

Competitive Strategies and Performance of Small and Medium-Sized Enterprises in Lira City of Northern Uganda

Otim Joe Dalton

Peter Jegrace Jehopio, PhD

Kuka Phinenous

2021

The study sought to find out the significance of competitive strategies on performance of small and medium-sized enterprises (SMEs), particularly in Lira City of Northern Uganda.

Specifically, the study focuses on the influence of the market focus on the performance of SMEs, the effect of cost leadership on the performance of SMEs and the significance of product differentiation on performance of SMEs. According to Porter (2000) higher performance would be attained in an industry that is filled with competition through pursuing strategies which include being a leader in term of low cost, strategy for differentiating product and services and strategy on focusing at a particular market segment. A theoretical model was induced using competitive strategy paradigm of literature. It consisted of market focus strategies, differentiation strategies, cost leadership strategies and performance dimension.

Cross-sectional design with quantitative method of investigation was moved to fulfill the objectives of the study. A 5-point Likert scale questionnaire was used to measure responses of 390 business respondents in Lira City. Three hypotheses were posted to explore the effects of competitive strategies on performance of SMEs. The study was structural equation Modeling (SEM) for analysis.

The result indicated that cost leadership strategies positively and significantly influence performance of SMEs in Lira City. Recommendations arising from the study are that SMEs should adopt competitive strategies particularly cost leadership strategies, as it shown to enhance productivity leading to better performance. This finding is in agreement with Porter (2000) who argued that higher performance would be attained if affirm is a leader in term of low cost.

In conclusion, cost leadership has a significant influence on performance of SMEs while product differentiation and market focus have no significant influence on financial performance of SMEs.

