to reach the present stage. This experience is likely to lead to more keen understanding of the subject of competitive advantage in regard to the innovations done.

Product Innovation and Competitive Advantage

This objective was set to establish contribution of product innovation on the competitive advantage of firms. To effectively analyze the relationship between the two variables, descriptive statistics were presented for each of the variables and then inferential statistics computed and interpreted.

Table : Descriptive Statistics on Product Innovation

	Product Innovation	SA	A	NS	D	SD
1	The new products meet customer requirements	44.7%	44.7%	7.9%	2.6%	.0%
2	Customers are satisfied with the new product designs	36.8%	55.3%	3.8%	0.0%	2.6%
3	Newer products have better features that attract customers	36.8%	39.5%	5.3%	15.8%	2.6%
4	Newer products are unique on the market	47.4%	36.8%	10.5%	2.6%	2.6%
5	Increased productivity has led to higher profitability	18.4%	50.0%	26.3%	2.6%	2.6%
6	New products have been successful during the launches	28.9%	42.1%	23.7%	5.3%	.0%
7	The percentage of sales from new products leads to increased revenue from new products	31.9%	40.4%	2.7%	13.5%	11.5%
8	Customers are always searching for new products	26.3%	39.5%	21.1%	13.2%	.0%
9	Old products can be re-invented for customer satisfaction	26.3%	21.1%	26.3%	18.4%	7.9%
10	Newer products have improved quality	36.8%	39.5%	5.3%	15.8%	2.6%
11	Past product innovations have been successful	47.4%	36.8%	10.5%	2.6%	2.6%

Key SA = Strongly Agree A= Agree NS = Not Sure D = Disagree SD = Strongly Disagree

The study findings show that most respondents (89.4%) believed that the new products met the customer requirements. Similarly, majority (92.1%) also noted that the customers were satisfied with the new customer designs. The findings further assert that these newer products had better features that attracted customers. Asked as to whether these new products were unique on the market, majority of the study participants approved this to be true while only 5.2% did not. The study also asked to know whether these new products had been successful during launches, the greatest proportion (71.0%) affirmed to this while only 5.3% did not.

The study also sought as to whether customers were always searching for new products. This was found to be a true according to 65.8% of the study participants. They also noted that these new products were of improved quality (76.3%). The findings also show that majority (84.2%) pointed out that past product innovations had been successful. However, a slightly smaller majority (47.4%) indicated that old products could be re-invented for customer's satisfaction. This agrees with earlier findings that customers are always looking for new products. The study findings in principle show a high level of receptivity on the part of the customers regarding any new products. This is likely to positively impact on the firm's competitive advantage though it might otherwise not be automatic if the same products are available to most of the competing firms.

In relation to profitability, the findings of the study show that majority (68.4%) of the respondents believed that the innovations in the products had led to increases in the profitability of the firms. The percentage of sales from new products leads to increased revenue from new products according to 72.3% of the participants. These findings portray the fact that improved product innovations can to certain extent impact on the profitability of the firms. This may later on have an impact on the competitive advantage of the SMEs.

Data from interviews also to some level agrees that product innovation was important factor in attracting new customers and improving profitability. However, a number of the business managers interviewed pointed out that this does not come single handedly. It comes in liaison with good marketing strategies and competent customer handling. One respondent stressed that: *The fact that we operate from the same area as most of our competitors, it hard to develop a totally unique product that those you are competing with will not know. Somehow they get to know in a short time. We find ourselves inviting other factors into play for us to obtain a slight competitive advantage.*

This means that product innovation alone will not bring outstanding competitive advantage over other firms unless coupled with other forms of innovation like marketing among others.

Descriptive statistics on competitive advantage are paramount in describing the positions of the firms. The table below presents the results followed by a detailed explanation of the results.

Table : Descriptive Statistics on Competitive Advantage

	Items on Competitive Advantage	SA	A	NS	D	SD
1	Customer satisfaction has continued to improve over the years because of the newly introduced products	55.3%	26.3%	18.4%	.0%	.0%
2	The number of customers has grown as we introduce new products	5.3%	52.6%	34.2%	7.9%	.0%
3	The company's market share has grown over time because of the newly introduced products	31.6%	23.7%	31.6%	13.2%	.0%
4	The sales volumes have increased with increased new products on offer	34.2%	55.3%	7.9%	2.6%	.0%
5	The quality of our new products is superior compared to our competitors	31.1%	23.7%	42.6%	2.60 %	0.9%
6	We are flexible in producing new products to the taste of the customers	47.9%	26.3%	2.1%	15.8%	7.9%
7	The company registers higher profits on our new products	21.6%	27.0%	43.2%	5.4%	2.7%
8	Competitive advantage provides the company with a better sales position	5.3%	44.7%	34.2%	13.2%	2.6%
9	Our flexibility has improved because of new work processes and design	8.1%	48.6%	16.2%	21.6%	5.4%

Key SA = Strongly Agree A= Agree NS = Not Sure D = Disagree SD = Strongly

Disagree

A number of questions were asked seeking the views of the respondents on competitive advantage. This was aimed at understanding of the subject from their perspective in relation to their own businesses. First of all, they pointed out that customer satisfaction has improved over the years because of newly introduced products according to 86.5% of the respondents. It was also discovered that the number of customers had grown over the years because of introduction of new products. Majority of the participants (89.5%) cited increase in sales volumes as they increased the number of new products on offer. This means that as new products are introduced, the number desiring them increases which has a positive significant effect on the sales volumes.

It was however discovered that this didn't automatically lead to an improvement in the profitability of the firm. The study findings show that only 48.6% registered an improvement in the profitability of their firms as compared to the 89.5% which had increased sales volumes because of new products. This calls into other factors that may come into play. Further evidence also shows that only 54.8% indicated that the quality of their new products was superior compared to their competitors. Further evidence to assert this shows that only 53.6% were flexible in producing new products to the taste of the customers. It is most likely that most firms do share the same products across the board and only the mode delivery may make the difference. This means a firm's competitive advantage may come into play depending on the way they deliver the product rather than the product itself.

Process Innovation and Competitive Advantage

In order to ascertain how process innovation relates to the competitive advantage of SMEs, use of descriptive statistics was made to bring out the views of the respondents on the variable. Then inferential statistics were used to draw overall conclusions on the subject matter.

. Process Innovation

The study sought to find out the different innovations in the processes carried out by printing SMEs in Kampala. This would be

fundamental in establishing how this was reflected in overall competitive advantage of the SMEs. To understand the views of respondents on the variable, table below presents percentages of responses to each of the items and meanings drawn thereafter.

Table : Descriptive Statistics on Process Innovation

	Process Innovation	SA	A	NS	D	SD
1	Culture of risk taking has a positive impact on innovation and competitiveness	47.4%	39.5%	13.2%	.0%	.0%
2	A number of employees are highly innovative	15.8%	42.1%	31.6%	10.5%	.0%
3	The company culture is supportive of innovation	21.1%	44.7%	26.3%	5.3%	2.6%
4	Acquisition of new machinery leads to better quality of products	5.3%	18.4%	36.8%	23.7%	15.8%
5	Improved work processes have helped in customer appreciation and satisfaction	15.8%	60.5%	21.1%	2.6%	.0%
6	Employees need training to improve on flexibility	55.3%	42.1%	2.6%	.0%	.0%
7	Company generally does not wish to take any risk	57.9%	31.6%	7.9%	2.6%	.0%
8	The level of bureaucracy affects timely delivery of works and flexibility	23.7%	50.0%	18.4%	5.3%	2.6%
9	New designs have created superior customer satisfaction	13.2%	63.2%	18.4%	5.3%	.0%

Key SA = Strongly Agree A= Agree NS = Not Sure D = Disagree SD = Strongly Disagree

An inquiry was made as to whether culture of risk taking has a positive impact on innovation and competitiveness. The study results revealed that majority (86.9%) believed that this was so while the rest (13.1%) chose to remain neutral. The study also pointed out that 57.9% of respondents believed that a number of staff were highly innovative. On the other hand, majority (65.8%) believed that most company cultures were highly supportive of innovation processes. This means that the respondents believed the companies created an atmosphere in which innovative processes would be greatly broad. This kind of atmosphere is likely to lead to an improvement in the overall competitive advantage especially over those where this kind of environment is not boosted.

There was a divided opinion over whether acquisition of new machinery led to better quality of products. A slight majority (39.5%) did not believe that this was true, 36.8% remained neutral while 23.7% consented to the truth of the above statement. On the other hand, majority (76.3%) indicated that improved work processes helped in customer appreciation and satisfaction. Majority of the respondents (97.4%) also indicated that the employees needed training to improve on their flexibility. A great proportion of them (89.5%) also highlighted that companies were not willing to take any risks. It's also fundamental to point out that bureaucratic practices were at the center of affecting the timely delivery of works and flexibility. This clearly points out that improved work processes, training of key staff and not new machinery were players in effective service delivery. This if handled well by particular firms will create a competitive advantage for those firms over those firms that don't.

Through the interviews, it was discovered that processes were a very fundamental part of the firms that were making profit in the printing business. Innovations in the way firms managed their customers through improved processes was identified as a key player in the business. One managing director pointed out that;

The major reason we have had to make some money in this business is because we put the customer's preference at the forefront of our priorities or core values. We as a team do everything in our power to make sure our clients are treated well. We have had a number of referrals from those same clients and this has kept us going.

Another business owner also stressed that;

Staffs in this place know that customer's preferences are key to our survival, we make sure we are transparent to the best level that we can when handling our clients. We sometimes work beyond normal working hours in order to meet a certain deadline. This

has ended up in our favour most of the time as customers are always delighted and end up bringing us more clients.

This means that good business owners know the printing business have known the secret of process innovation towards creating a competitive advantage over other firms.

Market Innovation and Competitive Advantage

Market innovation being fundamental in any firm, the study also sought data on the variable in from the SMEs in Kampala. Like in the previous sections 4.4 and 4.5 above, the study first presented the descriptive statistics and then went on ahead to analyze the relationship between market innovation and competitive advantage among these SMEs in Kampala in order to draw inference.

. Market Innovation

The responses of study participants on the questions assessing the level of market innovation in their firms are presented in the table below.

Table : Descriptive Statistics on Market Innovation

	Market Innovation	SA	A	NS	D	SD
1	New marketing methods have lead the firm's entrance to new markets	50.0%	34.2%	15.8%	.0%	.0%
2	Alliances with competitors have increased firm's profitability	5.3%	52.6%	26.3%	10.5%	5.3%
3	Flexibility as a marketing strategy has increased the firm's competitiveness	21.1%	42.1%	31.6%	5.3%	.0%
4	Marketing has improved the firm's brand image	15.8%	23.7%	31.6%	26.3%	2.6%
5	Dominant market share is held by competitors with an outstanding advantage	10.5%	13.2%	47.4%	18.4%	10.5%
6	Marketing has led to company sales growth and profitability	42.1%	47.4%	7.9%	2.6%	.0%
7	Marketing strategies are time consuming and expensive for your organization	10.5%	34.2%	42.1%	13.2%	.0%
8	New ideas generated have given birth to customer satisfaction	18.4%	47.4%	31.6%	2.6%	.0%
9	New market innovations have given the firm better quality of services	31.6%	28.9%	18.4%	21.1%	.0%
10	New marketing ideas aim at the firm's flexibility	5.3%	21.1%	34.2%	23.7%	15.8%

Key SA = Strongly Agree A= Agree NS = Not Sure D = Disagree SD = StronglyDisagree

The study findings show that new marketing methods led to firms to enter new markets according to 72.2% of the study participants. It was also discovered that marketing increased the sales or the firms as well as their profitability (89.5%). Regarding whether market innovations had given birth to better quality of services, majority (61.5%) believed that this was so, 18.4% remained neutral while 21.1% believed the contrary. It is also evident that alliances with competitors had increased 57.9% of the firms' profitability. The study findings also show that majority (65.8%) believed that the new marketing strategies had increased the level of satisfaction among the customers they were handling. On the other hand, 61.5% of the firms

surveyed reported that the quality of services delivered had increased because of market innovations. Most of the participants (39.5%) reported that the marketing strategies had improved the brand images of their firms. On the contrary, most participants (31.5%) were undecided as to whether dominant market share was held by competitors with an outstanding advantage.

In principle, the findings show that marketing is such an important aspect in the growth and profitability of the firms in question. This means that firms have to be more aggressive and innovative to impact on their growth. This is properly done is likely have

a significant impact in terms of better competitive advantage over those that are less innovative.

Interviews with key informants show no different result. A number of managing directors and general managers interviews showed that marketing innovation was a fundamental factor in the printing business in Kampala. One was quoted saying:

With the prevailing growth in the number of businesses doing printing in this city, one has got to be a little more aggressive in marketing if they are to remain functional. This is because the margin between the one with a greater competitive advantage and the one with less will definitely be seen in their marketing strategies/innovations.

Another also noted that;

We as a company have had to be more creative in the area of marketing innovation to obtain the current customer base. It hasn't come by chance but was intentional even when the marketing strategies used by firms are similar.

It is there imperative to conclude that marketing innovation is such a relevant force in creating more profitable firms with a cutting edge over others.

5.0 Discussion, Conclusions, and Recommendations

5.1 Discussion of Results

5.1.1 Product Innovation and Competitive Advantage

Findings revealed a positive though a moderate correlation between product innovation and the competitive advantage of the printing SMEs. The considerable 18.7% improvement in the competitive advantage among printing SMEs is brought about by the proficiency in product innovations (other factors constant). This mild contribution could be attributed to the fact that most innovations are not primarily limited to individual SMEs but innovation packages are available to those firms that can afford them creating a competitive advantage over those that cannot. Majority of the respondents agreed that regular new product launches enabled them to become more competitive, and this helped them to set targets to improve work performance. Senior members of management interviewed who said, *“Here we are able to make some money out of our products because we located a bit far from Nasser road where there are many such firms. If we were there, we definitely would make as much profit as we do now”*. The findings comply with earlier findings by Marius, (2011), who argues that growing competition in the global market demands that productivity should not be measured as an indicator of productivity only it must also measure effectiveness yet the discrepancy between the two is often overlooked.

In contrast, Tidd et al. (2006), asserted that innovation adds to realizing a competitive advantage in several traits. He clearly outlines that new products help uphold market shares and increase *profitability*. A number of studies show financial performance pointers measure a firm's aggregate revenues or profits attributable to newly presented products in either absolute terms (Brenner, 1994).

The researcher believes that the insignificant results about the influence of product innovation to competitive advantage of the firm may not necessarily be as a result of weaker system that cannot support competitive advantage, but it may largely be due to other conditions such as political economic and market forces. As argued by Ganna, (2012), that it is highly significant for a firm to make a right decision of whether a new product should be introduced or not. If actual sales endure below potentials, the firm may have invested in overcapacities.

5.1.2 Process Innovation and Competitive Advantage

Basing on the study results about the effects of process innovation on competitive advantage, the data shows that there was a relatively strong correlation ($\rho = 0.480$) between process innovation and competitive advantage. The data agrees with the idea that process innovation is a factor that can positively contribute to competitive advantage. The results show that majority of respondents upheld the view that process innovation, apart from decrease in the unit cost of production, positively affected the competitive advantage of the printing SMEs within Kampala Central Business District. This result is in line with the literature about contribution of process innovation on competitive advantage as advanced by (Romer, 1986) that labor productivity measures the ratio of real output to labor input while MFP is a degree of output to a weighted grouping of labor and capital inputs. Innovation when nurturing competitiveness, productivity and job creation is measured as a vital force for starting and fuelling the engine of growth. The results were further supported by observation made by Neely, 1998, that innovating firms are not the only ones that benefit from their innovations. When innovations are dispersed, they add to higher productivity and higher standards of living for an economy wholly.

Similar view is being held by Porter (1990), argues that native competition reassures innovation by compelling firms to innovate or fail. In his view, for any given set of industrial bunches, competitive pressure enhances innovation and productivity. However, when estimating the impact of innovation on productivity, the measures of innovation that are typically used include amount spent on Research & Development, the number of patents the workplace applied for or more recently the percentage of sales coming from products less than five years old.

The researcher believes that the strong and positive relationship on process innovation as indicated by the study can help the printing SMEs within Kampala Central Business District develop their capacity in achieving a competitive advantage within the printing industry.

5.1.3 Market Innovation and Competitive Advantage

The study findings about the effects of market innovation on competitive advantage indicated that there is a significant relationship between market innovation and the competitive advantage of a firm. The findings present a high positive correlation ($\rho = 0.615$) between market innovation and competitive advantage of a firm. The corresponding coefficient of determination ($\rho^2 = 0.378$) implies that market innovation alone accounted for 37.8% variance in the competitive advantage of firm, other factors constant. Data from interviews indicates that many of those interviewed cited the necessity of marketing innovation in the printing business if the business is to be sustainable. As commented by one of MDs of a firm pointed out that; *“We have targets on a daily, weekly and monthly basis and these have got to be met by our marketing and sales team. They’ve had to out with high levels of aggression most of the time to get us to this level where we are”*.

The data agrees with the idea that market innovation is a factor that can bring about the competitive advantage of a firm. This outcome is in line with literature about contribution of market innovation on competitive advantage as advanced by Cummins et al., (2000) argue that though innovation can comprise new-product development, it integrates innovative growths in other aspects of marketing. Innovative new businesses create new competencies based on current and future market trends and customer demands since they are driven by a profit seeking mission. This argument is being supported by Cooper and Kleinschmidt (2007), who also pointed out that in order to elevate the performance of new product development a firm first gathers correlated market information, assesses the internal and external situation and resources and plan development policies of new products that match business goals.

The significant results in the relationship between market innovation and competitive advantage may mean that the combination marketing strategies of “new market penetration” and “market positioning” helps a company recognize new opportunities with clients and markets and how to take segment from competitors in current markets hence increasing the share into new markets. The researcher believes that innovative marketing tactics can guide the firm in ensuring that the needs of customers are appropriately met.

5.2 Conclusions

5.2.1 Product Innovation and Competitive Advantage

In most business entities, product innovation is one of the essential strategies for improving the competitive advantage. Based on data from the interviews that were conducted, product innovation to some degree creates a competitive advantage for printing firms. However, the degree of impact was less for firms located in the same area as compared for those that were located in isolated places. Firms that are involved with new product launches, and new product sales approach should focus on identifying core competencies that are needed to fulfill these tasks. It is therefore fair to conclude that product innovation influences the competitive advantage of a firm in a positive direction.

5.2.2 Process Innovation and Competitive Advantage

The finding of this study that indicated there is high correlation between processes innovation competitive advantage of the firms shows that those firms that are innovative can achieve competitive advantage over their rival firms. A combination of increased productivity, and decrease in the unit cost of production are key components in the competitive advantage of the firm. It was therefore concluded that all the three components of process innovation; increased productivity, and decrease in the unit cost of production, are essential and should be effectively managed if the competitive advantage of the printing SMEs within Kampala Central Business District are to be continuously maintained.

5.2.3 Market Innovation and Competitive Advantage

Findings of the study show a high positive correlation between market innovation and competitive advantage of a firm. The study result is in line with most of the previous study that market-orientation is an intellectual, interactive, and cultural aspect of a firm’s marketing idea that puts the customer at the epicenter of the organization and its development. The firms therefore need to know where they are going and where the manager is trying to take the business. Management has got to find all possible

means of making sure customers embrace the vision. It therefore necessary to conclude according to the interviews that marketing is very fundamental if a firm is to hold a competitive advantage over others. It the stakeholders to the business need to have a shared value and common understanding of direction if they are to build more sustainable competitive advantage.

5.3 Recommendations

The recommendations for this study took into account all the views and opinions of the respondents in the study that are summed up in the findings of the study.

5.3.1 Product Innovation and Competitive Advantage

The major recommendation from this study is for the printing SMEs within Kampala Central Business District to give utmost attention to incorporating the lessons learned from new product launches, and new product sales experiences into actual practice. This is because the competitive advantage achieved has got be continuously examined in order to be in tuned with the ever-changing business environment.

5.3.2 Process Innovation and Competitive Advantage

To achieve maximum competitive advantage, it was recommended that regular assessment the processes be carried out to determine the products or services are according to the required standards. This will improve on the quality of product and service delivery. To achieve this, the firms should have effective policies. This would be fundamental in establishing how processes are reflected in overall competitive advantage of the SMEs.

5.3.3 Market Innovation and Competitive Advantage

Market innovation applied to this study was mean to provide the printing SMEs within Kampala Central Business District with visualization strategy in order to gain competitiveness advantage within the industry. They firms should constantly research for better means not only to sell their products in the market but also for future survival. Different firms may require different approaches in gaining market share.

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