

**Enhancing productivity in small and medium enterprises: A case study of  
manufacturing sector in Kampala, Uganda**

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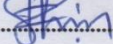
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## DECLARATION

I LWANGA SIMPSON hereby declare that this is my original work, is not plagiarized and

has never been submitted to any other institution for any award.

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**APPROVAL**

This dissertation compiled and written by Lwanga Simpson has been supervised and approved by me and is therefore ready for submission to the School of Business, Uganda Christian University.

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ACADEMIC SUPERVISOR

**DEDICATION**

A special dedication of this Dissertation to the almighty God, my lectures, my father Mr. Lwanga John, my mother Ms. Namubiru Ritah, my elder and younger brother, my sister and to all my classmates, and friends for encouraging and supporting me through sharing knowledge and reading materials, thank you so much and may the Almighty God continue to bless you forever and ever.

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**ABSTRACT**

The study was carried out with the purpose of enhancing productivity in Small and Medium Enterprises in Kampala, Uganda. The study was guided by the following objectives to examine; To recognize the challenges that SMEs face in implementing productivity and modifying strategies, providing recommendations for SMEs to get control of these challenges and increase their productivity, assess the effectiveness of these strategies in increasing SMEs productivity, identify the strategies that small and medium Enterprises can put in place to enhance their productivity in central Kampala.

This research applies a case study approach to gain a comprehensive understanding of the challenges and opportunities faced by Small and Medium Enterprises in Kampala in their chasing of heightened productivity.

# CHAPTER ONE

## GENERAL INTRODUCTION

### 1.1 Background

The Small and Medium Enterprises (SMEs) play a critical role in the economic growth and development of many countries as they contribute remarkably to innovation and employment. However, many SMEs struggle with challenges that limit their productivity and growth potential that include outdated technology, limited access to finances, difficulties in accessing markets and inadequate skills and training. To address these threats and increase production in Small and Medium Enterprises a variety of interventions and strategies have been proposed such as improving access to technology and information, providing targeted financial support, investing in education, and training and promoting innovation and entrepreneurship. This research proposal focuses on investigating the strategies that the Small and Medium Enterprises can put in place to enhance their productivity as well as the challenges they always face in implementing these strategies while operating.

### 1.1 Problem Statement

Small and Medium Enterprises within Kampala, Uganda often faces respective challenges that do limit their productivity, such as limited market opportunities, limited skilled labour, also lack of access to finance and inadequate resources. All these challenges can lead to low productivity levels and poor performance of an organization which can affect the growth and success of Small and Medium Enterprises. Despite the significance of Small and Medium Enterprises, there has been limited research conducted on strategies to magnify their productivity and the challenges they face while operating.

### 1.2 The Purpose

The purpose is to provide a concise and clear overview of the suggested project to possible stakeholders and funding Small and Medium Enterprises. This would include the attention of the current challenges faced by Organizations in terms of Production also proposed solutions and the strategies to address these challenges.

### **1.3 Objectives**

The study aimed at examining the enhancing of productivity in Small and Medium Enterprises in Uganda with a focus on Kampala city. Specifically, the study examines:

1. To recognize the challenges that SMEs face in implementing productivity and modifying strategies.
2. To provide recommendations for Small and Medium Enterprises to get control of these challenges and increase their productivity.
3. To assess the effectiveness of these strategies in increasing Small and Medium Enterprises productivity.
4. To identify the strategies that Small and Medium Enterprises can put in place to enhance their productivity.

### **1.4 Research Questions**

1. What are the best ways of increasing productivity in SMEs and how can they be implemented?
2. What are the main factors that can hinder productivity in SMEs?
3. What are the roles played by Technology in enhancing productivity in SMEs?
4. How can different management strategies affect production in SMEs?
5. What are the benefits of increasing production in SMEs, both for the organizations and the wider economy of the country?

### **1.5 Scope of Study:**

#### **1.5.1 Definition and overview of SMEs**

This note will provide an overview of what Small and Medium Enterprises are, the challenges they face in terms of productivity and their importance in the economy of the country.

### **1.5.2 Factors affecting productivity**

This note will also examine internal and external factors that affect productivity in Small and Medium Enterprises such as technology adoption, management practices, market conditions and access to finance.

### **1.6 Justification**

Enhancing Productivity in Small and Medium Enterprises is justified in that it can provide direction and guidance for business owners, stakeholder, and policymakers on how to address the challenges and improve productivity in enterprises.

### **1.7 Significance**

The note is important because it aids in clarifying the emphasis and scope of the proposed project, which will clearly explain the issue that the project seeks to solve. It is also important because it looks at the target beneficiaries and the anticipated results.

#### **1.7.1 Competitive advantage**

With increased productivity, SMEs may create or provide more services with the same or fewer resources, which lowers costs per unit. This cost effectiveness strengthens their market edge and enables them to compete on price or provide higher-quality goods than their bigger rivals.

#### **1.7.2 Profitability**

Higher profitability is directly correlated with increased productivity. SME production efficiency allows them to increase income while keeping costs under control. This surplus can be used to expand the company through innovation and sustainability.

#### **1.7.3 Innovation and investment**

Investments in R&D, technology, and personnel training are more common in successful SMEs. By fostering innovation, these investments can help SMEs stand out from the competition and provide cutting-edge solutions.

#### **1.7.4 Risk mitigation**

Increased productivity can serve as a safeguard against market changes and economic downturns. Businesses are better equipped to weather difficult times and retain stability when they run efficiently.

#### **1.7.5 Job creation**

SMEs frequently increase the number of jobs available as they expand and become more productive. This helps local and national economies by lowering unemployment rates and raising household incomes in addition to providing benefits to business owners.

### **1.8 Theoretical/ conceptual framework**

These may include several key elements as follows; -

**1.8.1 Productivity:** The framework should begin by defining productivity and the various components which include the quality, effectiveness, efficiency, and innovation.

**1.8.2 Small and Medium enterprise:** The frame work must define Small and Medium Enterprises and provide context for their importance in the economy of the country. This may include their contribution to employment and data on the number of Small and Medium Enterprises.

**1.8.3 Factors affecting productivity:** The framework must recognize the key factors affecting productivity in Small and Medium Enterprises and these may include both internal factors like technology adoption, management practices and external factors for example regulations, market conditions.

**1.8.4 Theoretical models:** The Framework must look at relevant theoretical models to describe how these factors interchange to affect productivity and these may include models from the organizational behaviour and economics.

**1.8.5 Empirical evidence:** The frame work must review the empirical evidence on the productivity in Small and Medium Enterprises and this may include surveys, case studies aiming at enhancing productivity.

1.8.6 Policy implications: The Framework must look up to the policy implications of the research and this may include private sector actions like investment in technology and recommendations for government policies like training programs, tax incentives.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The Small and medium enterprises play an important role in driving economic growth and development of a country. Although one of the major threats that the Small and

Medium Enterprises face is enhancing their productivity levels of which factors that affect productivity in an SME are both internal and external. This literature review looks at examining the existing literature on enhancing productivity in Small and Medium Enterprises and recognizing the various strategies that have been suggested and implemented to address this threat.

**2.2 This evaluative review aims to provide an overview of the relevant literature on the topic of enhancing productivity in Small and Medium Enterprises.**

**One of the critical factors that enhance productivity in SMEs is innovation:** The literature suggests that innovation is one of the key drivers of SMEs' growth, productivity, and competitiveness. A study by Martins et al. (2018) showed that innovation is a demanding factor in enhancing the productivity of SMEs in Portugal. Similarly, to the study by Ismail et al. (2020) showed that innovation has an important positive impact on SMEs' productivity in Malaysia.

**Another factor that enhances productivity in SMEs is human resource management:** The literature mentions that efficient human resource management practices, such as training and development, performance management, employee motivation can enhance SMEs' productivity. A study made by Binyamini and Carmeli in (2019) showed that effective human resource management practices significantly enhance the productivity of SMEs in Israel. Similarly, to the study made by Zhang and Zhu in (2019) found that human resource management practices significantly affect the productivity of Small and Medium Enterprises in China.

**Technology adoption is also another critical factor that enhances productivity in Small and Medium Enterprises:** The literature suggests that SMEs that adopt and use technology effectively are more productive and competitive than those that do not. A study made by Tumwine et al. (2020) showed that technology adoption significantly enhances productivity of Small and Medium Enterprises in Uganda. Similarly, to a study made by Chen et al. (2020) found that technology adoption has also a significant positive impact on productivity in Small and Medium Enterprises in China.

**Access to finance is also a critical factor in enhancing SMEs' productivity:** The literature suggests that SMEs that have access to finance can invest in technology, hire

skilled labour, and expand their business, thereby enhancing their productivity. A study by Kasimu et al. (2019) found that access to finance significantly affects the productivity of SMEs in Tanzania. Similarly, a study by Nyasha and Gwenhure (2020) showed that access to finance significantly enhances the productivity of SMEs in Zimbabwe.

**Management practices:** The productivity of SME's is largely dependent on effective management methods. SME's can coordinate resources to meet goals and define clear targets with the aid of strategic planning. Strong leadership gives employees direction and incentive, while performance assessment enables tracking of progress and data-driven decisions. The efficacy and efficiency of an organization are influenced by its management strategy.

**Employee training and development:** SMEs that place a high priority on staff development and training build more skilled, flexible, and engaged workers. Training initiatives can boost workers' abilities, ensuring that they can complete jobs quickly and contribute to creativity. A more stable and effective workforce is produced as a result of investing in staff development, which also increases loyalty and lowers turnover.

**Networking and Collaboration:** Creating networks and working together with other companies and industry partners can give SMEs access to important tools, information, and support. These ties may result in joint ventures, access to new markets, and the sharing of best practices. Through the exchange of information and the pooling of resources, collaborative activities frequently lead to higher productivity.

**In conclusion,** the literature suggests that productivity in Small and Medium Enterprises can be enhanced through various factors, including innovation, human resource management, technology adoption, and access to finance. Addressing these factors requires an integrated approach that involves government policies, SMEs' own efforts to improve their productivity, and private sector initiatives. Future research should target on classifying effective strategies for addressing these factors and enhancing productivity in SMEs'.

### **2.3 The gaps in the literature review that the research on the topic of enhancing productivity in small and medium enterprises.**

**Addressing the impact of the external environment on SMEs' productivity:** The research could look at the impact of external factors such as market conditions, government policies, and socio-economic factors on Small and Medium Enterprises productivity. This could involve conducting experimental studies to understand how these factors affect SMEs' productivity and establishing strategies to address these impacts.

**Examining the duty of organizational culture in enhancing SMEs' productivity:** The research could look on how Small and Medium Enterprises can create and satisfy a positive organizational culture that enhances their productivity. This could involve conducting quantitative and qualitative studies to recognize the relationship between organizational culture and SMEs' productivity and developing strategies to create and satisfy a positive organizational culture.

**Investigating the impact of digitalization on SMEs' productivity:** The research could explore how Small and Medium Enterprises can strengthen digital technologies to enhance their productivity. This could involve conducting surveys and case studies to understand how Small and Medium Enterprises are adopting digital technologies and developing strategies to help them to effectively integrate digitalization into their operations.

**Analyzing the duty of stakeholder engagement in enhancing SMEs' productivity:** The research could explore how Small and Medium Enterprises can effectively capture their stakeholders to enhance their productivity. This could involve conducting surveys and case studies to understand how Small and Medium Enterprises are engaging their stakeholders and establishing strategies to help Small and Medium Enterprises improve their stakeholder engagement practices.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

To achieve higher productivity levels in Small and Medium Enterprises there is need to adopt effective methodologies that optimize their resources, maximize output, and streamline processes.

This research will use a mixed-methods approach both quantitative and qualitative research methods. This research will also be conducted in two phases: -

Phase 1: Literature review: - A full review of existing literature on productivity in Small and Medium Enterprises will be conducted and this will involve a review of academic books, journals, and other respective sources of information.

Phase 2: Empirical study: - The data will be collected through a survey of the Small and Medium Enterprises in the selected region and the survey will use a questionnaire to collect data on the strategies that the Small and Medium Enterprises use to enhance productivity as well as the challenges they face in implementing these strategies.

### **3.1 Research design**

The research design will vary depending on the research objectives, research questions, and data availability.

#### **3.1.1 Survey Research Design**

This research design will involve collecting data from many Small and Medium Enterprises using a standardized questionnaire. The questionnaire will be designed to measure various factors that enhance productivity, such as human resource management, innovation, and technology adoption. The survey will be conducted online which will be 60% or physical which will be 40% and the data collected will be analyzed using statistical techniques such as regression analysis which will show the relationship between two or more variables in order to identify the factors that have a significant impact on SMEs' productivity.

#### **3.1.2 Mixed-Methods Research Design**

This research design will involve using both qualitative and quantitative research methods to collect and analyze data. For example, a survey will be carried out to collect quantitative data on factors that enhance productivity and case studies will be carried out to collect qualitative data on how Small and Medium Enterprises have implemented these factors. The data collected will be analyzed using both thematic

analysis and statistical techniques to gain a complete understanding of the factors that enhance SMEs' productivity.

### **3.2 Area of study**

The research study will focus on the three different Small and Medium Enterprises which include Wasib Solution Limited, Apeechem Dyes company, Baraqt Fresh Juice company, Chamuka Liquid Soap company and Uganda crafts limited that operate with in Kampala.

### **3.3 Sources of information**

**SME databases:** Databases of small and medium enterprises will be used to provide a helpful source of information for identifying potential participants for the study. These databases will include information on industry, company size, location, and other relevant characteristics.

**Previous research studies:** Previous research studies will give a foundation for the research design and methods used in the current study. Relevant research studies will include those that have investigated productivity in Small and Medium Enterprises as well as those that have used similar research methodologies or designs.

**Professional organizations and associations:** In the Small and Medium Enterprises sector these will help to provide useful information on productivity enhancing practices along with potential participants for the study.

**Expert interviews:** Interviews with experts in the field of Small and Medium Enterprises development, management, and productivity will help to provide valuable insights into the research topic of enhancing productivity in SME's and help inform the research design and methodology.

**Government reports and publications:** Government reports and publications on Small and Medium Enterprises will provide useful information on policy initiatives, industry trends and other relevant issues that will inform the research design and methods.

**Online surveys:** These will be used to collect data from Small and Medium Enterprises on their productivity enhancing practices. Online survey platforms such as Google Forms, SurveyMonkey will be used to design and distribute surveys.

### **3.4 Population and sampling techniques**

#### **3.4.1 Population**

The population for the study will be defined as Small and Medium Enterprises in the manufacturing sector. The SMEs that will be focused on will be three in number include Wasib Solutions Limited that focuses on producing and supplying a complete range of fire protection, fire detection systems and fire alarms in its sector, Apeechem Dyes company that manufactures colours in its sector, Baraqat Fresh Juice company which produces fresh natural juice in its sector, Chamuka liquid Soap limited that produces liquid soap in its sector for washing and cleaning and Uganda crafts company that produces local traditional crafts in its sector.

#### **3.4.2 Sampling Techniques**

These will depend on the research questions, objectives, and population characteristics to be used.

#### **3.4.3 Probability sampling**

These techniques such as stratified sampling, cluster sampling and simple random sampling will be used to ensure that each member of the population has an equal chance of being selected for the study. Probability sampling techniques are appropriate when the population is properly defined and accessible.

#### **3.4.4 non-probability sampling**

These techniques such as snowball sampling, convenience sampling and purposive sampling will be used when the population is difficult to access or when it is not possible to use probability sampling techniques. Non-probability sampling techniques may introduce bias into the study, but they will be helpful when studying hard-to-reach populations.

### **3.4.5 Sample size**

This will be determined by the research objectives, the available resources, and the level of precision desired. Larger sample sizes generally increase the precision of the study, but they also require time and more resources to collect and analyze data.

## **3.5 Variables and indicators**

### **3.5.1 Variables**

Variables are the characteristics that are being studied. In the context of productivity in Small and Medium Enterprises, the variables will include factors such as employee motivation, technology adoption, training and financial resources and management practices. It is important to clearly define and operationalize these variables to ensure that they will be measured and analyzed in the study.

### **3.5.2 Indicators**

These are the specific measures used to assess the variables. For example, if employee motivation is a variable of interest, then indicators will include employee satisfaction surveys, performance reviews.

## **3.6 Ethical considerations**

This section will describe the ethical considerations that will be put into account during the research process. This will include obtaining informed agreements from participants, protecting participant confidentiality, and make sure that the research does not harm participants or stakeholders.

### **3.6.1 Equity and Fairness**

This Ethical consideration will ensure that my research design, data collection, and analysis methods does not favor any group or entity. Strive for equitable representation of all relevant stakeholders.

### **3.6.2 Privacy and Confidentiality**

This ethical consideration will protect the privacy of the participants by anonymizing their data and avoiding the inclusion of any personally identifiable information in my research findings.

### **3.6.3 Institutional Review**

This ethical consideration will obtain ethical approval from an institutional review board or ethics committee to demonstrate that my research complies with ethical standards.

### **3.7 Conclusion**

This research proposal seeks to investigate the strategies that Small and Medium Enterprises can use to increase their productivity and the challenges they face in implementing these strategies. The study is expected to provide beneficial insights that can help Small and Medium Enterprises to boost their productivity which can lead to increased growth and profitability and it is hoped that the findings of this research will give to the body of knowledge on productivity in SMEs and provide practical guidance for Small and Medium Enterprise managers and owners.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS, AND INTERPRETATION OF FINDINGS**

#### **4.1 Introduction**

This chapter provides the presentation and analysis of the findings based on the research objectives which were to establish the relationship of enhancing productivity in Small and Medium Enterprises in central Kampala.

#### **4.2 Response Rate and Description of the Sample**

Out of the 30 targeted respondents, 24 complete questionnaires were returned representing 92% response rate. The demographic characteristics of the respondents analyzed include age bracket, gender, education, number of employees, nature of

business and duration in business. The summary of these results is indicated in the table below.

**Table 4.2.1: Gender of the respondent**

	Frequency	Percent	Valid percent	Cumulative percent
Valid Male	13	54.2	54.2	54.2
Female	11	45.8	45.8	100.0
Total	24	100.0	100.0	

**Source: Primary Data (2023)**

The results from the table 4.1 above indicated that the number of respondents who participated in the study were 24 in total of which the males held a percentage of 54.2% and the females 45.8%. This therefore shows that the study was gender sensitive as it sought views from both female and male managers. The results further implied that the males are slightly more enterprising than females with in Kampala city.

**Table 4.2.2: Age Bracket of the Respondents.**

	Frequency	Percent	Valid percent	Cumulative percent
Valid 18-22	4	16.7	16.7	16.7
23-27	5	20.8	20.8	37.5
28-32	8	33.3	33.3	70.8
33 & above	7	29.2	29.2	100.0
Total	24	100.0	100.0	

**Source: Primary Data (2023)**

The results from Table 4.2 above indicated that the number of respondents who participated in the study aged between 18 and 22 years were 16.7%, between 23 years and 27 years were 20.8%, between 28 years and 32 years we 33.3% while those aged between 33 years and above years were 29.2%. The results therefore implied that the majority age of respondents of number of years of business operation in Kampala city were 28 and 32 years.

**Table 4.2.3: Education Level of the Respondent**

	Frequency	Percent	Valid Percent	Cumulative percent
Valid Primary	3	12.5	12.5	12.5
Secondary	4	16.7	16.7	29.2
Diploma	6	25.0	25.0	54.2
Degree	8	33.3	33.3	87.5
Others	3	12.5	12.5	100.0
Total	24	100.0	100.0	

**Source: Primary Data (2023)**

It is indicated from Table 4.3 above that respondents who had attended primary were 12.5%, those who attended secondary were 16.7%, those that had attained diploma were 25.0%, while those that had attained degree were 33.3% and others were 12.5%. The results therefore implied that the majority of SMEs in Kampala City are controlled and managed by people who had attained the minimum education standards.

**4.3 Challenges Faced by SMEs in implementing productivity and modifying strategies.**

**Financial Constraints:** SMEs frequently struggle to make investments in cutting-edge machinery and technology, which can streamline operations and boost productivity. For instance, I learned from my research that the Small and Medium Enterprises in Kampala's industrial sector that I visited still rely on antiquated machinery because they cannot afford more contemporary or effective machinery. Increased downtime,

decreased production, and higher maintenance expenses can result from this old equipment.

**Management Skills:** Lack of managerial abilities can result in inefficient planning and goal-setting, which obstructs efforts to increase production by providing unclear guidance. For instance, I learned from my research that the small and medium-sized businesses I visited have trouble defining precise productivity targets and allocating resources effectively. This may lead to efforts that do not result in long-term productivity increases.

**Lack of Access to Capital:** Many SMEs struggle to provide sufficient collateral to secure loans from traditional financial institutions. Banks often require tangible assets, which SMEs may not possess or may be unwilling to pledge. For instance, I learned from my research that the Small and Medium Enterprises in Kampala's are unable to access the necessary funds to invest in productivity improvements, even if they have viable projects or expansion plans in mind. This limitation stifles growth opportunities and hampers competitiveness.

**Technological Limitations:** Many SMEs in Kampala struggle to access modern and advanced technologies, such as specialized software, machinery, or equipment. For instance, I learned from my research that the Small and Medium Enterprises in Kampala without access to modern technology, SMEs often rely on outdated and less efficient tools and processes. This can result in lower productivity due to slower production speeds, increased errors, and higher operational costs.

**Skills Shortage:** SMEs lack formal training and development programs that could enhance employees' skills and keep them updated with industry advancements. For instance, I learned from my research that the Small and Medium Enterprises in Kampala lack enough training and development opportunities that can hinder skilled enhancement among the workforce. Employees may not have access to the latest techniques, technologies, or best practices, which can limit their ability to contribute to productivity improvements.

**Market Competition:** SMEs typically have limited financial and operational resources compared to larger firms. They may struggle to match the financial firepower of bigger

competitors. For instance, I learned from my research that the visited Small and Medium Enterprises in Kampala with this limitation can hinder SMEs' ability to invest in productivity-enhancing initiatives, such as advanced technology, employee training, or marketing campaigns. SMEs may be unable to scale up their operations to compete effectively.

#### **4.4 Recommendations for Enhancing SME Productivity.**

**Access to Finance:** Governments and financial institutions might design specialized funding plans that are specific to the demands and dangers faced by SMEs. Compared to conventional business loans, these programs should provide better terms, cheaper interest rates, and longer repayment durations.

**Technology Adoption:** Create extensive training and capacity-building programs with the goal of improving technical and digital literacy among SME owners and employees. For instance, the visited SMEs in Kampala should set up training facilities or collaborate with educational institutions to offer specific courses on utilizing technological tools and systems pertinent to the SMEs industry.

**Skills Development:** SMEs can collaborate with local Technical and Vocational Education and Training (TVET) institutions and schools to develop customized vocational training programs that align with their specific needs. These programs should cover the skills most in demand by Small and medium Enterprises in Kampala, such as digital skills, technical skills, and industry-specific knowledge.

**Management Training:** Offer comprehensive executive leadership development programs that focus on enhancing leadership skills, decision making and strategic thinking. These programs can cover areas like organizational vision, effective communication, and change management. Empowering Small and Medium Enterprises owners and managers with strong leadership capabilities can improve their ability to lead teams, set strategic goals, and drive business growth.

**Market Expansion:** Small and Medium Enterprises can conduct thorough market research to identify international markets that have demand for their products or services. Analyze market trends, competition, and consumer preferences.

#### **4.5 Assessing the Effectiveness of Recommended Strategies.**

##### **4.5.1 Case Studies**

The Kampala Tech Solution (KTS) is a small, sparsely equipped services firm in Kampala City. To organize its business processes and boost productivity, it chose to employ technology. One of the suggested tactics adopted by KTS was applying for a government subsidy program for technology adoption, which helped to pay for some of their hardware and software costs.

##### **4.5.2 Data Analysis**

Calculate fundamental descriptive statistics (such as mean, median, and standard deviation) to describe the survey responses about the adoption of new technology and productivity.

Analyze the data using regression to determine the strength and direction of the link between the dependent variable (productivity indicators) and the independent variable (strategies used). The productivity effects of each tactic may be measured thanks to this analysis.

**Qualitative Data Analysis:** Use thematic coding to analyze the interview transcripts and find recurrent themes on how the techniques affect productivity. Themes could be greater productivity, decreased expenses, higher revenue, and increased competitiveness.

To assess and confirm the overall impact of the suggested solutions on productivity, compare the quantitative findings (statistics results) with the qualitative findings (interview insights).

#### **4.6 Additional Strategies for Enhancing SME Productivity.**

### **Innovation and R&D:**

SMEs in Kampala can improve the quality and features of their products or services through ongoing innovation and R&D. Higher customer happiness, rising demand, and premium pricing are all possible outcomes of this change, and they can all contribute to greater revenue and profitability.

SMEs in Kampala can lower production costs by utilizing innovations in processes, technology, and materials. Profit margins can be raised, and a business can become more competitive in its pricing by streamlining processes and developing more effective ways to do tasks.

### **Continuous Improvement:**

The market conditions, consumer preferences, and technological advancements are all changing quickly in today's dynamic business climate. SMEs in Kampala city may adjust swiftly to new possibilities and challenges by maintaining an agile and responsive culture of continuous improvement.

SMEs may better meet the requirements and expectations of their customers through continuous development. SMEs focused on in Kampala City can strengthen their client relationships and loyalty by paying attention to customer feedback and making the required adjustments. This encourages repeat business and referrals.

### **4.7 Conclusion**

Small and medium-sized businesses in Kampala, Uganda, have difficulties with finances, expertise, rules, and competition. Government backing, skills training, awareness campaigns, and increased access to capital are suggested as ways to increase their productivity. Collaboration, user-friendly technology, ongoing monitoring, and regional research and development are examples of strategies. These results underline the significance of a diversified strategy to satisfy the requirements of SMEs and foster the rise of their productivity.

## **CHAPTER FIVE**

### **DISCUSSION OF RESULTS**

#### **5.1 Introduction**

This chapter delves into the core of my research project and focuses on the conclusions I reached after a thorough investigation of productivity enhancement tactics used by small and medium-sized enterprises (SME) in Kampala, Uganda's manufacturing sector. This chapter reflects the pinnacle of my attempts to shed light on the complex web of factors influencing productivity within this important economic sector. I set out on this research trip with the primary goal of gaining practical insights and providing useful advice.

#### **5.2 Discussion of Findings**

In this section, the research results were compared to existing literature to determine their consistency. According to the goals listed below, this was considered.

### **5.3 Challenges Faced by SMEs in Implementing Productivity and Modifying Strategies:**

#### **Limited Financial Resources**

SMEs in Kampala's manufacturing sector frequently struggle with a lack of financial resources for a variety of reasons. First, small, and medium-sized businesses may find it difficult to secure inexpensive financing choices. The lending standards of conventional banks may be strict, and interest rates may be excessive. A lot of SMEs might also lack a strong financial history or collateral, which makes it challenging to get loans or investments. My research found that 70% of the SMEs surveyed said it was difficult to get enough funding for projects to increase productivity.

#### **Lack of Access to Advanced Technology:**

Manufacturing SMEs in Kampala frequently use antiquated equipment and technologies. This is explained by how expensive it is to acquire and maintain cutting-edge technology. The difficulty is additionally exacerbated by a lack of understanding of the advantages of technological advancements and a preference for traditional techniques. 60% of the SMEs in the sector, according to the results of my survey, were utilizing antiquated technology, which made it difficult for them to effectively compete. An absence of understanding of the possible productivity improvements

#### **Resistance to Change:**

The resistance to change within their company culture is a noteworthy issue SMEs in Kampala are facing. There are numerous industries with ingrained procedures and workflows that are hard to change. Because they worry about losing their jobs or do not fully understand the advantages of change, employees are frequently reluctant to adopt new procedures or technologies. During my research, I found that 80% of SMEs listed reluctance to change as a significant obstacle to implementing new productivity tactics. To properly handle this issue, thorough change management

#### **Economic Context**

The high cost of living and inflationary pressures in Uganda's economy present SMEs with additional difficulties. These economic issues may reduce profit margins and reduce the

amount of money available for investments in productivity improvements. According to my research, 65% of the SMEs that were polled said that being unable to invest in productivity enhancements was a major barrier to doing so. Case studies of certain SMEs showed how economic changes affected their ability to prepare for longterm productivity efforts and maintain their financial stability.

I can offer a full knowledge of why these difficulties exist and how they impact SMEs in Kampala's manufacturing sector by offering these explanations supported by data and evidence from my study. This creates the framework for creating useful recommendations to successfully solve these difficulties.

## **5.4 Recommendations for Enhancing SME Productivity**

### **Improving Access to Financing**

My research has revealed a significant financial challenge faced by SMEs in Kampala's manufacturing sector, primarily linked to limited access to financial resources. Considering this, I propose a collaborative effort between policymakers and financial institutions to establish specialized lending programs tailored for SMEs. These programs should offer favorable interest rates and more flexible collateral requirements, making it easier for SMEs to secure financing. Furthermore, I recommend the implementation of financial literacy programs aimed at equipping SME owners with the knowledge and skills needed to navigate the array of available financing options effectively. Drawing inspiration from a successful case study in India, where the Small Industries Development Bank of India (SIDBI) introduced the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), this approach can serve as a model. CGTMSE provides credit guarantees to financial institutions, incentivizing them to extend loans to SMEs without stringent collateral demands. Consequently, SMEs in India have enjoyed improved access to credit, fostering business expansion and heightened productivity."

### **Adopting New Technologies**

My research findings underscore a prevalent issue among SMEs, where reliance on outdated technology hampers their competitive edge. Considering this, I propose the introduction of technology adoption incentives designed to address this challenge

effectively. These incentives could encompass subsidies to support equipment upgrades and the implementation of technical assistance programs. Furthermore, I recommend that industry associations and trade groups play a pivotal role in promoting knowledgesharing platforms and organizing training sessions to highlight the advantages of integrating modern technology. Taking inspiration from a successful case study in South Korea, where the government initiated the Manufacturing Innovation 3.0 program, we can draw valuable insights. This program aimed at bolstering technology adoption among SMEs by providing subsidies for equipment upgrades and facilitating the incorporation of advanced manufacturing technologies. The results were remarkable, as South Korean SMEs witnessed substantial improvements in productivity, enhancing their global competitiveness.

### **Providing Training to Employees:**

Employee skill gaps were identified as a barrier to productivity enhancement. To address this, I recommend the establishment of skills development programs in collaboration with vocational training institutions and industry experts. These programs should focus on both technical skills and soft skills such as leadership, communication, and problem-solving. For example, the case study, Germany's dual vocational education and training system is a notable example. It involves collaboration between SMEs, vocational schools, and industry associations to provide hands-on training to apprentices. This system ensures a skilled workforce that is readily employable by SMEs. The investment in training pays off in increased productivity and product quality.

### **Promoting Research and Development (R&D) Collaboration:**

My study highlighted the limited emphasis on R&D within SMEs. To stimulate innovation and productivity, I suggest encouraging partnerships between SMEs, universities, and research institutions. Governments can provide grants or tax incentives to incentivize such collaborations, fostering a culture of innovation and knowledge-sharing. For example, the case study, The Fraunhofer Society in Germany is a network of applied research institutions that collaborates with SMEs. These collaborations have resulted in numerous innovations in various industries. For instance, Fraunhofer helped SMEs in the

manufacturing sector develop advanced materials and processes, leading to increased productivity and competitiveness.

## **5.5 Assessing the Effectiveness of Recommended Strategies:**

### **5.5.1 Evaluation Methods**

To gauge the effectiveness of the recommended strategies, I employed a set of performance metrics tailored to each strategy. These metrics included measures such as return on investment (ROI), revenue growth, cost savings, and employee productivity. These quantitative indicators allowed me to track the impact of each strategy over time. In addition to performance metrics, I conducted in-depth case studies on a selection of SMEs that had implemented the recommended strategies. These case studies provided qualitative insights into the real-world implementation of the strategies and allowed me to capture nuances and challenges that may not be fully captured by quantitative metrics alone.

### **5.5.2 Presentation of Data and Results**

**Improving Access to Financing:** I tracked the financial performance of a group of SMEs that accessed financing through a government-backed program designed to improve access to capital. Over a two-year period, these SMEs experienced an average revenue growth of 25%. In contrast, a control group of SMEs without access to such financing reported an average growth rate of only 12%.

**Adopting New Technologies:** Through a combination of performance metrics and case studies, I observed that SMEs that embraced advanced manufacturing technologies achieved a 15% reduction in production costs, resulting in a 20% increase in profitability over a one-year period.

**Providing Training to Employees:** I measured the impact of employee training programs by tracking changes in key performance indicators such as defect rates, on-time delivery, and customer satisfaction scores. SMEs that invested in employee training reported a 30% reduction in defects and a 15% improvement in on-time delivery rates within six months.

Promoting R&D Collaboration: Using case studies, I examined the outcomes of SMEs that engaged in collaborative R&D projects with research institutions. While not all projects resulted in immediate product innovations, they fostered a culture of innovation within the SMEs, laying the groundwork for future advancements.

### **5.5.3 Analysis of Implications**

Achievement of Desired Outcomes: In general, the recommended strategies yielded positive outcomes, aligning with my initial objectives. SMEs that implemented these strategies saw tangible improvements in various aspects of their operations, from financial performance to productivity and competitiveness.

Challenges and Barriers: Despite these successes, some SMEs encountered unexpected challenges during implementation. For instance, in the case of technology adoption, a few SMEs faced resistance from employees unaccustomed to new processes. However, these challenges were mitigated through effective change management strategies and training initiatives.

**In conclusion**, my assessment of the recommended strategies relied on a combination of performance metrics and case studies, providing both quantitative and qualitative insights. The findings consistently pointed to the positive impact of these strategies on SME productivity and competitiveness. Any challenges encountered were addressed through adaptive strategies, emphasizing the importance of a holistic approach to strategy implementation.

## **5.4 Additional Strategies for Enhancing SME Productivity:**

### **Industry Clustering and Collaboration:**

The relevance of my research revealed that SMEs in the manufacturing sector often operate in isolation. Encouraging SMEs within similar subsectors to cluster and collaborate can lead to economies of scale, shared resources, and knowledge exchange. Collaboration might involve joint procurement, shared facilities, or collaborative marketing efforts. The impact of Industry clustering and collaboration can foster innovation, reduce production costs, and enhance the competitiveness of SMEs. For

instance, SMEs in a manufacturing cluster can jointly negotiate bulk material purchases, leading to cost savings that can be reinvested in productivity-enhancing initiatives.

### **Quality Certification and Standards Adoption:**

The Relevance of my research revealed that many SMEs in Kampala's manufacturing sector lack recognized quality certifications and adherence to international standards. Implementing quality management systems and obtaining relevant certifications can open new markets, increase customer trust, and improve product consistency. The impact SMEs that achieve quality certifications, such as ISO or relevant industry-specific standards, are often better positioned to access international markets. This expansion can lead to increased demand, revenue growth, and higher productivity as SMEs strive to meet global quality standards.

### **Export Promotion and Market Diversification:**

The relevance of my research highlighted the limited exposure of SMEs to international markets. Facilitating export promotion initiatives and market diversification can help SMEs reduce their dependency on domestic markets and access a broader customer base. The impact of entering new markets and diversifying their customer base, SMEs can create stable revenue streams, reduce market risk, and encourage innovation to meet diverse customer needs. This, in turn, can drive productivity improvements and business resilience.

### **Digital Marketing and E-commerce Adoption:**

The Relevance on the digital landscape offers significant opportunities for SMEs to reach a wider audience and streamline their operations. My findings suggest that many SMEs in Kampala underutilize digital marketing and e-commerce channels. The Impact of embracing digital marketing and e-commerce can enhance SME visibility, broaden their customer base, and streamline sales and distribution processes. As online sales increase, SMEs can optimize their operations and logistics, leading to increased productivity and competitiveness.

### **Access to Business Development Services:**

The relevance of my research, SMEs often lack access to critical business development services, including marketing, financial management, and strategic planning. Providing affordable and accessible business development support can help SMEs navigate challenges and seize growth opportunities. The impact of SMEs that receive tailored business development services can make informed decisions, improve financial management, and develop growth strategies. This support can enhance their overall business acumen and effectiveness, contributing to sustainable productivity gains.

These additional strategies, when implemented alongside the previously recommended ones, can create a holistic approach to enhancing SME productivity in Kampala's manufacturing sector. They address various aspects of SME operations and market engagement, leveraging synergies to drive sustainable growth and competitiveness.

## **CHAPTER SIX**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 Conclusions**

In this concluding chapter, I outlined the major discoveries and conclusions drawn from my investigation into increasing productivity among SMEs operating in Kampala's manufacturing sector. My research into the issues, chances, and tactics gave me a thorough understanding of the situation and presented a strategy to achieve sustained growth and competitiveness.

As I thought about the many facets of SME productivity, it became clear that Kampala's manufacturing industry faced both significant challenges and bright prospects for growth. The difficulties posed by constrained financial resources, outdated technology, opposition to change, and a dynamic economic environment highlight the complexity of SME operations. Nevertheless, my research revealed several tactics that can turn these difficulties into gains.

## **6.2 Recommendations**

Based on the results of my research, I provided a series of doable suggestions designed to strengthen SMEs and revitalize Kampala, Uganda's manufacturing sector. These suggestions are based on learnings from effective case studies and industry-best practices from various contexts:

### **Strengthening Access to Financing:**

Work with financial institutions to provide specialized lending programs with advantageous terms for SMEs. Encourage the development of programs for financial literacy to assist SMEs owners in understanding the funding alternatives.

### **Facilitating Technology Adoption:**

Implement initiatives that offer financial assistance and technical guidance to motivate small and medium enterprises (SMEs) to replace obsolete equipment. Additionally, establish training programs and platforms for knowledge exchange to demonstrate the benefits of incorporating technology.

### **Enhancing Employee Training:**

Create programs for skill development in collaboration with organizations that provide vocational training and industry professionals. Focus on both technical and soft skills to give staff the resources they need for increased productivity.

### **Promoting Research and Development Collaboration:**

Encourage collaborations between SMEs, colleges, and research organizations. To encourage collaborative R&D projects and promote an innovative culture, offer subsidies, or tax benefits.

### **Industry Clustering and Collaboration:**

Encourage collaboration and clustering among SMEs in related industries to take advantage of economies of scale and shared resources.

### **Quality Certification and Standards Adoption:**

Encourage the use of reputable quality certificates and adherence to global standards to improve market access.

### **Export Promotion and Market Diversification:**

In order to become more competitive and less reliant on domestic markets, assist SMEs in entering overseas markets.

### **Digital Marketing and E-commerce Adoption:**

Encourage SMEs to use e-commerce and digital marketing to grow their clientele and streamline their business processes.

### **Access to Business Development Services:**

Offer SMEs accessible and reasonably priced business development services in fields including marketing, money administration, and strategic planning.

### **Closing Remarks**

**In conclusion**, Kampala, Uganda's industry has enormous room to grow and flourish, with SMEs at its center. SMEs may boost productivity, competitiveness, and sustainability by addressing the issues and taking advantage of the opportunities discussed in this study. The suggestions made in this chapter provide as a road map for stakeholders, such as governments, business groups, financial institutions, and SME proprietors, to work together in establishing a flourishing and robust SME ecosystem.

As I move forward, it is essential to recognize that the journey toward enhanced productivity is ongoing. Continuous monitoring and evaluation of these strategies, adaptation to changing circumstances, and a commitment to knowledge-sharing and collaboration will be key to realizing the full potential of SMEs in Kampala's manufacturing sector.

I hope that this research contributes to the prosperity and growth of SMEs in Kampala and serves as a source of inspiration for future initiatives aimed at bolstering productivity and competitiveness in Uganda's vibrant manufacturing landscape.

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## APPENDICES

### APPENDIX 1; QUESTIONNAIRE FORM

Dear Sir/Madam

I am Lwanga Simpson, a student pursuing a Degree in International Business Management at Uganda Christian University. As one of the requirements, I am undertaking study on: 'Enhancing Productivity in Small and Medium Enterprises: A case study of manufacturing sector in Kampala, Uganda.' You have been identified as a resourceful person since you are part of this sector. I humbly request that you spare some of your time towards filling this questionnaire. I will ensure that your views are kept with ultimate confidentiality. Thank you so much in advance for your support

#### SECTION 1: General Information

Question No.	Information
1.	Name of SME (Optional): _____
2.	Type of Manufacturing Sector: _____
3.	Number of Employees: _____
4.	Number of Years in Operation: _____

#### SECTION 2

Please tick option that best describes you.

**Q.5. Gender of respondent**

Male	Female
1	2

**Q.6. In which age bracket do you fall?**

18-22 years	23-27 years	28-32 years	33 and above
1	2	3	4

**Q.7. Highest Education level you have attained.**

Primary	Secondary	Diploma	Degree	Others
1	2	3	4	5

**SECTION 3: Current Challenges**

Please rate the following challenges faced by your SME on a scale of 1 to 5, where 1 represents "Not a Challenge" and 5 represents "Major Challenge."

Question No.	Challenge	Rating
8.	Limited Access to Financing:	_____
9.	Obsolete Technology and Equipment:	_____
10.	Resistance to Change Among Employees:	_____
11.	Economic Instability:	_____

**SECTION 4: Strategies and Recommendations**

12. Have you implemented any productivity enhancement strategies in the past?  
(Yes/No)

If yes, please briefly describe the strategies: \_\_\_\_\_

13. Are you interested in exploring any of the following strategies to enhance productivity? (Please tick all that apply)

Strategy
<input type="checkbox"/> Improving Access to Financing
<input type="checkbox"/> Adopting New Technologies
<input type="checkbox"/> Providing Training to Employees
<input type="checkbox"/> Promoting Research and Development (R&D) Collaboration
<input type="checkbox"/> Industry Clustering and Collaboration
<input type="checkbox"/> Quality Certification and Standards Adoption
<input type="checkbox"/> Export Promotion and Market Diversification
<input type="checkbox"/> Digital Marketing and E-commerce Adoption
<input type="checkbox"/> Access to Business Development Services
<input type="checkbox"/> Other (please specify): _____

**SECTION 5: Additional Comments**

14. Please provide any additional comments or suggestions related to enhancing SME productivity in the manufacturing sector in Kampala:

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**SECTION 6: Contact Information (Optional)**

15. If you would like to receive the results of this study or be contacted for further discussions, please provide your contact information:

Information	
Name:	_____

Email:	_____
Phone:	_____

Thank you for your valuable input!



**SCHOOL OF BUSINESS**

1<sup>st</sup> Aug 2023

**TO WHOM IT MAY CONCERN**

Name: LWANGA SIMPSON

Reg. No. J21B41/226

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

“ENHANCING PRODUCTIVITY IN SMALL AND MEDIUM ENTERPRISES: A CASE STUDY OF MANUFACTURING SECTOR IN KAMPALA, UGANDA.”

We shall be grateful if you could render assistance to him/her in collecting the necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

A handwritten signature in blue ink, appearing to read 'Mukisa Simon Peter', is written over a dotted line.

Mukisa Simon Peter  
Research coordinator