

**BUSINESS INNOVATIONS AND ENTREPRENEURSHIP
PERFORMANCE IN SMALL & MEDIUM SCALE ENTERPRISES
IN KAMPALA CITY**

A Research Thesis

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In Partial Fulfilment of the Requirements for the Degree of
Master Business Administration
In International Business

By:

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DECLARATION A


I Kamal Mohamed Abdulkarim declare this thesis is my original work and has not been presented for a Degree or any other academic award in any university or Institution of learning"

Signature: Kamal

Date: 24 / 01 / 2012

DECLARATION B

"I confirm that the work reported in this thesis was carried out by the candidate under my/our supervision".

Name and signature of Supervisor: Kyle Julius Warren 

Date: 29 / 1 / 2012

APPROVAL SHEET

This thesis entitled "Business Innovation and Entrepreneurship Performance in Small and Medium Scale Enterprises in Kampala, City". Prepared and submitted by Kamal Mohamed Abdulkarim in partial fulfillment of requirements for the degree of Master of Business Administration (International Business) has been examined and approved by the panel on oral examination with a grade of PASSED

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DEDICATION

The researcher dedicates this thesis his parents Ubah Agane and Mohamed Abdulkarim, uncle Abdiasis Agane, Brother Ilyas Mohamed Abdulkarim, dear friend Samira Abdullahi Yusuf and his twin brother Faisal Mohamed Abdulkarim with much love, for any effort and sacrifice they provided throughout my academic life and career development, also my respected friends for being supportive to me spiritually, emotionally, morally.

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LIST OF APPREVIATION AND ACRONYMS

E&BI	Entrepreneurship and Business Innovation
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
MTCS	Medium Term Competitive Strategy
NSI	National System of Innovation
OECD	Organization for Economic Cooperation and Development
RRR	Risk Return Ratio
SEP	Strategic Export Program
SMEs	Small and Medium Enterprises
CHDR	College of Higher Degrees and Research
SPSS	Statistical Package for Social Scientists
SSE	Small Scale Enterprises
TEA	Total Entrepreneurial Activity
WIPO	World Intellectual Property Organization

TABLE OF CONTENTS

	Page
Declaration A	i
Declaration B	ii
Approval Sheet	iii
Dedication	iv
Acknowledgment	v
List of Abbreviations and Acronyms	vi
Table of Contents	viii
List of Tables	xi
Abstract	xii
CHAPTER	
ONE THE PROBLEM AND ITS SCOPE	1
Background of the Study	1
Statement of the Problem	3
Purpose of the Study	4
Research Objectives	4
Research Questions	5
Null Hypothesis	5

Scope of the study	5
Significance of the Study	6
Operational Definitions of key terms	7
TWO REVIEW OF RELATED LITERATURE	8
Concepts, Ideas and Opinions from Authors/Experts	8
Theoretical Perspectives	19
Related Studies	20
THREE METHODOLOGY	23
Research Design	23
Research Population	23
Sample Size	23
Sampling Procedure	24
Research Instrument	25
Validity and Reliability of the Instrument	25
Data Gathering Procedures	26
Data Analysis	27
Ethical Considerations	28
Limitations of the Study	28
FOUR DATA PRESENTATION, INTERPRETATION AND ANALYSIS	30
Introduction	30
Profile of the respondents	30

	Description of the Variables	33
Five	FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	45
	Introduction	45
	Summary of Findings	45
	Conclusions	47
	Recommendations	48
	Suggestions for Further Research	49
	REFERENCES	50
	APPENDICES	54
	Appendix I: Introduction Letter	54
	Appendix II Transmittal Letter	55
	Appendix III: Questionnaire	56
	Appendix IV: Time Frame	61
	Appendix V: Content Validity Index	62
	Researcher's Curriculum Vitae	63

LIST OF TABLES

Table 1: Respondents of the study	24
Table 2: Profile of Respondents	31
Table 3: Means and Ranking of Business innovation	34
Table 4: Means and Ranking of Entrepreneurship	39
Table 5: correlation analysis of Business Innovation- and Entrepreneurship Performance	43
Table 6: Regression Analysis between Variables	44

List of Figures

Figure 1: Entrepreneurial Process	14
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ABSTRACT

The role business innovations to the entrepreneurs' activity in Kampala small scale enterprises, in regards to the improvement on the entrepreneurial spirit in Uganda, the current government of Uganda has made advancements in returning the power of commerce to the people of Uganda. It is also reported by the Ministry of Planning and Economic Development (1993) that over 80% of Uganda's manufacturing output is by small enterprises. The sector also employs up to 2.6 million people in Uganda.

The researcher objectives were (i) to determine the relationship between entrepreneurship and business innovation in small medium sized companies in Kamala city (ii) To establish the degree of business innovation in small sized business (iii) to determine the level of entrepreneurship in small sized business in Kampala city. The target populations in the research were 150, while the sample size was 103.

The researcher used means and ranking of both variables' questionnaire and the findings of the research included that the majority of the respondents agreed the importance of the feasibility study and business plan, the findings of the research also indicated that getting personal independence and to making a living are twin factors that encourage entrepreneurs in Kampala city, also the findings include that business innovation is a tool that attracts customer for retaining them.

The researcher concluded that there is significant relationship between business innovation and entrepreneurship performance in small and medium scale enterprises in Kampala City.

Recommendations presented as follows: Continuous Product Innovation in products, service, packaging, after sales service etc. Seek Innovation Opportunities in the market in order to be profitable and Increase Entrepreneurship Education of entrepreneurs in Kampala city.

CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Background of the Study

In regards to the improvement on the entrepreneurial spirit in Uganda, the current government of Uganda has made advancements in returning the power of commerce to the people of Uganda. The average age of an entrepreneur in Uganda, many of who are women, are between the ages of 30 and 40; many of whom only have a high school education. 59% of these people are surveyed as being in business for making a living. According to Peter Walker, the percentage of individuals, ages 18 to 64, active in either starting up or managing a new enterprise is 29.3% in Uganda. Since the late 1980s Uganda has rebounded from the abyss of civil war and economic catastrophe to become relatively peaceful, stable and prosperous. Several books have been written, such as "How to Start a Small Business in Uganda" by Salvatore Olwoc.

Uganda is a costless land with democratic government. It lies between the Democratic Republic of Congo (formerly Zaire), South Sudan and Kenya and forms part of the East African Region. The capital city is Kampala and other major towns are Jinja, Mbale, and Masaka. Uganda has a year-round agricultural season and a location in the centre of a regional trading network. The official language is English but Swahili is widely spoken. The local currency is the Ugandan shilling. In 2009 Uganda's GDP was \$14.5bn. Uganda's GDP has grown by more than 6% on average for the last decade, and by 7.4% in the 2008/9 financial year.

Major investments were made in mobile communications, petroleum exploration, banking, construction, agro-processing and manufacturing.

Agriculture makes up over 80% of the work force, with coffee being its greatest export. Over the course of eleven years (1990-2001) Uganda has strived to improve performances based on continued investment in the rehabilitation of infrastructure, improved incentives for business owners, reduced inflation, and improving upon domestic security, Crig M (2003).

Many Asians, mostly from India, live in the capital city Kampala, the official language of Uganda is English, though the largest spoken language is Luganda (spoken mostly in the region of Buganda that includes Kampala). Other languages in the country are the Ateso and Kiswahili languages; Kiswahili is widely used as the language of trade in the country. Trade continues to be encouraged and discounts for starting a business are offered by the government of Uganda. The TEA account for 2003 was 29.2, whereas in 2004 it raised to 31.6. The estimated number of start-ups and new firms in Uganda as of 2004 were 1,755,415; A slight raise of 3,982 since 2003. What motives do Ugandan Entrepreneurs have? Money or Freedom? However, most of them would not exchange business ownership for jobs even if jobs became available and paid as well as their businesses. This was due to the independence Uganda entrepreneurs enjoy as business owners. Uganda entrepreneurs become entrepreneurs for monetary reasons but remain entrepreneurs for the freedom entrepreneurship accords them. Tulip and Kamanya (2007).

In Uganda Small Scale Enterprises (SSEs) are reported to contribute about 20% of Uganda's GDP (Tulip and Bitekerezozo, 1999). This figure may be much higher given that Uganda's GDP is constituted by mostly agricultural production. This is mainly by small holders who may not even fit in the definition of micro and small businesses.

Besides, since a great component of GDP is non-monetized and largely subsistence, it is possible that the contribution of both micro and small units is much larger than 20%. It is also reported by the Ministry of Planning and Economic Development (1993) that over 80% of Uganda's manufacturing output is by small enterprises. The sector also employs up to 2.6 million people in Uganda (Uganda Investment Authority, 1998).

According to Peter (2007), Uganda is a country whose education system still produces skilled and semi-skilled labor, which is oriented towards entry into white-collar employment, academia and the civil service, where it is thought that a sustainable livelihood can be sustained. Uganda in 2003 was ranked the most entrepreneurial country in the world amongst the GEM countries with a TEA index (29.2) signifying that 29 out of 100 Ugandans – almost every third Ugandan is engaged in some kind of entrepreneurial activity. This index was extraordinarily high in both men and women.

Statement of the Problem

Some organizational entrepreneurs do not have clear strategies to innovate that would govern them to better organizational performance, customer satisfaction and organizational growth and economic booming at last, so one of the major reasons why entrepreneurs fail to succeed in the longer run is lack of business innovations and creativity, failure to attract customers, retain them and grow them. Those failing organizations and failing bodies never try to redo their activities and they always stop working in the organization and they end-up in unemployed or they look for a new job in the market which may take time to find it. What makes them involve in the entrepreneurial activity is to only for profit only, so the research provided them recommendations that they would bring their performance

get improved and that profit is not the only motive to engage in the entrepreneurship activity.

Purpose of the Study

(1) To test hypothesis of no significance relationship between business innovations and entrepreneurial performance in small and medium scale enterprises in Kampala city. (2) To validate existing information related to the theory to which the research is based on. (3) To generate new information based on the findings of the study. (4) To bridge the gaps identified in the previous studies.

Research Objectives

General: To investigate the correlation between entrepreneurship and business innovation in Kampala small and medium sized companies.

Specific: To be sought further study were as follows:

1. To determine the demographic characteristics of the respondents in terms of:
 - 1.1 Age.
 - 1.2 Gender.
 - 1.3 Marital Status.
 - 1.4 Educational Level.
 - 1.5 Level of experience in entrepreneurship activity.
 - 1.6 Position of the organization.
2. To establish the extent of business innovation in small sized business in Kampala, Uganda.
3. To determine the level of entrepreneurship performance in small and medium sized business in Kampala Uganda.
4. To determine the relationship between business innovation and entrepreneurship performance in small and medium sized business in Kampala, Uganda.

Research Questions

1. What are the demographic characteristics of the respondents in terms of :
 - 1.1 Age?
 - 1.2 Gender?
 - 1.3 Marital Status?
 - 1.4 Educational Level?
 - 1.5 Level of experience in entrepreneurial activity?
 - 1.6 Position of the organization?
2. What is the extent of business innovation in small and medium sized enterprises in Kampala, Uganda?
3. What is the level of entrepreneurship performance in small and medium businesses in Kampala City?
4. Is there a significance relationship between business innovation and entrepreneurship performance in small and medium sized companies in Kampala City?

Null Hypothesis

There is no significance relationship between the extent business innovations and the level entrepreneurship performance in small and medium scale enterprises in Kampala, Uganda.

Scope of the Study

Content scope

The research focused on the role of entrepreneurship in relation to innovation strategies for small and medium scale enterprises in Kampala City.

Geographical scope

The study was conducted in Kampala, Uganda where most entrepreneurs have the most appropriate opportunity to innovate effectively and efficiently.

Time scope

The research concentrated between the periods of 2006 to 2011. For the reason of choosing this time scope is that the entrepreneurship efforts in Kampala Uganda has tripled and the number of small business owners has become major than those years before.

Theoretical Scope

The researcher used theory by Peter F. Drucker 1989; Hills & Morris 1998 that states the most relevant theory in Entrepreneurship and Business Innovations.

Significance of the Study

The study provided information to the business entrepreneurs to participate in the innovation process with through recognizing the impact of innovation and the relationship between the entrepreneurship; this helped them send strategies develop the country's economic indicators at large.

The findings and recommendation of the study would be useful for academic institution and business sector of entrepreneurs which deal with innovation and creativity operations through reading this thesis which will be available in public libraries and a printed copy would be available for those participants that contributed in.

This study built the economic indicators of the country as long as entrepreneurship is one of the large signs of national economy of Uganda. In far mostly, people from Uganda should recognize and the importance of entrepreneurship and innovation effects and also strategies that develops their economic indicators of business. These strategies appeared brand new ideas that would contribute better innovation approaches to the field. This study was also be useful to Ugandan entrepreneurs in order to improve the areas of innovation, creativity, strategic implementation of innovations and creativity and development.

Operational Definitions of Key Terms

Entrepreneur: A person, who organizes, manages and assumes the risks of a business enterprise. Starting with nothing more than an idea or a prototype, entrepreneurs are those who have the ability to take a business to the point at which it can sustain itself on internally generated cash flow. Or a person who makes money by starting or running businesses, especially when this involves taking financial risks.

Entrepreneurship: The capacity and willingness to undertake conception, organization, and management of a productive venture with all attendant risks, while seeking profit as a reward.

Business Innovation: A change in a product offering, service, business model or operations which meaningfully improves the experience of a large number of stakeholders.

Small and Medium Scale Enterprises: Companies whose headcount or turnover falls below certain limits.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Concepts, Ideas, and Opinions from Authors/ Experts

An enterprise is considered to be any organized effort intended to return a profit or economic outcome through the provision of services or products to an outside group (Carland, Hoy, Boulton & Carland 1983; Trewin 2003). The operation of an enterprise traditionally requires the investment of capital and time in creating, expanding, or improving the operations of a business or any other type of endeavor that has employees and contributes to the stability or growth of a community (Meredith 2001; Palmatier 2003). Small to medium enterprises are considered those enterprises which have fewer than 250 employees.

In distinguishing between small and medium sized enterprises, the 'small enterprise' is defined as an enterprise, which has fewer than 80 employees. These businesses are often referred to as 'SMEs', and are traditionally associated with owner operators (Meredith 2001; ATO 2004; Schaper & Volery 2004). According to Carland et al. (1983), an SME owner is an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business is their primary source of income and will consume the majority of the owner's time and resources. The owner perceives the business as an extension of their identity and is intricately bound with family needs and desires.

Entrepreneurship and Business Innovation

The concept of an entrepreneur is further refined when principles and terms from a business, managerial, and personal perspective are considered. In particular, the concept of entrepreneurship from a personal perspective has been thoroughly explored in this century.

Entrepreneurship and business innovation is a relatively young discipline (Kuratko 2003). Although Small Enterprises, E&BI is recognized as a significant field of study, as yet there have been no significant Australian standards for enterprise or E&BI education established. The impetus for this thesis arose from the research, design, and publication of a text in E&BI. This thesis explicates the scholarly coherence and originality of the published work and articulates its distinctive contribution as an integrated work to the knowledge of E&BI.

In identifying appropriate knowledge for the publication of the text, the research has focused on international good practice and standards in E&BI education. Arising from the often intangible and variable conceptual nature of E&BI, a constructivist paradigm was utilized for the ontological approach of the research. Furthermore, given the research objectives, a critical interpretive approach was also utilized. In the light of the correlation of the constructivist and interpretive paradigms, a qualitative research methodology was adopted.

Innovation and People

Scholar in innovation believe that one of the most important factors in installing an innovation culture within any company is having leaders and teams with ability and commitment. Senior managers need to understand the strategic direction and how innovation can help. They also need to be able to motivate others. Creating a culture of continuous innovation requires

leadership and commitment from the Board and senior management teams (SMTs). This is a 'must' – a necessary prerequisite for success. It also requires agents of innovation and innovation teams across the organization, champions who will assist a project manager with the implementation and tracking of ideas, innovations and changes. Managers need to constantly look at their part of the business and ask themselves "what are the barriers to being innovative and creative?" They need to ask themselves and others questions, such as:

- Is anybody being asked about their ideas?
- Do staffs know about the need for ideas and innovation?
- Are people rewarded for their ideas and contributions?

If there are no boundaries and structure to the innovation process then staff confidence is often affected. If there is no method then the chance of success is reduced. Organizations that truly invest in their people and understand the value of their ideas ensure that facilities, equipment, time and resources are organized to help foster ideas and innovations. This might be, for example, using facilitators to help engender innovation in business meetings, or setting aside 'quiet areas' for people to think through ideas, or even having informal 'coffee breaks' where people in different departments who would not normally meet or socialize get together for a quick break and to chat. There are thousands of ways in which staff and management can do things differently and be encouraged to voice their ideas. However, this often runs contrary to the way in which organizations are usually run and jobs designed. It is a key management responsibility, then, for managers to 'audit' the organization in terms of how friendly it is towards being innovative.

Entrepreneur in Innovation and Economic Development

According to Schumpeter (2001) capital and output growth in an economy depends significantly on the entrepreneur. The quality of performance of the entrepreneur determines whether capital would grow rapidly or slowly and whether the growth involves innovation where new products and production techniques are developed. The difference in economic growth rates of countries of the world is largely due to the quality of entrepreneurs in the countries. Production factors of land, labor and capital are said to be dormant or indolent without the entrepreneur who organize them for productive ventures.

The entrepreneur is therefore an important agent of growth of innovations and technical progress. The development and utilization his technical and commercial skills create growth potentials in Micro, Small and Medium scale enterprises.

The present day economy is knowledge-driven operating on the pragmatic and innovative thoughts of the entrepreneur. Business set ups have become informal and oriented towards survival and self employment. Technical progress essentially results in increase in production, employment of labor, stimulation of export and overall growth of GDP. The contribution of entrepreneurship to the growth and development of Asian countries (China, Malaysia and Singapore) and African countries (South Africa and Nigeria, Uganda) has been identified

In Uganda entrepreneurship development and innovations have been manifested in all aspects of the economy ; micro business, micro finance, small, medium industries, cottages, crafts, information/telecom services,

personal services in food vending/restaurant, garments making, embroidering, agricultural produce, music, film production etc.

The importance of entrepreneurship.

In addition to the general importance of entrepreneurship, the importance of Saxion is put out, so that the social and institutional relevance of this research can be assessed. Early in the last century, Joseph Schumpeter (1934) pronounced a positive relationship between economic growth and entrepreneurship. For nearly a century, scientists working here and come within a certain range, again and again to the conclusion that entrepreneurship provides a positive contribution to the development of the economy (Schumpeter, 1934, Baumol, 1990, Verhoeven et al, 2005, Van Praag, 2006; Laroullet, 2009). The Organization for Economic Cooperation and Development (OECD) believes that entrepreneurship makes a major contribution to economic growth of countries and regions (Ahmad & Seymour, 2008).

Hence the OECD in 2008 developed a monitor to identify and compare entrepreneurship in a country, as can be obtained grip on economic growth (Ahmad & Hoffmann, 2008). Research by the OECD (IMHE / OECD, 2007) shows that higher education can be a boost to regional development. This may, according to research, by "the region to support indigenous development by means of skills, entrepreneurship and innovation "(IMHE / OECD, 2007, p1). The aforementioned study by the OECD, the Twente region participated, directed by Saxion. Together with all institutions of higher education in Twente and regional stakeholders is *entrepreneurship*, as an important basis for the contribution of higher education to regional development, identified (Sijgers , Hammer, ter Horst, Nieuwenhuis, van der Sijde, 2005). In its strategic vision (Saxion, 2008) Saxion has spearheaded

excel, including a provision explicitly refers to entrepreneurship, the independent exercise of the profession.

This vision is to excel, "Ambition An increasing number of our students (compared to the number measured in 2007) annually elect for entrepreneurship" (Saxion, 2008, p 8). The above essay appears that entrepreneurship matters because it is a positive impetus to both the global as well as regional economic growth. Given that Saxion itself as a regional knowledge partner, it is obvious that they add relevant knowledge to her region and so stimulating the regional economy.

Entrepreneurial Process

In the entrepreneurial process it is assumed that the starting entrepreneur, sequential runs a number of steps (van der Veen & Wakkee, 2004, van der Sijde, 2004, Shane & Venkataraman, 2000, Low & MacMillen, 1988, Gartner, 1985; Shapero & Sokol, 1982). Although there are differences in detail of the models, the basic concept, start-ups chronological phases, widely accepted. Most scholars come to a three-or four-stage model.

A commonly used three-stage model is that of Shane and Venkataraman's (2000, p. 218). This model has the phases: (1) recognize the opportunity, (2) the planning of the operation to take chances and (3) exploiting that opportunity. The three phases are others also entrepreneurial activities mentioned (Baron, 2008, van der Veen & Wakkee, 2004, Bhav, 1994, Morris, Lewis, & Sexton, 1994). Other researchers found that this process is preceded by an intention-phase (van Gelder, Thurik, & Bosma, 2006, Krueger et al, 2000, Shapero & Sokol, 1982), leading to a four-stage model: (1) intention to start, (2) recognize the opportunity, (3) preparing a chance and (4) exploit that opportunity.

This preliminary phase formats suggest that after the last stage there is nothing and operation lasts indefinitely. Research shows that more than half

of start-ups within 5 years again stopped (e.g. Bangma & Quick, 2009, p5, Hayward, Shepherd & Griffin, 2006). Detienne (2008, p1) states "that the entrepreneurial process is not complete when the exit- phase is excluded from the process." Another generalized model is that of Veccio, 2003 (in Samuels, Joshi & Demory, 2008) and consists of the following four stages:

1. The preparatory phase (pre-start)
2. Start,
3. The venture being in action (exploration)
4. Stopping doing business (exit)

This four-stage model adding that a venture is finite. It is therefore suitable to serve as a model for this research proposal. Below in Figure 1 the schematic representation of the entrepreneurial process to continue use in this proposal appears.



Figure 1, the entrepreneurial process (Veccio, 2006)

Innovation Policy and Practice in Uganda

General Indicators on Economic Performance and Competitiveness

The Ugandan economy has experienced relatively rapid growth although the growth rate of GDP has slowed somewhat from the early 1990s compared to the previous decade (GDP grew 5.2 per cent in 2003, and 5.9 per cent in 2004). Uganda Revenue Authority, (2005). The forecast growth for 2005 was 5.4 per cent. The most impressive sectors in the last five years had been agriculture, construction and communications although the effect of drought that affected the sub-region has tempered the slow growth forecast in the agriculture sector for 2005 and beyond. As with much of the LDCs agriculture contributes a significant proportion of the GDP and accounted for about 38 per cent of GDP in 2004. What seems to have

constrained a more rapid evolution of the sector is the slow speed of transforming the sector into a modern innovation-driven sector.

There is the perennial poor access to support services such as crop and veterinary extension services and food processing technology, inadequate infrastructure such as electricity and water, and lack of market information. The Plan for Modernization of Agriculture and the Medium Term Competitive Strategy (MTCS) for the private sector includes the Strategic Export Program (SEP). However, the sector remains highly tied to low technology practices and its output are low-value crops that see limited domestic processing into high-value products. The industrial sector accounted for about 19.5 per cent of GDP in 2003. Industrial output rose by an estimated 4 per cent in 2004, the same rate as in the previous year, driven mostly by electricity generation, which rose by an estimated 6.3 per cent in the year. However, concern remained that the gain in industrial output might suffer as a result of power outages. Electricity outage is expected to reduce as the privatization of power distribution progresses.

The service sector remains the largest contributor to GDP at 42 per cent in 2004. Continuing growth in the sector was led by the transport and communication sub-sector that gained from the large capital outlay in expanding and improving the Entebbe International Airport and new investment in telecommunications following privatization.

In sum, in the last years twenty years, Uganda has become one of the relatively successful African economies due to its combination of high growth and low inflation (OECD, 2006).

Per capita GDP (US\$ at \$PPP prices) in Uganda has been on the rise since the late 1990s amounting to \$1610 in 2004 and an estimated \$1,686 in 2005. These amounts however, are considerably lower than the general average for the whole Africa.

Key Actors Involved in Innovation System

Central to the understanding of the dynamics of innovation systems concept is the question of which actors are involved, the nature and intensity of their interaction and the role that they play in the system. This is particularly important in relation to recent developments in the emerging sectors in a number of African countries such as flower in Kenya and fisheries in Uganda. A wide array of private and other actors beyond the State is emerging as important players and public research organizations need to reconfigure their roles and relationships in the light of these developments.

From the innovation systems perspective it is also important not just to identify links (or missing links) but to unpack these linkages and see which are working well. Are local firms simply spectators in the value chain or are they upgrading to compete? Are they deepening their capabilities by developing in-house capabilities and taking advantage of new ways of doing things? In what follows we sketch the key actors.

Business Innovation

Business innovation is considered the introduction of new or significantly improved goods/services or improved operational, organizational or managerial processes (Trewin 2004). Innovation is a process of taking new ideas through to satisfied customers. It is the conversion of new knowledge into new products and services (Zairi 2002). From an enterprise

perspective, innovation can be considered the renewal by application of new technologies, methods and procedures at the cutting edge of business. Innovation should always be aligned with the market requirements, producing better products at more competitive prices; at a better fit to customer demand. In simple terms, innovation can be defined as the process that transforms ideas or concepts into commercial value for the benefit of the enterprise and the customer (Drucker 1985, McGrath & Bruce 1998).

Business innovation is closely aligned with proactive planning which links creating value and increasing efficiency, and, therefore, growing the value of the business (Zairi 1999). Without innovation, new products, new services, and unique ways of doing business would not exist. From an entrepreneur's perspective, innovation is the key driver of competitive advantage, growth, and profitability (Peter D. 1985).

It distinguishes between four types of innovation:

Product Innovation, defined as a good or service that is new or significantly improved.

Process innovation, the implementation of a new or significantly improved production or delivery method.

Marketing innovation, the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing.

Organizational innovation, the implementation of a new organizational method in business practices, workplace organization or external relations. (Peter J., 1992)

Business Feasibility Study

A Business Feasibility Study can be defined as a controlled process for identifying problems, opportunities, determining objectives, describing situations, defining successful outcomes, and assessing the range of costs and benefits associated with several alternatives for solving a problem (Drucker 1985; Thompson 2003). The Business Feasibility Study is used to support the decision making process, based on a cost benefit analysis toward the actual business or project viability. The feasibility study is conducted during the deliberation phase of the business development cycle, prior to commencing a formal Business Plan. It is an analytical tool that includes recommendations and limitations, which are utilized to assist the decision-makers when determining if the Business Concept is viable (Drucker 1985; Hoagland & Williamson 2000; Thompson 2003; Thompson 2003).

A feasibility study is essentially a process for determining the viability of a proposed initiative and is used to evaluate if the proposed investment or business is feasible based on the results obtained from a well-prepared and researched study. The purpose of the Business Feasibility Study is to provide the entrepreneurs, investors and stakeholders with sufficiently detailed information (evidence) in order to satisfy them that the Business Concept is financially viable (cost versus benefit) and that the Business Concept can be technically (functionally) achieved. The study will not only reduce risks but will compile the research data into an evidentiary framework that can be utilized more effectively to convince stakeholders of the business's viability (Thompson 2003).

Business Plan

A Business Plan is a detailed road map for the start-up process and how the operational requirements of the business will be achieved. A Business Plan contains everything in the feasibility study, plus specific time-lines, detailed budgets with forecasts, operational and resource schedules and a functional articulation, both at the executive and operational levels of the enterprise (Hoagland & Williamson 2000; Truitt 2002). The Business Plan is an agreement on how the business's management team plans to carry out certain functions to achieve business results and serves as a means of measuring the enterprise's performance (Truitt 2002). Lastly, the Business Plan is a document that will assist the process of raising capital from banks, private investors, or other sources.

The Business Plan should strongly communicate the Business Concept, its viability, the business model and the management structure that will be used to reach the business objectives (Thompson 2003; Thompson 2003).

Theoretical Perspectives

Entrepreneurship comprises three underlying dimensions: innovation, risk-taking, and proactiveness (Drucker 1989; Hills & Morris 1998). Within this ideology, innovation refers to the seeking of creative, unusual, or novel solutions to problems and needs. This includes the development of new products and services, as well as new processes and technologies for performing organizational functions. Risk-taking involves the willingness of the entrepreneur to commit significant resources to opportunities that could lead to failure. These are risks, which are perceived as calculated and manageable. Proactiveness is concerned with the implementation and creation of events. Hills and Morris (1998) argued that accomplishing a task

through managed risk and adopting those business techniques that best meet the circumstance through innovation and change are central to their concept of entrepreneurial process. Likewise Nelson and Johnson (1997, p.11) define an entrepreneur as "a person who is able to look at the environment, identify opportunities for improvement, gather resources, and implement action to maximize those opportunities."

Drucker (1989) argues that innovation is the explicit instrument of entrepreneurship. He defines innovation as the act that endows resources with a new capacity to create wealth. Similarly, Trewin (2004) defines business innovation as the introduction of new or significantly improved goods, services or improved operational, organizational or managerial processes. Zairi (1999) too considers innovation as a process of taking new ideas through to satisfied customers, a conversion of new knowledge into new opportunities. A consensus also exists amongst many academics and authors that entrepreneurship cannot exist without business innovation, and as such, innovation forms an integral part of any entrepreneurial curriculum (Drucker 1985; Grant 1998; Streeter et al. 2002; Kuratko 2003).

Related Studies

According to Hills & Morris 1998; Scott, Rosa & Klandt 1998; Henry et al. 2003; Kuratko 2003 ,though many entrepreneurs have emerged with limited education, entrepreneurs who have attained high levels of education, tend on the whole to be noticeably more successful.

According to Ulrich (2001), he argues that understanding the functional management skills of entrepreneurs is critical to developing an effective entrepreneurial program. He suggests that the level of proficiency achieved in the management skills required by an entrepreneur indicates how well the entrepreneur may perform in an enterprise. Interest in

entrepreneurship has resulted from events occurring on social, cultural, and business levels. There is an increasing interest in "doing your own thing." Individuals frequently desire to create something of their own. They want responsibility and want more freedom in their organizations.

According to Sajan, (1999), revealed the evidence that Entrepreneurial endeavors consist of four key elements.

1. **New business venturing** refers to the creation of new business within an existing organization.
2. **Organizational innovativeness** refers to product and service innovation with an emphasis on development and innovation in technology.
3. **Self-renewal** reflects the transformation of organizations through the renewal of the key ideas on which they are built.
4. **Proactiveness** includes initiative and risk taking, as well as competitive aggressiveness.

According to Schumpeter, "Everyone is an entrepreneur when he actually carries out new combinations". Finding new combinations of factors of production is a process of entrepreneurial discovery that will become the engine that drives economic development. These "new combinations" constitute better ways to meet existing demand or create new products, often making current technologies and products obsolete (in a "process of creative destruction"). The firm of the innovative entrepreneur will, consequently, grow through the dual process of taking market share from existing suppliers and increasing overall demand for the products offered in the market (by extending the boundaries of economic activity). Thus, the process of creative destruction is built on dynamic, deliberate entrepreneurial efforts to change market structures and can be propitious for additional innovations and profit opportunities.

Based on the concept of creative destruction, Schumpeter formulated his theory of long waves of business cycles and economic growth. Business cycles are seen as the result of innovation, which consists of the generation of a new idea and its implementation in a new product, process or service, leading to the dynamic growth of the national economy, the increase of employment, and creation of pure profit for the innovative enterprise (Schumpeter 1999; Schumpeter 1992: 83–84; Dejardin 2000: 2; Jääskeläinen 2000: 9–10, 15; Thurik and Wennekers 2001: 2; Barreto 1995: 22–34).

CHAPTER THREE

METHODOLOGY

Research Design

This study employed correlation research design to investigate the relationship between entrepreneurship and business innovation in small sized companies in Kampala, Uganda. The research design was about the arrangement of variables, conditions and participants for the study. Correlation method involves conducting data in order to determine whether and to what degree a relationship exists between two or more variables. The degree of relationship is expressed as a correlation coefficient.

Research Population

This study was conducted among business entrepreneurs, managers of those entrepreneurs, and assistants. The researcher selected The Portico they have information and experience of the innovation and entrepreneurship, and also have understood the conditions that affect entrepreneurships in The Portico Ltd which with deal with Laptops, PCs, New and used cars, internet cafes, Mobile Phones.

Sample Size

The study consisted of 103 participants of Managers, Assistants and Business Owners. All there are most important sources that we can get reliable information about the study. For this reason, it is the most suitable for the required information relating to this study. The sample size of the study identified using Slovin's formula: $n = N / (1 + (N * e^2))$

Where

N= Population

n= Sample

e= is the confidence level at 0.05

$n = 150 / (1 + (150 * 0.0025))$ 103 subjects.

Table 1

Respondents of the study

Respondents	Target population	Sample Size
Managers	65	43
Business Owners	35	25
Customers	55	35
Grand Total	150	103

Source: Primary Data, 2011

Sampling Procedure

The sample size consisted of 43 Business Managers 25 Business Owners, and 55 customers of Business Entrepreneurs selected from the target population of 108 members.

Sampling Procedure

This study employed both purposive sampling technique and stratified sampling technique. Purposive sampling technique is a technique that the researcher uses his or her own judgment or common sense regarding the participant from whom information will be collected. The researcher used purposive sampling to choose the respondents he believes that they have the relevant information. Purposive sampling was used to select the man

Research Instruments

The research instrument developed by the researcher was questionnaire that has been distributed to know deeply about the fact of the relationship between and business innovation entrepreneurship in Kampala, Uganda.

Questionnaire

Research questionnaires were used which were closed questions and employed to collect the required data for the study in order to determine how entrepreneurships can have an impact on the innovation of small sized companies in Kampala, Uganda. A questionnaire is often one time data gathering device on the variables of interest to the researcher.

Validity and Reliability of the Instruments

The researcher used test for validity of Business Innovation questionnaire, which is none-standardize, where content validity has been done by ensuring that questions or items in the questionnaire could conform to the study's conceptualization, supervisor and other senior staff in KIU who were experts in the field of study have evaluated the relevance, wording and clarity of the questions or items in the instruments. Pretesting for reliability was done by administering the questionnaire to five qualified owners and managers of small businesses.

Construct validity was ensured using factor reliability of the instrument on multi item variables (e.g. carrying costs, lead time, reorder cost, and economic order quantity) was tested using Cronbach Alpha and of at least 0.7. While the Entrepreneurship of the construct criterion validity of

entrepreneurship questionnaires were empirically improved by experts in the fields of both academic and the entrepreneurships.

Data Gathering Procedures

The following data collection procedures were implemented:

A. Before the administration of the questionnaires

The researcher requested for an introduction letter from the School Of Postgraduate Studies and Research (SPGS) addressed to the authorities of the university under study for their permission to conduct this study. The letter was contained the criteria for selecting the respondents and the request to be provided with list of bonafide students in the university.

After approval, from both DVC and The Portico Ltd. the researcher has identified that information based on entrepreneurship performance can be gained from Portico Ltd which involves many business activities that include PCs, Laptops, Internet Cafes, New and Used Cars, Shopping Malls etc. Thus the researcher utilized the table on the respondents (Table 1) to determine the suitable participants to be included in the research.

B. During the administration of the questionnaires

Especially the researcher and his assistants were seriously particular in requesting the respondents to the following: (1) to sign the informed consent; (2) to answer all the questions hence, they should not leave any item unanswered; (3) to avoid bias and to be to the objective in answering the questionnaires. The researcher and his assistants tried retrieving the questionnaires with 5 days from the day of distribution. All questionnaires retrieved were checked if they are completely filled out.

C. After administration of the questionnaires

The data collected were organized, collected, summarized, statistically treated and drafted in tables using the Statistical Package for Social Scientists (SPSS).

Data Analysis

To determine the profile of the respondents, frequency and percentage distribution were used for analyzing it. Mean, Ranking and Interpreting data were also used to compute for business innovation and entrepreneurship in small scale enterprises in Kampala, Uganda. An item analysis based on the mean scores and ranking were reflected the strengths and weakness of the respondents in the items of business innovation and entrepreneurship. A two tailed correlation coefficient to test the hypothesis on the correlation (H_0 #1) at 0.05 level of significance using F-test was employed.

The measurement of business innovation, entrepreneurship were measured in twelve and thirteen items or questions respectively in the questionnaire, each was selected in one to four 1= Strongly Disagree, 2= Disagree, 3= Agree, 4= Strongly Disagree. To interpret the obtained data profile of the business innovation and entrepreneurship for the following numerical value and descriptions were used.

Mean Range	Description	Means
3.21-4.00	Very good	You agree without doubt
2.51-3.20	Good	You agree with doubt
1.76-2.50	Fair	You disagree with doubt
1.00-1.75	Poor	You disagree without doubt

Ethical Consideration

To ensure that ethics is practiced in this study as well as utmost confidentiality for the respondents and the data provided by them, the following has been done: (1) Coding all the questionnaires; (2) the respondents were requested to sign the informed consent; (3) authors mentioned in this study was acknowledged within the text; (4) findings were presented in a generalized manner.

Limitation of the Study

In view of the following threats to validity, the researcher allowed 0.05 level of significance. Measures are also indicated in order to minimize if not to eradicate the threats to the validity of the findings of this study.

1. *Extraneous variables* which will be beyond the researcher's control such as respondents' honesty, personal biases and uncontrolled settings of the study.
2. *Testing*: The use of research assistants can be about inconsistency in the administration of the questionnaire in terms of tie of administration, understanding of the items of in the questionnaire and explanations given to the respondents. To minimize this

threat, the research assistants will be oriented and briefed on the procedures to be done in the data collection.

3. *Attrition/ Morality:* Not all questionnaires may be turned completely answered nor even retrieved back due to circumstances on the part of the respondents such as travels, sickness, hospitalization and refusal/withdrawal to participate. In anticipation to this, the researcher will reserve more respondents by exceeding the minimum sample size. The respondents will also be reminded not to leave any item in the questionnaires unanswered and will be closely followed up as to the date of retrieval.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF DATA

Introduction

This chapter presents and analyzes the findings of the study and their interpretation that is based on the research findings and objectives which is included to determine the relationship between entrepreneurship and business innovation in small sized business in Kampala, Uganda. To establish the degree of business innovation in small sized business in Kampala, Uganda. To determine the level of entrepreneurship in small sized business in Kampala Uganda. To recommend idea and strategies that will improve the level of entrepreneurship.

This part presents the summary of information about the respondents using statistical frequency table.

Profile of the Respondents

This section discusses the respondents' personal information in the research according to their age, gender, marital status, educational level, experience and position the organization respectively. This can help the researcher to identify who are the majority participants that contributed their information in the research.

Table 2
Profile of Respondents

Profile of Respondents	Frequency	Percentage
Age		
20-25	10	9.7
25-30	25	24
30-35	29	28.2
35-40	22	21.4
40-45	8	7.8
45 and Above	9	8.7
Total	103	100
Gender		
Male	49	47.6
Female	54	52.4
Total	103	100
Marital Status		
Single	36	35.0
Married	53	51.5
Widowed/Divorced	14	13.5
Total	103	100
Educational Level		
Certificate	9	8.7
Diploma	35	34.0
Bachelor	55	53.4
Postgraduate Level	4	3.9
Total	103	100
Experience		
1-2 Years	14	13.6
3-4 Years	32	31.1
5-6 Years	48	46.6
7 Years and Above	9	8.7
Total	103	100
Position in the Organization		
Owner	25	24
Manager	43	41.7
Customer	35	34.0
Total	103	100

Source: Primary Data, 2011

From the above table 4.1, which indicates that majority of the respondents were between (30-35) as 28.2% of them declared the table above, while 24% of the respondents' age was between (25-30), 21.4% of the research participants were aged (35-40). Thus the finding of the above table indicates that majority of the respondents were between (30-35) as the table above indicates.

From the viewpoint of the next part of the above table 4.1, which indicates gender of the participants, 52.4% of the respondents were male; while 47.6% out of total of the respondents were female. The result of the table above illustrates that 52.4% of the respondents were male.

The next part of the table above which expresses the marital status of the respondents 51.5% of the participants were married, whilst 35.% of the them were single; whereas 13.5% of the respondents were widowed or divorced status. The finding of the above table reveals that majority of the respondents were married as the table above indicates.

The fourth part of the table above indicates the educational level of the respondents, 53.4% of the participants had bachelor degree; while 34% of the respondents were diploma holders, certificate holders among the participant of the research were 8.7, whereas 3.9% were postgraduate level. So the finding of the above table reveals that respondents with bachelor degree were the majority among total of the respondents.

The experience part of the above table indicates that 46.6% of the respondents were (5-6 Years) experienced, while 31.1% were 3-4 years experience; whereas 13.6% of the respondents. The finding of the above table indicates that majority of the respondents had (5-6) years of experience.

The last section of the table above which illustrates level or position in the organization, 41.7% of the respondents were managers of small business that was part of the this study, while 34% of the respondents were only assistants whose work is only to assist those who are entrepreneurs, while owner of businesses were 24%. The finding of the table above indicates that respondents who were managers are the major part to take part of this research.

Description of Variables

The variables of this research conducted is business innovation and Entrepreneurship which is to discover the effect of business innovation to the entrepreneurial activity in Kampala, Uganda, meanwhile four aspect ratio was used to measure this effect on the entrepreneurship which was: 1= Strongly Disagree, 2= Disagree, 3= Agree, 4= Strongly agree. The responses from the research participants were used SPSS's summary of statistics showing the mean of the responses as shown in the table 3 below.

Table 3
Extent of Business innovation
(n=103)

Indicators of Business Innovation	Mean	Rank	Interpretation
Customers are attracted by the innovation and creativity of entrepreneurs' activity and choose for that criterion when buying.	3.48	1	Very good
Innovation provides organizational competitive advantage, quality products and increases customer satisfaction.	3.48	2	Very good
Creating meaningful business plan simplifies better organizational innovation.	3.42	3	Very good
To escape from failure, entrepreneurs should innovate in all the process of the business.	3.39	4	Very good
Lack of business innovation, can cause entrepreneurs to fail in their longer run objectives.	3.33	5	Very good
The most significant source of innovation for Kampala business entrepreneurs is through research and customer awareness.	3.20	6	Very good
Technological innovations have great effect on the long run of entrepreneurs	3.19	7	Good
To prepare business plan means to plan how to innovate all entrepreneurial activity in order to succeed in the market place.	3.18	8	Good
The cost of innovation and its implementation is a major factor that hinders it.	3.18	9	Good
Entrepreneurs face much more risks when dealing and implementing innovation strategies.	3.16	10	Good
Innovating and creating newer and twisted ideas are the only ways to recover back the failed business venture.	3.15	11	Good
Most entrepreneurs in Kampala innovate aggressively.	3.13	12	Good
Mean Index (Average)	3.27		Very Good

Source: Primary Data, 2011

In the table above which indicates the mean of the data results in the research, it shows that customers are attracted more by innovation strategies that they can see from those who they are loyal to, as the researcher discovered this statement in very true, especially as the newer the version of available goods or services, the more customers are attracted by this strategy, most buyers of mostly the electronic goods (e.g. Cell Phones, Laptop, PCs etc.), they are more focused on how newer they are and when things they are buying is brand new, the more satisfaction and delightfulness they can get to buy it.

The findings of the table 3 illustrates that innovation determines the organizational competitive advantage and increases customer satisfaction, as the table shows 3.48 of its mean, the more innovative of the organizational activity the more quality it will go forward. Changing product features, layout of the products, adding additional services, and other factors makes customers more delighted towards organizational products and makes them be loyal to the organization.

The finding of the table 3 above reveals that respondents provided mean of 3.42 which shows that the organization should create meaningful business plan in order to engage innovation movement to achieve in the competitive environment. Most of the research participants have agreed the importance of the business plan, they are ready to do business plan that would give them ability to attract as many customers as possible.

From the viewpoint of the above table 3 shows that organizations to escape from failure to achieve their goals, attract customers, create organizational commitment among employees, and reach highest potential, they should come up with innovation plan and strategies as their striving policies. Majority of the respondents agreed this point of view and saw as an overcoming to failure.

In the table above 3 shows a mean of 3.33 which illustrates that lack of business innovation, entrepreneurs will not succeed in their business and entrepreneurship activities, the reason is that if customers observe that the organizational activity are not creative enough and not bringing up-to date goods or service they would go for another organization that is up-to date which brings brand new product versions. This finding of the above table indicates that most customers are fashion-conscious and wanting fashionable services.

Table 3 shows importance of customer awareness through research on them, 3.2 of mean range which indicates that the indicator is in a good condition. Customer awareness is a key as many organizations declare they are like king and queen, whereas others announce as they are always right, some other organizations claim that customers are god! But how do Kampala business entrepreneurs obtain the information they may need about their customers? Majority of the respondents believe that customer profile is acquired through research and study on them.

The table above also shows mean index of 3.19 which states that technological innovation has greater impact upon small business owners activity in Kampala, Uganda as the majority of the research participants agreed, many business owners believe that technological awareness will create loyal and growing customers and who are delighted to use organizational products.

The finding of the above table also illustrates a mean of 3.18 which reveals that the majority of the respondents agree that business plan always helps organizations to plan their innovation strategies and define their creative and innovative policies at the starting point of the organizational establishment. Thus, to innovate effectively and efficiently would be easier for managers to adopt if sound business plan is put into an operation.

The table above shows that costs of innovation is a most important challenge that holds back and make complicated to come up with as the majority of the research participants indicated in the above table with their of 3.18 mean. Cost of innovation as respondents agreed, is a major challenge that hinders its implementation.

From the above table above, respondents with mean of 3.16 shows that handling and implementing innovation and creative strategies face much more risk in doing implementation activities, respondents believe that risks involving in implementing organizational innovation strategy is a major challenge to putting it into practice .

Table 3 indicates that twisting ideas are considerable ways that recovers back the failed business venture as the majority of the respondents declare and their mean was 3.15. The finding of the table indicates that when Kampala business entrepreneurs fail they try to twirl their ideas when

they see there is a failure prospect in the current innovation strategy for recovery purpose.

The last part of the table above demonstrates that mean of 3.13 that shows respondents agree that business venture owners try to innovate aggressively, this includes in many activities (e.g. Advertisement, customer attraction strategies, other marketing strategies etc.), the majority of research participants believe the assertiveness of business entrepreneurs do when it comes to innovation and attracting customers.

Table 4
Level of Entrepreneurship
(n=103)

Indicator of Entrepreneurship in Small Scale Enterprises in Kampala, Uganda	Mean	Rank	Interpretation
All entrepreneurs should pay attention to innovation to succeed in the competitive market.	3.50	1	Very good
Establishing significant feasibility study helps entrepreneurs to know the viability/profitability of the business venture.	3.50	2	Very good
To achieve efficiency and effectiveness, entrepreneurs should work longer hours than normal employees do.	3.43	3	Very good
Entrepreneurs in Kampala should start business after Feasibility Study.	3.39	4	Very good
Entrepreneurs in Kampala grow their business through continuous Product/service innovation.	3.32	5	Very good
One of the major reasons why entrepreneurs fail to gain Customer is lack of innovation and creativity.	3.32	6	Very good
I would rather and consider a job that deserves same pay as the current entrepreneurship activity.	3.26	7	Very good
I feel overwhelmed when dealing with difficult situation.	3.23	8	Very good
Business Entrepreneurs are well regarded by their societies.	3.20	9	Very good
Making a living is another factor that proves entrepreneurial growth in Kampala.	3.15	10	Good
Entrepreneurs fear from innovating in their entrepreneurial activity	3.12	11	Good
Independence and low pay are the most remarkable factors that encourage Ugandan entrepreneurs.	2.97	12	Good
Do your parents involve in some kind of entrepreneurship?	2.89	13	Good
I would look for a job if my entrepreneurship movement fails without trying to redo and innovate.	2.88	14	Good
Mean Index (Average)	3.07		Good

Source: Primary Data, 2011

The first part of the above table indicates that should pay attention to innovation and their strategies in order to achieve the competing market, the majority of respondents provided the mean of 3.50 above which indicates that they almost strongly agree the viewpoint, the reason being is that the more the organization is flexible to innovate and seek opportunities for innovation the more customers it will obtain.

The second part of the table above shows that majority of the respondents feel the importance of feasibility study for the venture and know the viability and profitability of the idea to be implemented in the market, entrepreneurs who prepare sound feasibility in economically, financially, technically, profitably etc. will eventually succeed in the market they joined by and large as the finding of the above table indicates.

The table above indicates that entrepreneurs in Kampala achieve efficiency and effectiveness in their organizations by working longer hours, as the majority of the respondents in the above table replied with mean of 3.43, which indicates the truthiness of the statement in the table above, as usual entrepreneurs always try to work hard to achieve, while most employees only work normal work hours, entrepreneurs struggle even at night to work in their homes and think how possible is to achieve in the marketplace.

The table above also reveals mean of 3.39 which means that feasibility study should be done before the venture is started in to an operation, respondents of the study done by the researchers indicates that the majority of the respondents agree strongly that feasibility study is as much important as achieving in the competitive environment.

From the viewpoint of the table above also shows mean of 3.32 which illustrates that entrepreneurs in Kampala grow their business ventures via continuous product innovation and creativity in the service provided to the customers, most of the respondents agree the belief of the issue, and that innovation is done through continuous innovation strategies while some small number of the research participants disagree the truthiness of this point.

The table furthermore signifies that lack of innovation entrepreneurs cannot work out their entrepreneurial activity and not having enough strategies to innovate will lead them serious failure in their venture. Most participants of the research indicated that innovation and entrepreneurship can never be distinguished and needs more or less will lead them disastrous collapse in their business venture.

In addition, the table above confirms that entrepreneurs can shift from the current activity and leave the venture if they get a job that deserves for. Majority if the respondents consider that job rotation makes them more experienced in the field and they would rather shift from their current job and look for the other opportunities that are available in the marketplace.

Entrepreneurs feel overwhelmed when they are dealing with complex situations and they attempt to discover ways to overcome the situation, this challenge of dealing difficulty situations makes some of the entrepreneurs fail and stop their entrepreneurial activity, thus majority of business venture owners, managers and assistants would rather they never face any challenge that makes them overwhelmed while small number of the respondents would hesitate the goodness or badness of the risk and challenging situations.

The Table above also indicates business entrepreneurs are well regarded by their societies and they are respected for the work they are doing for the community by their organization, small number of the research participants have been found out by the researcher that they are not recognized by their society and they always not as respected as they would like to be. The finding of the research above also indicates that entrepreneurs respect their co-worker in the entrepreneurial activity of the country, but the society does not consider them.

In the table 4 above also indicates that entrepreneurs in Kampala do involve in their venture to make for a living, or survive in life, as the majority of the respondents in the research indicated that making a living is a great factor which makes them involve in their business, the research discovered also indicated that very small number of the respondents in Kampala, Uganda do not do their business entrepreneurship to make a living.

The next part of the table 4 illustrates that fearing from innovation strategies that makes them stop the flexibility to innovate, as the table indicates mean of 3.12 which represents the anxiety and fear faced by entrepreneurs when it comes to innovational strategies and its implementation, the finding of the study concludes that entrepreneurs fear from those issues mentioned.

It seems that low pay and having independence are two factors that make the entrepreneurs' spirit in Kampala high as the table above indicates; the reason being is that when dealing the entrepreneurship they do things in their capacity and interest of the activity while working for other people makes them do what other interest.

The table above which has mean index of 2.88 shows, entrepreneurs would in Kampala would not prefer to go and look for another job if their current activity fails, it seems that coming up with new and twisted ideas, or shifting from the industry or else things would be the option they have to go forward but not to destroy their venture and look for another work, this seems that it's true 'a bird in the hand worth two in the bush'. The finding in the study also indicates that little disagree has been declared by the respondents in the research.

As the table indicates entrepreneurs have mostly agreed that there have been parents or relatives that have engaged in some kind of entrepreneurship. So the findings of the table indicates that Kampala city entrepreneurs inherit their work from their parents.

Table 5

Relationship between Business Innovation and Entrepreneurship

		Business Innovation	Entrepreneurship
Business Innovation	Pearson	1	.657**
	Correlation	12	.000
	Sig. (2-tailed) N		14
Entrepreneurship	Pearson	.657**	1
	Correlation	.000	
	Sig. (2-tailed) N	14	12

** . Correlation is significant at the 0.05 level (2-tailed).

Source: Primary Data, 2011

Table 5 indicated that there is relationship between Business Innovation and Entrepreneurship in Small Scale Enterprises in Kampala, Uganda. The relationship between the variables was strong and positively correlated. Thus the level of significance was at 0.000 which is how the standard of correlation level of 0.05. Hence, it indicates that there is a significant relationship. Pearson Correlation which is 0.657 is under a strong positive relationship in business innovation and entrepreneurship in Small Scale Enterprises in Kampala Uganda.

Table 6

Regression Analysis between the Dependent and Independent Variables

Variables Regressed	Computed F-Value	R²	Interpretation	Decision on Ho
1. Business Innovation 2. Entrepreneurship	1.122	0.074	Good	Rejected

From The above table, it's clear that this model has good correlation as the r is good ($r=0.657$) and only 7.4% of the variation entrepreneurship is explained by business innovation. The model is significant ($F=1.122$, $P=0.000$). The researcher concludes that there is significance at the 0.05 level of significance, that the entrepreneurship effects business innovation.

The results suggest that business innovation has an effect on the entrepreneurship in small scale enterprises in Kampala, Uganda.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter discusses the findings, conclusions and recommendations of the study, First it would discuss the major findings of the study as it will be based on the findings discovered by the researcher secondly, Conclusion would be drawn from the findings of the stud and lastly the researcher will bring recommendation and further researches are to be suggested in the study.

Summary of Findings

The study was guided by five objectives which were (1) To determine the demographic characteristics of the respondents in terms of: (a) Age, (b) Gender (c) Marital Status, (d) Educational Level (e) Years of Experience (f) position in the organization, (2) to determine the relationship between entrepreneurship and business innovation in small sized business in Kampala, Uganda. (3) To establish the degree of business innovation in small sized business in Kampala, Uganda. (4) To determine the level of entrepreneurship in small sized business in Kampala Uganda. (5) To recommend idea and strategies that will improve the level of entrepreneurship.

According to the first objective of the study, descriptive statistics result showed frequencies and percentages indicating the characteristics of the respondents and also showed the distribution of the population in the study. The study results indicated that men dominated in Small Scale Enterprises in Kampala; also the finding indicates that that diversified age

among respondents from youth to elders who have more information about the field of study and can provide very useful information to the study.

In addition, level of experience and the level of education of the research participants was another useful factor that declared how experienced and educated those in the entrepreneurial activity in Kampala, Uganda were.

The second objective of the study which was to determine the relationship between business innovation and entrepreneurship, based on the result of the data analyzed by the researcher shows that the relationship between the two variables is strong positive correlation and the effect of business innovation on the entrepreneurial activity in Kampala is strong, the evidence of this was based on the research questioned to the researchers admitted that they are inseparable, this means no entrepreneur can survive without business innovational strategy, as mean of the 3.50 indicates that entrepreneurs should innovate to survive in the marketplace, also the mean of 3.48 indicates that innovation serves as the competitive advantage of the organization whereas organizations without competitive advantage will lose in the competing environment of the organization.

The third objective which indicates that to establish the degree of business innovation in Kampala Small scale enterprises, it shows that almost every business owner should think of innovation as the researcher discovered in his research mean of 3.13 which indicates that entrepreneurs aggressively innovate their products and services to attract customers, many entrepreneurs believe that their innovation strategies can determine their success or failure.

The entrepreneurs in Kampala always do their entrepreneurship activities to make for a living and try to gain those profits to survive. While others believe to gain independence and low gain are the two factors that blow the entrepreneurial fire in Kampala, Uganda, while others admitted they would look for a job if the situation of the venture they established never works out.

Conclusion

Based on the findings of the research, the following conclusions have been written down.

Business Innovation and Entrepreneurship in Small Scale Enterprises in Kampala, Uganda

Business innovation is very crucial for the success of Kampala business owners, every venture organizations should look for ways that they can handle any implementation of strategic innovation to attract some more customers, they try to attract customers aggressively which means any way is desirable if it gives them the chance they can obtain loyal and growing customers. Establishing feasibility study in Kampala business ventures are always one of the critical factor they consider to put into an operation, while business plan is also important after the feasibility is done by the entrepreneurs. Continuous product innovation is a key to any entrepreneur in Kampala business ventures.

Business Innovation in Small Sized Organizations in Kampala

Innovation is a key to every Kampala Business entrepreneur and those who understand the importance of strategic innovation and creativity will enjoy the pleasure of success in their business venture. Most of the respondents of the research done by the researcher in Kampala would in their majority strongly agree how important the innovation can have and they do it as their tool to attract, retain and grow customers. One of the

most remarkable issues in innovation that the researcher found out in his research is that, risks involve in innovation and the costs that may cost it may create when it comes to execution and putting it into practice.

Level of Entrepreneurship in Kampala, Uganda

Uganda is considered to be one of the most top ten countries with high populated entrepreneurs if not the first country. As the researcher discovered in his secondary study and mentioned in chapter one Uganda is a country whose educational system still produces skilled and semi-skilled labor, which is oriented towards entry into white-collar employment, academia and the civil service, where it is thought that a sustainable livelihood can be sustained. Uganda in 2003 was ranked the most entrepreneurial country in the world amongst the GEM countries with a TEA index (29.2) signifying that 29 out of 100 Ugandans involve in the process of entrepreneurial venture.

Recommendations

According to the findings of the data collected and analyzed by the researcher, the following recommendations have been drawn:

- **Continuous Product Innovation:** Quality assurance, after sales service, advertisement, product features creativity, packaging, and other activities involved in this issues should be emphasized in the entrepreneurial venture in Kampala to achieve efficiency and effectiveness in the movement of entrepreneurship.
- **Seeking Innovation Opportunities:** Technological innovations, customer awareness, and other sources that the organization can acquire chance to innovate effectively should be brought into an action, these opportunities should be obtained through research on the customers' preferences and tastes. To escape from failure

prospective innovation is the major and only way to handle those failure probability

- **Increase Entrepreneurship Education:** Uganda produces both skilled and semi-skilled employees whose minds are filled with entrepreneurship movements and they should increase the embellishment of the inspiration of entrepreneurship products. As Uganda is an agricultural area that has a productive and fertile land, this is another opportunity that can create the motion of the venture in the country.
- **Risk Return Ratio:** As the majority of the respondents agreed strongly they fear from the innovation movement as the customers may or may not desire the strategy, this should be adopted the risk returns ratio (RRR) which states that the riskier of the activity of the entrepreneurs, the return/profit that they expect. Thus Entrepreneurs are supposed to go forward to the risky innovation activities in order to obtain higher profits in their activities.
- **Seeking Assessment:** Entrepreneurs should seek the assistance/incorporate the services of other persons in skills that they lack but highly needed for their business to succeed or grow.

Suggestions for Further Research

- Entrepreneurship and Economic Development in Kampala, Uganda.
- Human Resource Planning and Small Businesses in Kampala, Uganda.
- Entrepreneurship and Small Business Management in Kampala, Uganda.

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APENDIX I: INTRODUCTION LETTER



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OFFICE OF THE COORDINATOR, BUSINESS AND MANAGEMENT SCHOOL OF POSTGRADUATE STUDIES AND RESEARCH (SPGSR)

June 20, 2011

Dear Sir/Madam,

**RE: REQUEST FOR KAMAL MOHAMED ABDULKARIM
MBA/32643/102/DF: TO CONDUCT RESEARCH IN YOUR ORGANIZATION**

The above mentioned is a bonafide student of Kampala International University pursuing a Masters of Business Administration.

He is currently conducting a field research of which the title is "**Business Innovation and Entrepreneurship in Small Scale Enterprises in Kampala, Uganda.**"

Your organization has been identified as a valuable source of information pertaining to his research project. The purpose of this letter is to request you to avail him with the pertinent information he may need.

Any information shared with him from your organization shall be treated with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours truly,




Mr. Malinga Ramadhan
**Coordinator
Business and Management, (SPGSR)**

"Exploring the Heights"

APPENDIX II: TRANSMITTAL LETTER



Suite 2 Nalongo House, 430 Gaba Road, Kansanga
P. O. Box 1753 Kampala, Uganda Tel. 256 714426827, 0392 836020
Email portico@lodgeuganda.com
www.lodgeuganda.com

18 July 2011

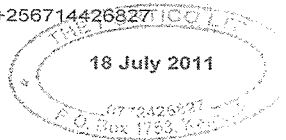
To Whom it May Concern

The Portico Ltd has allowed Mr. Kamai Mohamed Abdulkarim who is a candidate of MBA International Business with the thesis title of Business Innovations and Entrepreneurship in Small Medium Scale Enterprises in Kampala City and is now preparing his final thesis at Kampala International University with the Registration Number MBA/32643/102/DF to make research at our organization in Kampala city, Uganda.

This letter is issued upon his request


Timothy Mwogeza
Managing Director

Cell Phone: +256714426827



APPENDIX III

QUESTIONNAIRE

Dear Sir/Madam,

I am a candidate for **MBA International Business** at Kampala International University with a thesis on **Business Innovation and Entrepreneurship in Small Scale Enterprises in Kampala, Uganda**. As I pursue to complete this academic requirement, may I request your assistance by being part of this study?

Kindly provide the most appropriate information as indicated in the questionnaires and please do not leave any item unanswered. Any data from you shall be for academic purposes only and will be kept with utmost confidentiality.

May I retrieve the questionnaires 5 days after you receive them?
Thank you very much in advance.

Yours faithfully

Kamal Mohamed Abdulkarim

Masters' Candidate

FACE SHEET

Code # _____ Date received by the respondent _____

RESPONDENT'S PROFILE

Age

____ 20-25

____ 25- 30

____ 30-35

____ 35-40

____ 40-45

____ 45 and above

Gender

____ Male

____ Female

Marital Status

____ Single

____ Married

____ Widowed/ Divorced

Educational Level

____ Certificate

____ Diploma

____ Bachelor

____ Postgraduate Level

Years of Experience

____ 1- 2 years

____ 3-4 years

____ 5-6 years

____ 7 years and above

Level in the Organization

____ Owner

____ Manager

____ Customer

Response Model	Rating	Description
Strongly Agree	(4)	You agree without doubt at all
Agree	(3)	You agree with some doubt
Disagree	(2)	You disagree with some doubt
Strongly disagree	(1)	You disagree without doubt at All

Questionnaire

Section A: Entrepreneurship

- _____ 1. Entrepreneurs in Kampala grow their business through continuous Product/service innovation.
- _____ 2. Entrepreneurs should pay attention to innovation to succeed in the competitive market?
- _____ 3. I would consider a job that deserves same pay as the current entrepreneurship activity.
- _____ 4. I would look for a job if your entrepreneurship performance fails without trying to redo.
- _____ 5. Entrepreneurs fear from implementation of innovations in their entrepreneurial activity for better performance.
- _____ 6. I think one of the major reasons why entrepreneurs fail to get high performance is lack of innovation and creativity?
- _____ 7. I feel overwhelmed when you are dealing with difficult situation?
- _____ 8. Establishing significant feasibility study helps entrepreneurs to know the viability/profitability of the business venture?

- 9. Entrepreneurs in Kampala start business after Feasibility Study.
- 10. Independence and low pay are two most remarkable factors that encourage Kampala city entrepreneurs.
- 11. Making a living is another factor that proves entrepreneurial performance in Kampala city.
- 12. Business Entrepreneurs are well regarded by their societies for their performance in the activity of entrepreneurship.
- 13. To achieve better performance, entrepreneurs should work longer hours than normal employees do.
- 14. My used to parents involve in business entrepreneurship.

Section B: Business Innovation

- 15. Customers are attracted by the innovation and creativity of entrepreneurs' activity and choose for that criterion when buying.
- 16. Kampala City entrepreneurs seek innovation for better performance.
- 17. Technological innovations have got great effect on the long run of your entrepreneurship activity.
- 18. Business plan simplifies better organizational performance in the long and short run.
- 19. Preparing business plan means to plan how to innovate all entrepreneurial activity in order to succeed in the market place.
- 20. the costs of innovations and implementation Are the major factor that hinders innovations.
- 21. To escape from failure, entrepreneurs should innovate in all the process of the business?
- 22. Research and customer awareness are two vital sources of entrepreneurial innovations?

- _____23. Business innovation can provide organizational competitive advantage, quality products and increase customer satisfaction.
- _____24. Lack of business innovation can cause entrepreneurs to fail in their longer run objectives.
- _____25. Innovating and creating newer and twisted ideas are two fundamental ways to recover back the failed business venture.
- _____26. Entrepreneurs face much more risks when dealing and implementing innovation strategies.

APPENDIX IV: TIME FRAME

No.	Activity	Time frame
1	Research proposal submission	March 25, 2011
2	Research proposal reading and corrections by the supervisor	April 25 2011
3	Designing questionnaire and per testing	February 03-March 10 2011
4	Collection of data	May 02-May 15-2011
5	Data analysis and completion	16 May 2011
6	Report writing	18 May 2011
7	Research report submission	19 May 2011

APPENDIX V:

CALCULATION OF CONTENT OF VALIDITY INDEX

$$\text{CVI} = \frac{\text{Number of all relevant questions}}{\text{The total number of items}}$$

DV

$$\text{CVI} = \frac{3}{4} = 0.75$$

IV

$$\text{CVI} = \frac{4}{4} = 1$$

Therefore, average of content validity index is

$$\text{CVI} = \frac{1.75}{2} = 0.875$$

RESEARCHER'S CURRICUL VITAE

Personal Profile

Surname : Kamal Mohamed
Other Names : Abdulkarim
Birthday : February, 13 1988
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Current Address : Tel: 256793538363
Home Address : Tel: 252615151761
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Educational Background

2010- Present : Kampala International University (KIU), Kampala,
Uganda. MBA (International Business)
2006-2010 : Simad University, Mogadishu, Somalia. Bachelor of Arts
in Business Administration
2000-2005 : Abuhanifa Primary and Secondary School, Mogadishu,
Somalia. Secondary School Certificate

Training Participated

September, 13 : Africa Population Consult (APC), Project Planning and
management, Held in Makerere University.
January, 13 : APC, NGO Development and Administration.
March, 17 : African Population Institute (API), Public Administration
and Management, Held in Makerere University
April, 22 : API, Research Methodology and Data Management.



Work Experience

2010 : Simad University, Mogadishu, Somalia. Assistant Lecturer
2010 : Mercy Crops UK in Jig Jiga Ethiopia, Vice Project Coordinator
2008 : Adult Commercial Secondary School. Mogadishu, Somalia.
Lecturer and Vice Principle.

Interest

Sightseeing
Watching football
Reading Novels
Travelling to Foreign Countries
And Swimming

Languages

Somali : Mother tongue
English : Fluent
Arabic : Fluent



Reference

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2. Mr. Kule Julius Warren, Lecturer at KIU. Kampala, Uganda
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