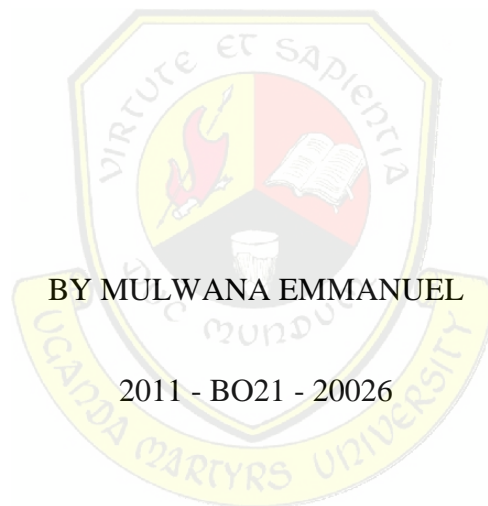


**MANAGEMENT INFORMATION SYSTEMS AND PERFORMANCE OF  
SMALL AND MEDIUM ENTERPRISES.**



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## **DEDICATION**

This research is dedicated to my beloved parents Mr Mutebi Frank and Mrs Nabbuto Anne, my beloved sisters Maggie, Alex and Harriet my brothers Tony, George and comas that have seen me through my education.

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**May the good Lord reward you abundantly.**

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## **LIST OF ACRONYMS**

SMES	Small and medium scale enterprises
MIS	Management information systems
DSS	Decision Support Systems
DBMS	Database management system
MBMS	Model-based management system
DGMS	Dialog generation and management system
SPSS	Statistical Package for Social Scientists

## ABSTRACT

The study set out to investigate the relationship between management information systems and performance of the small and medium scale enterprises. The study had three objectives: To find out the role played by market research in the performance of SMEs, to establish the relationship between risk management in the performance of SMEs and to examine the role of management competence in the performance of SMEs.

A case study design with both qualitative and quantitative approaches was used in the study that involved a sample of 55 respondents drawn from a study population of 75 respondents among the SMEs in Nateete. SPSS was used to analyze the quantitative data to develop tables and a figure. The researcher used a time frame of the study which was cross section.

The findings from the study revealed that most SMEs do not use management information systems though most of them both the employers and employees believed that the use of management information systems enhances performance in businesses. However, the study also further revealed that management information systems affect performance of SMEs. The study showed a highly positive relationship between management information systems and performance of the small and medium scale enterprise which is evidenced by the Pearson correlation of (0.945\*), significance level =0.05.

Conclusively, the researcher found out that management information systems has a positive influence on the performance of small and medium scale enterprises. Therefore, as a recommendation to the SMEs is that they should employ the information system in order to improve and maximize effectiveness in the operations of the enterprises.

## CHAPTER ONE

### GENERAL INTRODUCTION

#### 1.0 INTRODUCTION

This study focuses on the role played by management information system in the performance of the small and medium enterprises. Management information system is the independent variable and performance of SMEs is the dependent variable.

Under management information system, the dimensions to be used are market research, risk management and management competence. While under performance of the small and medium enterprises the dimensions considered are records management decisions, business operations and resource mobilization.

Prior researches have shown that information system adoption did increased firms' performances and operations efficiency. Thus, it is crucial for SMEs to adopt information system to enhance their business operations capability and efficiency. Michael Bowe (2010).this study is different from others because it used both quantitative and qualitative approaches to establish the relationship between management information systems and performance of SMEs.

## **1.1 BACKGROUND TO THE STUDY**

Small and medium-sized enterprises (SMEs) form the back bone of the private sector, making up approximately 90 per cent of Uganda's private sector and contribute two-thirds of national income (Badagawa, 2002; Kisaame, 2002). SMEs generate employment, add value, bring in foreign exchange and investment, improve labour skills, and have linkages with large organizations (Sarapaivanich, 2003). Therefore sustainable development and employment cannot be achieved without SMEs.

According to Pushpakumari (2009) the small and medium sized sector is increasingly recognized as the prime vehicle for economic development in both developed and developing nations. Therefore, SMEs have become a major asset in the economy. In most of the countries in the world, the level of economic dependence on small and medium enterprises has increased in recent years. Various variables have been related to the performance of SMEs by various scholars all over the world with a purpose to analyze how effectively they can be used to achieve the desired results of a sustainable economy and how their performance can be improved for the better.

In Branding does it even exist among SMEs? Ahonen(2008), the researcher points out that branding in SMEs is a rarely studied phenomenon and that it is often a radically new concept for people in small and medium sized enterprises (SMEs).The researcher defines branding as “a product or service, which a customer perceives to have distinctive benefits beyond price and functional performance” or “a symbol serving to distinguish the products and services of one company from another” he states that often branding is considered as a large companies' issue

and give that as a background for the poor performance of SMEs and a possible remedy to improve their performance if attended to.

A research conducted by Nelson Maseko (2011) emphasizes the development of sound accounting systems in SMEs in order to improve financial management in these entities. This research investigated accounting record keeping practices for performance measurement employed by SMEs in Zimbabwe, using Bindura as a case. The study revealed that the majority of SMEs do not keep complete accounting records because of lack of accounting knowledge and as a result there is inefficient use of accounting information in financial performance measurement. The study recommended that national regulators must develop specific accounting guidelines for SMEs and develop accounting training programmes for entrepreneurs in small businesses. The study also recommended mandatory record keeping, to improve accounting practices of SMEs in Zimbabwe.

The development of SME managerial practice for effective performance management a case study by Aylin (2012) aimed to investigate the gap between theory and practice in performance management in small and medium-sized enterprises (SMEs) and analyze it in the light of specific SME characteristics and needs, to identify how SMEs can develop their managerial practice for effective performance management.

SMEs seem to be more focused on internal and short-term planning, whereas they pay less attention to long-term planning. The main challenge for making performance management practice more effective lies in an appropriate, balanced use of strategic and operational practices and relevant measures. Therefore, managerial activities such as vision, mission and values

development, internal and external communication, change management and horizon scanning represent recommended areas for improvement. Aylin Ates and Paola Cocca (2012)

A gap is identified therefore in this research that even when various scholars have tried to come up with possible reasons and variables that could eventually improve the performance of SMEs, they evidently missed out and did not consider the fact that without a proper management information system, performance of the SMEs continues to deteriorate and possibly the reason as to why Uganda is linked to high failure rates of SMEs.

Studies by Kazooba, (2006) revealed that a common scenario is that most of the Uganda businesses never celebrate their first anniversary; over 50% of the newly established SMEs fight an uphill battle from the start but fail in five years and that less than 4% of small businesses grow to medium or large firms. According to John Keough, more than 50 percent of the SMEs fight an uphill battle from the start and fail in the first five years. This is a common scenario for Ugandan small businesses, as most of them 'never celebrate their first anniversary. Kazooba (2006).

Over ten different types of small businesses were sampled and studied from two towns; Bushenyi and Mbarara. Of these businesses, 24(18%) were involved in general merchandise and 31(23.4%) were restaurants, hotels and bars. The other businesses studied were gas stations, milk cooling plants, maize milling and saloons. Other activities studied included garages, hardware, clinics, pharmacies and those involved in selling second hand clothes. Also included in the study were business activities like security services and computer services and the factors found out to be the cause of failure in the businesses among the many included Wrong pricing, negative cash flow, poor record keeping, inadequate control of inventory, faulty product concept, management problems. Kazooba(2006). All these can be addressed and corrected by an appropriate management information system put in place as a remedy.

## 1.2 Problem Statement

In Uganda, SMEs are viewed as the engine for growth as they contribute to reduction of poverty through job creation, paying taxes for national progress and a basis for developing new ideas, contribute to economic growth and sustainable development (Ssendaula, 2002). Uganda SMEs account for over 70 percent of the country's dominant economic force, employing more than 2.5 million people, constitute 70 to 90 percent of the private sectors and contribute over 70% to total GDP (Kakista and Baguma, 2011; Ssempijja, 2011).

Reports by UIA, (2011) revealed about 24,505 SMEs, employing over 90% of the private sector workers and contribute substantially to the provision of basic goods and services. In 2011, the small-medium size enterprises contributed 14% to 18% of the total revenue to the government respectively (Mugabe, 2012). However, the rate at which Uganda's SMEs are running out of business, especially due to poor performance stands at 50% annually leaving a lot to be desired (Kampumure, 2009; and Kiningi, 2007). While Uganda ranks high in the rate of SMEs establishment and its being among the most entrepreneurial population in Africa, it is among countries where business failure is most common (Naduda, 2011, Badagawa, 2011).

A study by constant okello-obura in northern Uganda found out that business enterprises in northern Uganda were found to depend on "word of mouth" rather than any meaningful formal mechanism for accessing information efficiently.

The SMEs need information on finance/capital/loans, local markets, business management skills, appropriate technologies, business competitors and security. Despite the fact that various scholars have come up with different variables to enhance better performance of the SMEs, it has not been enough to improve their performance since SMEs' limited resources to implement

information systems have been one of the critical barriers that hindered the adoption of information systems. Saira (2010). This study therefore sets to investigate the relationship between the management information system and performance of the SMEs as realized by Saira (2010) that it is crucial for SMEs to adopt information systems to enhance their business operations capability and efficiency.

### **1.3 General Objective**

To investigate the relationship between Management Information System and performance of Small Medium Enterprises in Uganda.

### **1.4 Specific Objectives**

- I. To find out the role played by market research in the performance of SMEs.
- II. To establish the relationship between risk management in the performance of SMEs.
- III. To examine the role of management competence in the performance of SMEs.

### **1.5 Research questions**

- I. What is the role played by market research in the performance of SMEs?
- II. Is there a relationship between risk management and performance of SMEs?
- III. What is the role of management competence in the performance of SMEs?



## **1.6 Hypothesis**

There is a relationship between management information system and performance of the small and medium scale enterprises.

## **1.7 Scope of the study**

### **1.7.1 Subject scope**

The study will focus on the management information system as the independent variable and SMEs performance as the dependent variable. A deeper review on the dimensions of the management information systems which include market research, risk management and management competencies will be made to establish their relationship with the performance of the SMEs.

### **1.7.2 Geographical scope**

The study will be carried out in the SMEs that use management information systems which are located in Nateete Rubaga division, Kampala district.

### **1.7.2 Time scope**

The study will be carried out in 2014 for a period of 8 months.

## **1.8 Significance of the study**

The findings of the study could help the private sector like SMES to come up with management information system policies so as to thrive in a competitive economy in countries like Uganda.

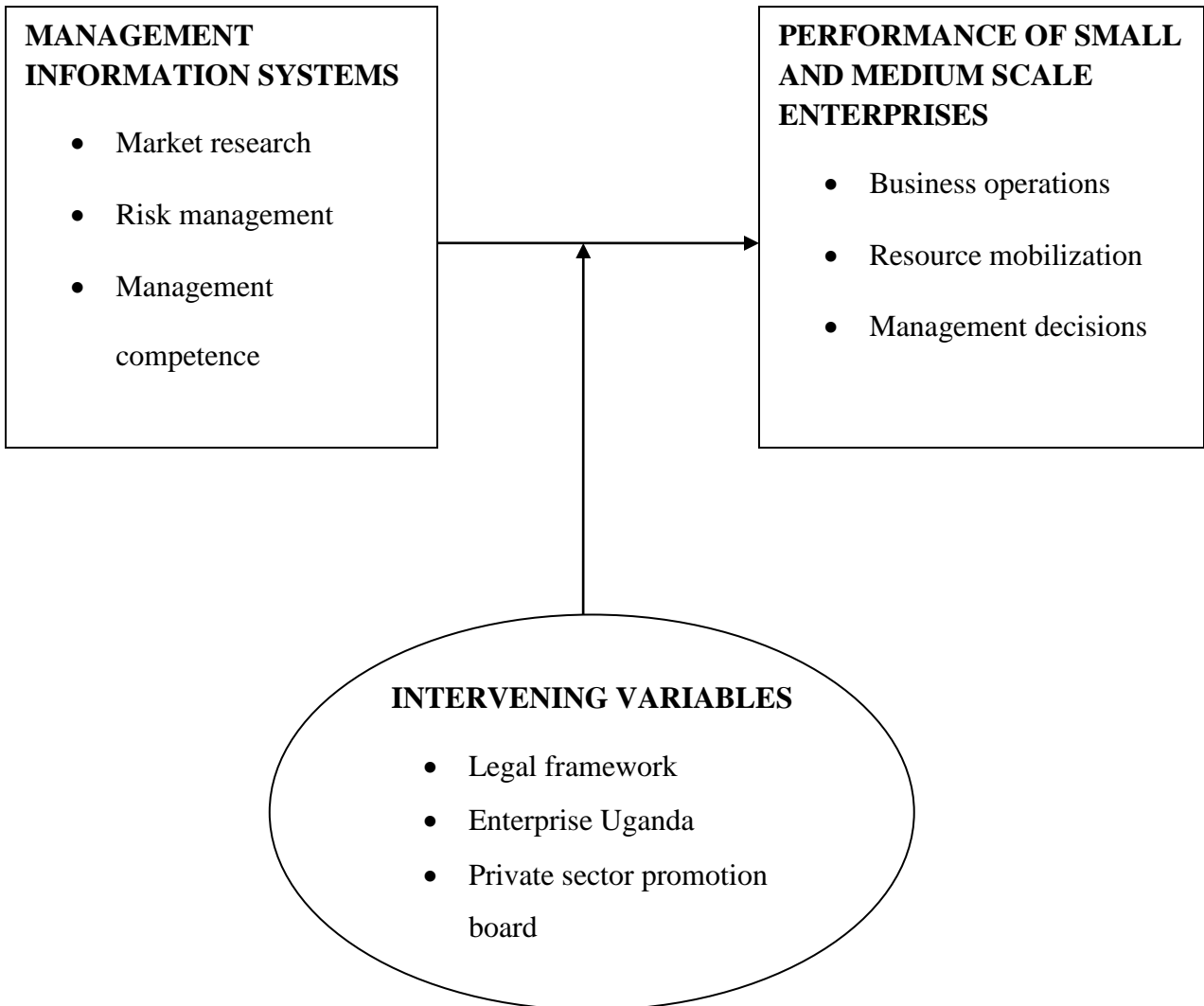
The findings of the study will bring to light the relevance of management information system in achievement of organizational goals at an SME level and will act as a feedback to all existing providers of SME strengthening initiatives such as Enterprise Uganda and Private Sector Foundation that have been involved in training SME Managers in an attempt to improve their competences.

The research will also benefit the future researchers who will carry out research about the same topic of management information system and SMEs performance and will learn more about the the relationship that exist between the two variables and the findings of the study will act as literature review for the future generation.

## **1.9 CONCEPTUAL FRAMEWORK**

The conceptual frame work shows a figure representing the dimensions under the independent variable (management information systems) and those under the dependent variable (performance of SMEs) as illustrated below.

1 oFig 1.0 showing the conceptual framework



Source; Developed from literature review (Flemings 2000, Rejda 2003)

The figure above illustrates the management information systems deal with a number of objectives which include market research, risk management and management competences which all come as a result of accurate and timely information. According to Saira (2010), it is crucial for SMEs to adopt information systems specifically for their business operation. This is because would enable SMEs to improve business efficiency and remain competitive.

## **1.11 Definition of key terms**

### **Market research**

The process of gathering, analyzing and interpreting information about a market, about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service; research into the characteristics, spending habits, location and needs of your business's target market, the industry as a whole, and the particular competitors you face.

### **Risk**

Risk comprises of positive and negative consequences of an event, which may affect the achievement of strategic, operational and financial objectives of a company.

### **Management competence**

Managerial competencies are understood as observable characteristics such as knowledge, skills or behavior patterns that contribute to the successful fulfillment of managerial tasks Markman (2012)

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews the relevant literature to understand the above developed conceptual framework and deeper concepts highlighted in chapter one above. The chapter consists of three parts including introduction. Because the area of inquiry of this research is cross disciplinary the literature from each area is initially considered independently, prior to developing a conceptual framework for the research, it also includes the necessary details about management information systems and performance of SMEs from a strategic perspective.

#### **2.2 Management information system**

According to Cassidy (2005), Information is a critical resource in the operation and management of institutions. Timely and relevant information is vital for effective performance of managerial functions like in a tertiary institution where an information system is like the nervous system in the human body; it is the link that connects all the tertiary institution components e.g personnel, admission, exams and record, bursary, library, sickbay, student's affaire unit, security and management unit.

Therefore, to manage information and to ensure that it is readily available in time and accurate at the same time, a management information system is needed to do all this

Babu (2000) is of the view that, Information consists of data that have been processed and are meaningful to a user. A system is a set of components that operate together to achieve a common purpose. Thus a management information system collects, transmits, processes, and stores data on institutions resources, programs, and accomplishments. Orbach (2004) discusses that, the system makes possible the conversion of these data into management information for use by decision makers within the institution. According to Harsh (2000), a management information system, therefore, produces information that supports the, staff, employees and management functions. Fisher and Kenny (2000) suggest that organizations infuse information systems into their operations so as to enhance competitiveness and facilitate business growth and success.

A management information system (MIS) is a set of systems and procedures that gather information from a range of sources compile it and present it in a readable format. Marzieh (2013). Managers use an MIS to create reports that provide them with a comprehensive overview of all the information they need to make decisions ranging from daily minutiae to top-level strategy. The main purpose of a management information system is to make managers' decision-making more efficient and productive. By pooling information from a range of sources into a single database and presenting the information in a logical format, an MIS can provide managers with everything they need to make highly informed decisions and perform in-depth analysis of operational issues. Marzieh (2013)

### **2.2.1 Types of management information systems**

A management information system (MIS) is a computer-based system that provides the information necessary to manage an organization effectively. An MIS should be designed to enhance communication among employees, provide an objective system for recording information and support the organization's strategic goals and direction. There are four types of

Management Information Systems that will be introduced in ascending order of sophistication.

**Transaction Processing Systems;** These systems are designed to handle a large volume of routine, recurring transactions. They were first introduced in the 1960s with the advent of mainframe computers. Transaction processing systems are used widely today. Banks use them to record deposits and payments into accounts. Supermarkets use them to record sales and track inventory. Most managers use these systems to deal with tasks such as payroll, customer billing and payments to suppliers.

**Operations Information Systems;** These systems were introduced after transaction processing systems. An operations information system gathers comprehensive data, organizes it and summarizes it in a form that is useful for managers. Most of these systems access data from a transaction processing system and organize it into a form usable by managers. Managers use operations information systems to obtain sales, inventory, accounting and other performance-related information.

**Decision Support Systems (DSS);** A DSS is an interactive computer system that can be used by managers without help from computer specialists. A DSS provides managers with the necessary information to make intelligent decisions. A Decision Support System has three fundamental components:

Database management system (DBMS): Stores large amounts of data relevant to problems the DSS has been designed to tackle.

Model-based management system (MBMS): transforms data from the DBMS into information that is useful in decision making.

Dialog generation and management system (DGMS): Provides a user-friendly interface between the system and the managers who do not have extensive computer training.

**Expert Systems and Artificial Intelligence;** These systems use human knowledge captured in a computer to solve problems that ordinarily need human expertise. Mimicking human expertise and intelligence requires that the computer recognizes, formulates and solves a problem; explain solutions and learn from experience. These systems explain the logic of their advice to the user; hence, in addition to solving problems they can also serve as a teacher. They use flexible thinking processes and can accommodate new knowledge.

## **2.3 SMALL AND MEDIUM SCALE ENTERPRISES.**

The Uganda Investment Authority (2008) defines the small and medium enterprises according to the Ugandan standards as presented below:

**2.3.1 A Small Enterprise** is defined as an enterprise employing maximum 50 people; annual sales/revenue turnover of maximum Ugandan Shillings 360 million and total assets of maximum Ugandan Shillings 360 million.

**2.3.2 A Medium Enterprise** is defined as an enterprise employing more than 50 people; annual sales/revenue turnover of more than Ugandan Shillings 360 million and total assets of more than Ugandan Shillings 360 million.

In a country like Uganda, the economy is supported mainly by SMEs contributing about 90% of the private sector production. SMEs are the prime source of new jobs and play a crucial role in income generation, especially for the poor. However SMEs by the sheer limitation of their size and resources are highly dependent on Business Development Services (BDS) to provide capacity building and support their business growth in areas such as training, advice, information, business planning, marketing, technology, communications and other services. (UIA 2008)



The activity of SMEs is a source of new jobs and an important factor in a free-market economy; it has a significant impact on economic development and immense influence on the market (Bosma et al., 2008; Lukes and Laguna, 2010).

SMEs seem to be an accepted wisdom within the development debate. The definitions of SMEs are arbitrary and vary significantly according to different stages of economic development; economic structures and issues that authors of studies intend to address (Castel-Branco, 2003). Some analyses define them in terms of total revenue, while others use the number of employees as an indicator (World Business Council for Sustainable Development (WBCSD), 2007). Though SMEs definition is individual country specific and is based on size and level of economic development, there is not yet an agreed definition for SME in Uganda. Attempts have been made to define SME in a developing country. For instance Elaina (as cited by Albaladejo, 2002) defines small enterprises as firms that employ between five and nineteen workers while medium enterprises are firms that employ between twenty and ninety nine. Therefore an SME is a business with a head count ranging from five employees to ninety nine employees. This definition appears more realistic in the African context and for purpose of this study, it will be adopted.

## **2.4 Performance of SMEs**

Firm performance is a multi-dimensional concept; it may be financial or non-financial. Since the vast majority of SMEs are unable or unwilling to provide financial information (Griffiths, 2002), only perceived firm performance was measured. Perceived firm performance can be measured by sales growth, and development of new markets and products (Taglianvini *et al.*, 2002).

Uganda Investment Authority (2008) recognizes the fact that SMEs are also confronted with limited access to information on market opportunities and sources of competitive technology. These limit substantially the productive capacity and competitiveness of SMEs in Uganda within the context of globalization. So it is against that back ground that the existing information flow gap needs to be bridged.

Firm performance refers to the firm's success in the market, which may have different outcomes. Firm performance is a focal phenomenon in business studies. However, it is also a complex and multidimensional phenomenon. Performance can be characterized as the firm's ability to create acceptable outcomes and actions Bracker (1996)

Covin and Slevin (1991) posit that SME performance is a fundamental feature for SME survival and sustainability where performance factors such as management information system have been found to spur business expansion, technological progress, and wealth creation in both start-up and existing firms hence being a key aspect of management of the organization.

## **2.5 Management Information Systems and performance of SMEs**

The increasing dependencies for high quality information for decision making, managements need assurance are obtaining relevant and reliable information at the right time with a reasonable

cost. Assurance could be achieved via advice from professionals to improve decision making quality (Marriot and Marriot, 2000) or from internal control systems utilize by the companies (Kinney, 2000). Nevertheless, study indicated that these information systems, specifically the accounting information systems are underutilized (Gupta and Capen 1996), especially in SME companies (Marriot and Marriot, 2000).

The requirements for updated information in supporting decision making have been increasingly essential particularly for SMEs (El Louadi, 1998). This is because; SMEs face competitive pressure not only from within the SMEs industries and other larger firms, but they also have to compete with giant multinational companies. Informed decisions will enable SMEs to increase business efficiency and remain competitive

With the business information extracted from both structured and semi-structured data, managers insert their experience, judgment and intuition to shape their knowledge and know-how in order to make better decisions and innovations in their enterprises (Laudon and Laudon 2011).

McAdam and Reid (2001) compared the perception of both large enterprises and SMEs according to the activities of knowledge Management. Concerning knowledge creation, the SMEs appears to be less advanced and to have a more mechanistic approach to knowledge construction. Furthermore, the large enterprises were found to be more dependent on people-based knowledge embodiment than SMEs. SMEs have adopted a direction that places emphasis on the market rather than business efficiency planning.

## **2.6 Risk management in small scale and medium scale businesses**

Risk can be broadly defined as any issue that can impact the objectives of a business entity, be it financial service or commercial. Risk Management is an ongoing process that can help improve operations, prioritize resources, ensure regulatory compliance, achieve performance targets, improve financial stability and ultimately, prevent loss/damage to the entity. Raghavan (2005)

Using ISO 31000 definitions, risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate event or to maximize the realization of opportunities. While risk itself ISO defines as effect of uncertainty on objectives, whether positive or negative.

Risk is omnipresent and all pervasive in any walk of life. It is more so in the business sectors, particularly in Small and Medium Enterprises (SMEs). Profiting in business without taking risk is like trying to live without being born. Risk taking, as all of us know, is failure prone as otherwise it would have been termed as sure taking. Every enterprise, be it small or medium, has its own objectives and mission. Risk Management plays a key role in protecting its assets and resources and ensuring that risks are reduced to an acceptable level. The essence of risk management is to reduce the risks to a reasonable and manageable level, on an on-going basis (Raghavan, 2005).

There is a suggestion that risk management is less well developed within smaller entities where the strong "enterprise culture" mitigates against managing risks in a professional structured way. This attitude persists despite evidence that businesses that adopt risk management strategies are more likely to survive and grow. The need for smaller practices to develop "added value services" to offset the effects of the increase in the audit exemption threshold as an example, risk management provides opportunities for these practices to provide services and advice to growing businesses which otherwise might undervalue the benefits of impartial, outside advice (Virdi, 2005).

According to Raghavan (2005) risk management highlights the fact that the survival of a business entity depends heavily on its capabilities to anticipate and prepare for the change rather than waiting for the change and then react to it. It should be clearly understood that the objective of risk management is not to prevent or prohibit taking risk, but to ensure that the risks are consciously taken with complete knowledge and clear understanding so that it can be measured to help in mitigation. It is more so in the case of SMEs.

SMEs have some intrinsic characteristics that make their sector very vulnerable and ephemeral. SMEs, as an entity, are inherently short of cash and have a limited range of markets. They lack funds for extensive marketing strategies and are thus compelled to operate in small markets (Burns, 2001). This makes it difficult for small firms to diversify their business risk and also obliges them to make short-term decisions. Consequently, SMEs generally have a lower life span than large firms do and their development is a sensitive issue.

According to Giannakis et al. (2004) risk management is becoming a vital contributor to most fields of management decision and control. Brindley (2004) suggested that the global competition, technological change and development and the incessant search and maintenance for competitive advantage are the fundamental reason behind the movement of organizations towards risk management approaches.

It is also important to add the current development and changes in both global and local environment, particularly those related with the climate change or global warming which is causing natural calamities and catastrophes which directly and indirectly affect or influence the operation of many companies and organizations in different industries and sectors.

Christopher and Lee (2004) show that the increasing risks in the supply chain framework and the demand for the new answer to manage those risks (Ritchie and Brindley, 2007).

Conducting an initial risk assessment can be a valuable activity and should involve both senior management and the board of directors. Management should take the lead in conducting the assessment, but the assessment process should include input from the board members and, as it is completed, a thorough review and discussion between management and the board (COSO Report, 2011). These dialogues and discussions may be the most beneficial activities of the assessment and afford an opportunity for management and the directors to come to a consensus view of the risks facing the company, as well any related risk management activities.

The recent economic crisis has focused attention on risk management, but managing risk is all about achieving objectives (Woods et al. 2008; Cotter, 2009; Van der Stede, 2009). Senior managers in particular, are expected to build sustainable performances and create value at acceptable risk levels over time (Calandro and Lane, 2006).

Keizer *et al.* (2002) affirmed that the effects of organizational learning and management information system on SME performance are direct and indirect where SMEs found to incorporate risk management into their strategies are able to maintain market share, competitive prices level, and tend to be flexible and durable organization.

## **2.7 Managers competency and performance of SMEs**

Lyles et al (2004) observed that, managerial competencies as measured by the education of the founder, managerial experience, entrepreneurial experience, start-up experience and functional area experience positively impact on new venture performance. Other empirical studies such as Smallbone and Welter (2001) and Hisrich and Drnovsek (2002) found out that, managerial competencies as measured by education, managerial experience, start-up experience and knowledge of the industry positively impact on the performance of new SMEs.

Managerial competencies characterize a person who manages a company or a team of workers. These contribute to successful fulfillment of a task. Therefore managerial competencies are understood here as observable characteristics such as knowledge, skills or behavior patterns that contribute to the successful fulfillment of managerial tasks. Laguna. M (2012)

Musoke (2007) argues that competencies are more important than just knowledge and skills for the successful performance of complex tasks with a high level of responsibility. He adds that as far as knowledge and skills are concerned, many people are equal as can be seen from Degrees, Diplomas and certificates, work experience and work results. Therefore it is the employee's

effort, enthusiasm, motivation and the underlying self-image that distinguishes the successful employee from the unsuccessful one.

Brophy (2002) revealed that, competencies provide benchmarks for comparing actual Performance with desired performance. Appelbaum (2002) and O'Reilly (2004) contend that competent employees contribute greatly to the achievement of organizational goals. They add that, without competence, employees' can violate the psychological contract thus hindering one's ability to be competent and perform well.

Hellriegel et al., (2008) stated that Managerial competencies are sets of knowledge, skills, behaviors and attitudes that contribute to personal effectiveness. This is supported by Henderson (2000) who defines a competency as a combination of knowledge and skills required to successfully perform an assignment. Its attainment is evidenced by the ability of an individual to gather data, process it into useful information, access it and arrive at an appropriate and useful decision in order to initiate the actions necessary to accomplish the assignment in an acceptable manner.

SMEs need competent managers who do not simply respond to change but proactively recognize when change is necessary, understand the change management process, and foster an environment of promptness, learning, and strategic anticipation Vinod & Uma (2010). They are able to assess the change power of endurance, prepare for resistance, gain support for change, involve people in decisions that affect them, provide clarity about behavioral expectations, create opportunities to practice new skills, use the feedback process to monitor implementation, reward and reinforce both progress and success, and align systems to support the new and desired behaviors Vinod & Uma (2010).



Bimbona (2008) in a study of 130 manufacturing SMEs revealed that, managers lacked adequate skills, knowledge and competence to coordinate the daily operations. This is supported by Opio (2007) who noted that, Uganda's SMEs managers have a reputation of being less innovative and keep on selling similar products and services leading to cut throat competition. Opio adds that a third of adults (30%) had shut down business in the last 12 month and that the lack of competence of many SMEs is responsible for their poor quality products and service delivery. This situation is similar in Masindi and Hoima districts where a number of SMEs have stopped their operations mysteriously in the recent years.

Rychen and Salganik (2003) argued that Individuals need a wide range of competencies in order to face the complex challenges of today's world, but it would be of limited practical value to produce very long lists of everything that they may need to be able to do in various contexts at some point in their lives. They went ahead and argued that, Key competencies are not determined by arbitrary decisions about what personal qualities and cognitive skills are desirable, but by careful consideration of the psychosocial prerequisites for a successful life and a well-functioning society. However they observed that though competencies are needed to help accomplish collective goals, the selection of key competencies needs to some extent to be informed by an understanding of shared values.

According to ACCA (2006 b), the level of managerial skill is gauged based on the level of not only education but also natural administrative talent and practical experience possessed by an enterprise's managers in the given business area. Whereas administrative talent is measured

using the managers innate managerial capacity (Aaron & Warren, 2004), the level of education is established basing on the educational qualification possessed by the manager and employees. The practical experience, which indicates the level of the SMEs industrial knowledge, is determined in terms of period of time spent in the business which is usually measured in terms of number of month or years spent by the SMEs in a given business (Kayongo, 2005).

## **2.8 Market research and performance of SMEs**

Marketing research is a systematic process. It first collects data (information) about the marketing problem. Secondly, it records this data, then analyzes and draws conclusions about it. After that it gives suggestions for solving the marketing problem Kotler (2011)

This information can be helpful when trying to learn more about the geographic areas in which they operate, or those into which it would make sense to expand. Where are other people like my current customers? Where are these people who are a little different from my customer base but might find my product valuable? I am introducing a new product to an entirely new market – where do these people live? Is the size of the potential market big enough to make the investment into a new product worthwhile Campbell (2006)

Johnson (2005) says that marketing research is probably the single most important factor to the overall success of any business. It is also probably the least understood, and feared portion of a business plan. A case could be made that some aspect of your marketing plan should be a primary consideration in every business decision that is made, for without customers, there

would be no business. It is critical that you understand your customers, what they want, how they want it, what they are willing to do or pay to get it, and then make sure you meet those criteria.

He further suggests and gives the critical components which a market research should include as follows;

- I. Evaluation of the customer
- II. Does the product fit the customer's needs, wants, desires
- III. Where are the target markets or customers located
- IV. How to promote the product to the customers that need it.

These should all be considered while carrying out a market research in order to enable a better performance of the SMEs.

Market research facilitates the identification of the gaps in the market, that is to say the niche market, the customers whether male or female and the potential buyers hence answering the different questions of who, where and what, so as to produce goods with a steady market base.

Most importantly, market research will help you keep track of your success as a business owner. Surveying your customers once or twice every year will help you get a better idea of whether you are reaching your desired target audience, and whether you need to alter your marketing effort. Market research is cumulative and benefits a business over the long run. If your business is only steadily making it, then it is time to dive into some market research and increase the potential for your business' success (Riley 2011).

Market research doesn't necessarily track the success of the business because some small businesses do succeed without carrying out market research. This is because they produce goods of high quality and provide good customer services. Therefore it is market research that tracks the success of the business.

Market research guides your communications with current and potential customers. Once you have good research, you should be able to formulate more effective and targeted marketing campaigns that speak directly to the people you are trying to reach in a way that interests them. For example, some retail stores ask customers for their zip codes at the point of purchase. This information which pinpoints where their customers live will help the store managers plan suitable direct mail campaigns. (smallbusinessnotes)

Market research provides enough information about potential customers. This helps the business to plan for the potential customers so as not to produce below the optimum. Enough information is acquired about the detail of the customers for example their areas of residence so as to deliver goods to them in time. This give you a point of reference from which to measure your business' progress and to create obtainable targets for growth – by setting a higher standard earlier on, you will be in a more favorable position for growth in the future (DJS Research ltd).

## **2.9 Conclusion**

The review of extant literature shows that limited research has been done concerning management information system in particular. Subsequently, the existing body of knowledge on the same is highly limited. Moreover, there is conclusive agreement of the effect of management information system on SME performance yet SMEs are unanimously considered to be critical in the economic development of any economy.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the research methodology and instruments that were used in conducting the study. It covered the Research Design, Study Population, Sample Size, Data Sources, data Collection Instruments, Data Validity and Reliability, Data Analysis and the Limitations faced during the study.

#### **3.1 Research design**

The study used a case study design using both qualitative and quantitative approaches. The qualitative research approach focused on collecting qualitative informative data from the respondents and that got in form of statements and narratives. The quantitative research approach focused on collecting descriptive and informative data which were used to develop tables and figures.

The time frame of the study was cross sectional. This enabled collection of sufficient data, the analysis and presentation of this data in order to meet the requirements of achieving a degree.

## **3.2 Area of study**

The study was centered on SMEs within Nateete Kampala district since there are many businesses on small scale which were convenient for the researcher.

## **3.3 Population size**

The study population comprised of various employees and employers of SMEs in Nateete. And from each business the employer and the employee will be selected to provide response for the study. The population was 63 derived using M.M (2005).

## **3.4 Sample Size and techniques**

According to Krejcie & Morgan (1970) sampling refers to the formulation procedure of selecting the subjects or cases to be included in the sample. The sample size was 80 and this was established according to the table of Mugenda (2003).purposive sampling technique was used to select the sample because it allowed the researcher to acquire required information with respect to the objectives of the study. The subjects were handpicked because they possess the required information. Therefore respondents who possessed the required information were picked hence making the technique inexpensive and quick (Sekaran 2003)

## **3.5 Data collection methods and instruments**

### **3.5.1 Data collection methods**

#### **3.5.1.1 Questionnaire**

Data was collected using questionnaires. The researcher developed a questionnaire that answered specific objective of the study for the respondents to complete in writing. The questionnaires were both open and close ended. Questionnaires were adopted by the researcher (Dillman, 2000) because they elicit specific responses which are easy to analyse, compare among different groups and economical in terms of time and energy.

#### **3.5.1.2 Interview**

Face to face interview was conducted to get oral and verbal responses. Interviews are good tools as they enabled the researcher gather in depth information around the study to meet specific needs. The researcher was also able to clarify unclear issues in the questionnaire to the respondents (Boyce 2006). This method was used to collect data from the owners of SMEs and their employees.

## **3.6 Data source**

The researcher used both primary and secondary data.

### **3.6.1 Primary data**

Primary data was used and this was generated from the field by direct contact with the SMEs.

### **3.6.2 Secondary data**

This source was also used since the data was published by reputable institutions, from journals, the internet, various pdf documents and other publications. Some of the data was got from the District officers and financial institutions and was relied upon.

## **3.7 Quality control**

### **3.7.1 Validity**

The researcher used an expert validity tool. The researcher discussed with the supervisor and based on the discussion the right instruments were used to collect the data.

### **3.7.2 Reliability**

The researcher used test and re-test method to provide reliable data. The researcher visited the same area and conducted the same study after a period of one week to ensure that the data got is consistent with the data that was generated in the first study.

## **3.8 Data Processing and analysis**

Collected data was coded, edited and analyzed using the Microsoft excel and Statistical Package for Social Scientists (SPSS). The results from descriptive statistics were presented in tables for interpretation. For multi-purpose questions; data was transformed in the format for analysis while avoiding double counting. Correlation analysis was carried out to ascertain the relationship between the variables which was estimated using the Pearson's correlation test hypothesis.



Generally the analysis involved the use of special computer software packages to generate essential measures and statistics out of the data collected. This process also involved the uses of Microsoft excel and Ms Access software packages to enter analyze and tabulate data.

### **3.9 Ethical issues**

Throughout the research process, the researcher put into consideration the ethics of observing the right to privacy, confidentiality and anonymity of research subjects and informed consent from all subjects used in the study by ensuring that the researcher only engaged respondents who were willing to take part in the study.

The researcher presented the introduction letter from the university administration and a valid identification card to the local authorities who included the chairperson and local council 1 who permitted the researcher to conduct the research.

### **3.11 Limitations of the study**

A number of limitations were anticipated during the collection and compilation of the report:

The sample size used in this research was far small compared to the actual research possibility. The research results would not have fully and completely reflected what is in the field but the researcher minimised it to reduce the error from the results presented

The time allowed to do this research was not enough to allow exhaustive study and obtain all the essential information for much more suitable conclusions. The researcher had to use both qualitative and quantitative methods to bring on better results.

The respondents did not want to divulge some information thinking that it was confidential. These however were assured of confidentiality and information availed to them that the research would not endanger them directly or indirectly.

Due to limited exposure and hands on experience in research, the researcher at times felt constrained. But with guidance from the supervisor hints the managed to progress.

## CHAPTER FOUR

### PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

#### 4.0 Introduction

This chapter comprises of a presentation of results and their interpretation. The presentation in this chapter shows the results as tested according to the objectives of the study. The chapter begins with the sample characteristics of the respondents such as gender, age group, educational level, nature of business, period in business and numbers of employees were all presented using frequency tabulations. More descriptive were used to present the results of the respondents together with a combination of Pearson Correlation.

#### 4.1 Demographic features of respondent

The demographic features of the respondents in the study that were considered relevant included the response rate, nature of business, gender, age, the level of education and how long the business has been in existence. Results obtained about each of them together with their relevance to the study are presented below:

##### 4.1.1 Response rate

Questionnaires were issued and out of the total of 63 questionnaires issued, only 55 were filled and returned whereas 8 were not returned.

**Table 1: Response rate**

<b>Sub-Group</b>	<b>Actual no. of questionnaires</b>	<b>Returned</b>	<b>Response rate</b>
Employers and employees.	<b>63</b>	<b>55</b>	<b>87.30%</b>

**Source: primary data**

Table 1 above shows that 87.30% of the respondents fully filled and returned the questionnaires and only 12.7% never filled the questionnaires. Therefore, the data was reliable as it portrayed a higher and good percentage of response.

## **4.2 Demography**

### **4.1.2 Gender of respondents**

Respondents were given questionnaires to indicate the genders applicable to them that is to say male or female as stated on the self-administered questionnaire. The findings were summarized in Tables below:

**Table 2: Gender of respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	32	50.8
Female	23	36.5
Total	63	100.0

*Source; primary data*

Table 2 revealed that out of the 55 actual respondents 58.2% of the respondents were male and 41.8 were female. Therefore the highest respondents of SMES male dominated compared to female and this implies that males were interested in the study as compared to females.

#### 4.2.3 Age brackets of respondents

Respondents were asked to show their age bracket and the following data was obtained. According to table: 4.3 the findings revealed that, most of the respondents were in the age bracket of 36-45 years of age and they carried 40% of the total number of respondents, others were within the age bracket of 26-35 years and they occupied 30% of the total number of respondents yet the least were in age bracket of 40 and above with 28%. According to these findings, it revealed that most of the small medium enterprises are managed by the youth.

**Table 3; showing age brackets of respondents**

Age bracket	Frequency	Percent
Below 25		
26-35	17	27.0
36-45	22	34.9
45 and above	16	25.4
Total	63	100.0

*Source: primary data*

From the table above, the largest number of respondents was in age bracket 36 – 45(34.9%), followed by 26-35(27%).next to those was age bracket 45 and above(25.4%) and the least respondents were of age 25 and below(12.7). the information presented above gave a clear picture of the kinds of respondents the researcher was going to deal with which helped him to know how to handle them respectively depending on the age bracket each one of them belonged to for purposes of effectiveness in the responses the researcher was expecting to get.

#### 4.2.4: Educational level

Respondents were also asked to identify their educational levels and below are the responses and below are the responses.

4 0Table 4: showing education levels of respondents

Education levels	Frequency	Percent
O'level	5	7.9
A'level	12	19.0
Certificate	12	19.0
Diploma	9	14.3
Degree	17	27.0
Total	63	100.0

*Source: primary data*

Table 4 revealed that most SMEs are run by degree holders with a total percentage of 27, followed by those at certificate level and A 'level both groups at 19%. The others involved in the study were at O'level at 5% and diploma at 14.3% the study reveals therefore that since most of them are educated which helped the researcher to acquire responses that are relevant and meaningful to the study.

#### 4.2.5 Nature of the business

Table 5: showing the nature of the businesses

Nature of business	Frequency	Percent
Products	18	28.6
Manufacturing	7	11.1
Farming	11	17.5
Furniture	7	11.1
Service	12	19.0
Total	63	100.0

*Source; primary data*

Table 5 reveals that the biggest number of SMEs deals in products like shoes, clothes, bags, mobile phones, home ware and so on buying and selling them at a profit margin. Such businesses take the biggest percentage of 28.6 followed by the service enterprise with 19%. Such SMEs deal in businesses such as credit extension, mobile money phone repairs and so on. Farming follows with 17.5 % then furniture with 11.1%. All the people under the umbrellas mentioned above

where considered which indicates that the research made is cutting across various fields of SMEs.

#### 4.2.6 Business longevity

**Table 6: showing business longevity**

Business longevity	Frequency	Percent
Below 5 Years	21	33.3
6-10 Years	19	30.2
10-15 Years	11	17.5
15 Years and above	4	6.3
Total	63	100.0

*Source: primary data*

Table 6 indicates the period various businesses have spent in operation and according to the results displayed; most of the businesses are below 10 years of existence since those below take the highest percentage of 33.3% followed by those within the bracket of 6 – 10 years. The other groups of businesses include those in existence from 10 – 15 years with 17.5% and the least percentage of 15 year and above of 6.3%. This study therefore implies that most SMEs set up do not last long enough to grow into bigger enterprises.



## 4.3 Findings from the objectives

The study findings were in line with the research objectives as stated below:

- I. To find out the role played by market research on the performance of SMEs.
- II. To establish the relationship between risk management in the performance of SMEs.
- III. To examine the role of management competence in the performance of SMEs.

### 4.3.1 Role played by market research on performance of SMEs

**Table 7: showing role played by market research on performance of SMEs**

	N	Mean
market is affected by seasons	55	2.18
market size in respect to geography and industry	55	2.45
Competition threatens the business success	55	1.80
The differentiation techniques used combat competition	55	2.22
The needs for each target audience are identified	55	2.49
Identified target audiences know and believe in what the business offers.	55	2.53

*Source: primary data*

The findings in table 7 revealed that the respondents were in agreement with the statement that the market is affected by business cycles or seasons (M=2.18), they also agreed that the market size is with respect to geography and industry (M=2.45), they agreed that competition threatens the business success( M=1.80), the differentiation techniques used combat competition and the respondents agreed upon this( M=2.22), they also agreed that the needs of each target audience

are identified ( M=2.49), the respondents also disagreed that the identified audience knows and believe in what the business offers (M=2.53). This implies that market research should be carried out by SMEs given the fact that businesses get relevant information which enables them to achieve a competitive advantage hence improving on their performance.

The above information clarifies it that information on market research is important and should be carried out. One of the questions which were answered positively was whether the market size is in respect to geography, the respondents thought that this information can be helpful when trying to learn more about the geographic areas in which they operate, or those into which it would make sense to expand (Campbell, 2006). About the needs of the target market, the respondents suggested that a survey among the customers should be made every after some time in order to find more about their changing needs (Riley, 2011).

#### **4.3.2 Relationship between risk management and performance of SMEs.**

**Table 8: showing the relationship between risk management and performance of SMEs**

	N	Mean
Risk management is based on the best available information.	55	2.75
Risk is mitigated using available technology, human and organizational resources.	55	2.64
Risk assessment is reviewed and updated where necessary.	55	3.24
Risk management is part of the business policies	55	3.02
A frame work is defined for risk identification	55	3.36

*Source: primary data*

Findings in table 8 revealed that the respondents disagreed that risk management is based on the available information (M=2.75), they also disagreed that risk is mitigated using available technology, human and organizational resource (2.64), the respondents were in this disagreement with the statement that risk assessment is reviewed and updated where necessary (3.24), they also disagreed that risk are transferred to another third party (3.02) and they were also not in agreement with the statement that a frame work is defined for risk identification. This implies that SMEs do not carry out risk management in regard to performance improvement yet it's good for a business to manage risks so as to measure the occurrence of constraints and uncertainties.

Respondents most especially the employees suggested that management should take the lead in conducting risk assessment as a policy and that such valuable activity should involve both senior management and the board of directors (COSO Report, 2011).

The respondents also complemented that risk management should be taken as a serious issue if serious decisions about identified risks are to be made to enhance achieving the objectives of the enterprise (Woods et al. 2008; Cotter, 2009; Van der Stede, 2009). This is in line with the question addressed to the respondents about the precautions taken when risk is identified.

#### 4.3.3 Manager's competence and performance of SMEs

**Table 9: showing the responses to management competences**

	N	Mean
Possess relevant skills to enable him/her perform at a high capacity.	55	2.22
Keeps up to date with the requirements needed to perform his/her duties.	55	2.35
The manager is persistent person who is able to take on challenging work.	55	2.35
Organizes and utilizes time as efficiently as possible to do business work.	55	2.47
Possesses management skills and these have enabled my business to survive.	55	2.65
Uses various techniques to out compete the rivals.	55	2.67

*Source: primary data*

Table 9 revealed that respondent agreed that the managers possess relevant skills which enable them perform at higher capacity( M=2.22), they agreed that the manager keeps up to date with the requirements needed to perform his or her activities ( M=2.35),they also agreed that the manager is persistent person who is able to take on challenging work(2.35), they agreed that the manager organizes and utilizes time as efficiently as possible to do business work (2.47), they were also in disagreement that the manager possess management skills and these have enabled the business to survive ( M=2.65), they disagreed that the manager uses various techniques to out compete the rivals (M=2..67). This implies that the managers of SMEs try their level best to see that the business performs well but due to inadequate techniques, they end up failing. Therefore, managerial competences should be put into consideration so as to ensure increased performance. Respondents acknowledged the fact a good manager should have knowledge and the necessary skills to efficiently run an enterprise successfully (Hellriegel et al., 2008). They further noted that businesses need competent managers who do not simply respond to change but proactively recognize when change is necessary when asked if a manager requires various techniques to out compete the rivals (Vinod & Uma, 2010).

## **4.4 Conclusion**

In order to find out the relationship between management information systems and performance of small and medium scale enterprises, correlation analysis was used by the researcher using the Pearson correlation.

**Table 10: showing correlation between**

**Table 10: showing correlation between management information system and performance of SMEs**

	The correlation	1	2
MIS	Pearson Correlation	1	.945*
	Sig. (2-tailed)		.000
	N	55	55

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

The results in table 10 above revealed that there was a positive high correlation between management information systems and performance of the small and medium scale enterprises with  $r = 0.945^*$  and P or sig. value ( $P=0.000$ ) meaning that usage of a management information system relates to a change in the performance of the small and medium scale enterprises. Most and various businesses do not use management information systems, but if it is employed, then the results are bound to change for the better. An instance can be borrowed from the interview guide that when some of the employees and employers where asked whether the information system is important, most of them agreed that it is an important aspect in a business.

Conclusively, market research is an important aspect in the performance of the SMEs for instance about the needs of the target market, the respondents suggested that a survey among the customers should be made every after some time in order to find more about their changing needs which indicates that market research plays a big role in the performance of SMEs.

Risk management should be considered if a business is to be successful; the respondents did realize that it should be a policy for every enterprise so that the information got from analyzing the possible risks a business faces can be used to solve the various problems that are forecasted. This also shows that there is a high and positive relationship between risk management and performance of the small and medium scale enterprises.

Management competences were also viewed as a factor of utmost importance to the performance of the small and medium scale enterprises by the respondents. They commented that availability of knowledge and the required skills in a person who is considered to be a manager is as well useful in the performance and progress of a business. This is evidence enough to show that management competences play a big role in the performance of a business.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.0. INTRODUCTION

In this chapter, a summary of findings of the study was carried out in accordance with the research questions, discussion of findings of the study, conclusion and recommendations arising out of the research findings were drawn in accordance with research objectives and areas for further research were suggested.

#### 5.1 Summary of findings

The researcher collected data from 55 respondents where some were employees and others employers. 32 of these were male and 23 were female. The biggest number of these respondents were between 36 and 45 while all of these respondents including the rest in other age brackets are all educated with degree holders topping the list with 17 respondents and at O'level with 5 respondents as the lowest education level. From the study, the researcher found out that a big percentage of the respondents were operating in businesses like selling shoes, phones, clothes, bags, stationery, cosmetics, electronics, while others make chairs, beds, cupboards, office furniture, art crafts from furniture, and so on. Many of them run bakeries, restaurants, mobile money outlets, saving and credit cooperatives institutions, farms and farming product shops, supermarkets, photocopy and printing services plus so many other businesses.



From the research conducted, most of the respondents agreed that conducting market research is very important for a business that is to survive, grow and develop. The researcher found out that even when the respondents recognize that conducting market research is important for any business, organization, company or an enterprise, most of the people who run these small and medium enterprises do not actually carry it out. From the interaction the researcher had with the respondents, he came to realize that they find trouble carrying it out because they claim it consumes time and is expensive to carryout, while others claim getting the sufficient information needed to make the right choices is a big problem. This is a reason as to why the small and medium scale enterprises do not perform as projected and expected and shows that market research plays a big role in their performance

The respondents according to the findings were in agreement with the fact that risk management is also important and is a practice that should be carried on time after time throughout the life of a business. This is because risks faced by a business cannot be dealt with at once but risk is something that can befall a business at any time and at any period. The respondents contributed further to this study saying that some of the risks are out of their hands and cannot control them such as fire which can erupt from anywhere like from the power they use if there are poor connections, negligent neighbors who may set up fires from their stoves and so on. The researcher came to realize that it is also lack of information and the ignorance at what these people are supposed to do that hinders them to carry out risk management and assessment to enable them best place or expose their businesses to big risks. Therefore risk management has a relationship with performance of the small and medium scale enterprises.

Management competences were also agreed upon by most of the respondents that they are perhaps the most important aspects of a business since without a competent manager, then the

business will most likely fail within a limited time. The skills and knowledge possessed by someone who is in control of a business are greatly needed most especially in times when a business is in any given crisis. The response from the respondents revealed that most of their businesses they set up basically fail because of management related issues. They claim that an incompetent manager can only dip a business in bigger problems and into darkness than direct it to where it is supposed to go according to its goals, objectives. Therefore, the role played by management competences in the performance of SMEs is highly significant.

In conclusion, the results from the field show a high and positive correlation between management information system and performance of SMEs with  $r = 0.945^*$  and P or sig. value (P=0.000) and that there is a relationship between the two variables.

## **5.2 conclusions**

The conclusions were drawn in accordance with the study objectives as presented below.

### **5.2.1**

From the findings of the study it is revealed that it is such an important aspect if one would like to start up or set up a business, whether individually or in a group. Market research ought to be done in order to look at and weigh all the possible alternatives, how good the market is and its potential to consume what you are presenting there is for consumption. How sustainable is it and what are the economic conditions depending on how much is intended to charge for the services or products to be offered to the market. This can greatly improve the performance of the small and medium scale enterprises and it is such information attained from making such research that can enable the management to make sound decisions

### 5.2.2

Various businesses rarely carry out risk analysis and it is one of the reasons as to why many of them do not last to celebrate the fifth anniversary simply because what befalls them after their establishment was not foreseen by those in charge and neither did they take any trouble to evaluate the conditions under which they can survive even when it seems almost impossible due to various unforeseen factors that can arise. It is therefore important that considerations should be made to get all the necessary information about the many risks that a business is likely to face since all businesses whether big or small are liable to risk. After analyzing the risks that can be faced in the course of carrying out the business operations, then how can you overcome them and what steps and precautions do you take as a business owner to react for the best of the business? That is all embedded in risk management and it is such information that is needed before business operations are put into practice. This information is most likely going to improve the performance of the small and medium scale enterprises.

### 5.2.3

For an enterprise to be efficiently run, it must have efficient management. But efficient management must have certain qualities and not merely any qualities. In addition to knowledge in respect to the intended field of business and the skills to carry out and run the business operations, there must be commitment and other additional values in order to be strategic and competitive in the business world. Incompetence can ruin the business along with all the investments made. Failure of management may not necessarily be as a result of their in capabilities, but can greatly result from the information used in an enterprise and how it is used. How they get it, how timely it is, how accurate it is and how relevant it is to the managerial functions is all a point of consideration. If the information used by the management is got from the right source, at the right time and used in the right way, then the business is most likely going to be successful and vice versa. Having the right human resource is which can greatly determine the direction of the business. Therefore, management competences affect the performance of the small and medium scale enterprises.

### 5.2.4

Management information systems according to the results from the study have an impact on the performance of the small and medium scale enterprises. Most of the businesses and enterprises the researcher sampled with do not use any kind of system to manage their information. They are still clutched to the traditional methods which are in most cases manually managed. It is one reason as to why the information they use to make their decisions is usually outdated. It one reason as to why the competition level of the small and medium scale enterprises in Uganda are less competitive in relation to other small and medium scale enterprises in other countries (a reference to the evidence is in the statement of the problem in chapter one).

## 5.3 Recommendations

In reference to the research findings, the recommendations below were made.

The findings from the research reveal that the small and medium scale enterprises do not employ the use of management information systems in their operations. From the interviews held by the researcher with the respondents, most of them revealed that they believed that the use of management information systems is important in the business operations but accessing them is a challenge. In addition to accessing them, using and operating them are as well other challenges.

As the first step, since these management information systems are related to technology yet still the technological advancement in Uganda is at a low pace; government should devise ways through which to improve the use of technology in Uganda basically through putting into reality the idea of incorporation computer studies at the lowest level of education which is the primary level. This is because even when most of the respondents are highly educated, they still do not know how to use such systems since they were not exposed to such training.

Government should also reduce the amount of taxes levied on businesses among the small and medium scale enterprises that use information systems as an incentive to promote their usage simply because it also becomes easy for her to tax such businesses because of the automation of their systems that can easily provide all the records of the transactions a business makes.

Seminars should also be held to sensitize and teach the various groups of people in that sector about the advantages of using information systems and how to incorporate them in their businesses. This as well has to be engineered by the government since it is the government that benefits most if businesses are effective in their operations because more people get employed,

their standards of living are also improved and in the end, they can pay the taxes government needs to run its operations as well.

## **5.4 Areas of further research**

This study focused on investigating the relationship between management information systems and performance of the small and medium scale enterprises. Further research should be on sustainability of the small and medium scale enterprises and their growth and development from small and medium enterprises into large scale enterprises.

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## SECTION I: GENERAL INFORMATION

Please tick the appropriate box for the questions that follow below:

### A. Gender:

1. Male

2. Female

### B Level of Education

1. O'level

2. A 'level

3. Certificate

4. Diploma

5. Degree

### C. Age

1. below 25 years

2. 26-35 years

3. 36-45 years

4. 45 years and above

### D. Nature of the business

1. Services

2. Manufacturing

3. Farming

4. Furniture

5. Products

**Business longevity**

- 1. Less than 5 years
- 2. 6-10 years
- 3. 10 - 15 years
- 4. 15 and above

**SECTION 11. MARKET RESEARCH**

Please tick according to your level of agreement or disagreement with the statements below.

1. Strongly agree 2. Agree 3. Not sure 4. Disagree 5. Strongly disagree

No	ITEM	1	2	3	4	5
1	The market is affected by business cycles or seasons					
2	The market size is with respect to geography and to industry					
3	Competition threatens the business success					
4	The differentiation techniques used combat competition					
5	The needs for each target audience are identified					
6	Identified target audiences know and believe in what the business offers.					

### SECTION III. Risk management

Please tick according to your level of agreement or disagreement with the statements below.

1. Strongly agree 2. Agree 3. Not sure 4. Disagree 5. Strongly disagree

No	ITEM	1	2	3	4	5
1	Risk management is based on the best available information.					
2	Risk is mitigated using available technology, human and organizational resources.					
3	Risk assessment is reviewed and updated where necessary.					
4	Risk management is part of the business policies					
5	A frame work is defined for risk identification					
6	Risks are evaluated and decisions on precautions are made					

#### SECTION IV: Manager's competence

Please tick according to your level of agreement or disagreement with the statements below.

1. Strongly agree 2. Agree 3. Not sure 4. Disagree 5. Strongly disagree

No	ITEM	1	2	3	4	5
1	Possess relevant skills to enable him/her perform at a high capacity.					
2	Keeps up to date with the requirements needed to perform his/her duties.					
3	The manager is persistent person who is able to take on challenging work.					
4	Organizes and utilizes time as efficiently as possible to do business work.					
5	Possesses management skills that enable the business to survive.					
6	Uses various techniques to out compete the rivals.					

#### SECTION V: Performance

No		1	2	3	4	5
1	There has been increased the sales over the last 3 years					
2	The business always achieves its sales expectations					
3	timely decisions are made					
4	return on working capital employed has been greater than 50%					
5	resources are mobilized and utilized efficiently					
6	there has been an increase in the assets of the business					

## **INTERVIEW GUIDE**

1. Is a management information system important in enhancing the performance of the SMEs?
2. Why do you think such a system is important in the operations of the SMEs?
3. What are the problems faced in accessing a management information system?
4. What can be done to promote using management information systems among SMEs?