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COMPETITIVE STRATEGIES ON FIRM GROWTH. A SURVEY OF MEDIUM ENTERPRISES IN THE MANUFACTURING SECTOR IN KIGALI CITY

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ABSTRACT: *This study entitled "An evaluation of the effect of competitive strategies on firm growth. A survey of medium enterprises in the manufacturing sector in Kigali city" aimed at evaluating competitive strategies within Medium companies and their effect on firm growth. The objectives of the study were to: evaluate the effect of cost leadership strategy practices on Medium companies' growth, assess the influence of differentiated strategy on firm growth, examine the impact of innovative strategies on the firm growth and establish the relationship between customer service practices and growth of the Medium companies. The study used descriptive survey through correlation design and sampled 57 medium manufacturing companies located in Kigali City province by distributing questionnaires to either their owner or a manger. The data collected was analysed mainly through multiple regression and presented tables and charts. The relationships under investigation were regressed and the Pearson correlation coefficients calculated. The findings showed that Cost leadership affected growth at 62.3%, differentiation at 62.6% and innovation at 33.4%. However the effect of customer service on growth was very weak and not significant. It was recommended that more emphasis be put on improving these strategies by creatively combining them for better results. There is also need to strengthen customer care practices so as to reap from its strength. Suggestions for further studies were forwarded by the author.*

KEYWORDS: Competitive Strategies, Firm Growth, SMEs, Manufacturing Sector, Innovative Strategy, Leadership Strategy, Cost leadership.

1INTRODUCTION

The introduction chapter presents a context for the proposal and clarifies for the reader how the fulfilment of the research aims and objectives guided the evaluation of the effect of competitive strategies on firm growth. It starts off with the background study, and then explains the purpose of the research and the objectives. The introductory section ends with the statement of the problem and the limitations of the study.

Background

In today's highly competitive environment strategic management has become a much needed affair for favorable competition and to be able to withstand the forces of competition. Small and medium-sized enterprises (SMEs), it is usually argued, are too busy dealing with operational problems and events on a day-to-day basis and devote no time to strategic management (Hanlon and Scott, 1993). A clear strategy on the other hand might enhance business performance and might be important for SMEs as well. The open competition is highly evident in big industry as they strive to have a share of the market and actually keep it and venture into new ones (Gibcus and Kemp, 2003). This clearly is not the case with small businesses. There has not been clear zeal for survival and expansion other than in proprietors' minds, a dream they would hope for. If the dream actually exists, the study assessed what

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strategies small businesses are using to compete on. This is so important because there's so much potential for an outburst of small businesses if they start to see themselves as opponents in the market fields. There's evidence of improved services, products and the environment generally created from competition that causes drastic positive change to industry and the economy.

Strategy is a plan of action that channels an organization's resources so that it can effectively differentiate itself from competitors, accomplishes distinctive goals, and achieves superior performance (Gordon, 2004)

Competitive strategies provided tools for capturing the richness and heterogeneity of industries and companies while providing a disciplined structure for examining them (Michael E. Porter)

Gordon walker (2004) asks a very interesting question and offers a strong discussion about strategies visa Vis performance. He says "the road to success is by no means the same for all firms. Some, like Microsoft, rise to dominance because they develop an industry wide standard and partner with firms selling complimentary products like Intel. Others like Walmart and Nucor become number one due to efficient practices that enable low prices. In turn, Dannon yoghurt has neither the highest value nor the lowest cost but offers value price combination.

Organizations find what makes them different competitively in terms of costs, value, and innovation and customer services and so on. There should be questions if these strategies are measured on some of the world's leading industries like Microsoft. We especially in Africa and as has been cited in Europe acknowledge SMEs to be the biggest contributor to any economy. Then how do these SMEs fair in terms of adopting those strategies for survival and eventually growth.

Understanding how management, actions plans of SMES for competing successfully and providing superior value to customers is another step in unlocking the potential of the engine of most economies in the worlds as has been put.

The SME development Policy (2010) lays a definition of what Medium companies are and this study formed the same fabric of the discussions. "For the purposes of this policy, Medium companies are to be considered based on the following conditions (in line with the World Bank report of 2004) whereby two of the three conditions must be met." Net capacity 15 -75 Million; Turnover of 12 – 50 million Rwandan francs; and employees of 31 to 100.

To the World Bank however microenterprises employee up to 10 employees, with total assets of up to $10,000 and annual sales tuning to $100,000; small enterprises employ up to 50 individuals with a total asset of $3 million, while medium enterprises are those with 300 employees, total asset and sales of up to $15 million (Bataa, 2008). In Rwanda micro enterprise has a net capital investments of less than 0.5 million francs, annual turnover of less than 0.3 million francs and employees 1 to 3 individuals; Small enterprise's net capital investment is 0.5 to 15 million franc, 0.3 to 12 million franc annual turnover, and employs 4 to 30 employees; and medium enterprise has a net capital of 15 to 75 million francs, employs 31 to 100 employees and an annual turnover of 12 to 15 million francs (Minicom, 2010).

One of the most viable strategies to achieve national development goals in both developing and developed nations is to promote small- and medium-sized enterprises (SMEs). SMEs increase competition, generate employment and develop entrepreneurship while boosting economic vitality at the community level and creating sustainable livelihoods (Jacky Charbonneau, 2013)

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Today, many small companies are confronted with harsh market conditions. The current economic crisis has weakened the financial health of many small and medium-sized firms (SMEs), especially in industries in which foreign, low-cost producers have entered the market and are threatening the survival of the existing competitors. In addition, new government regulations can change a profitable SME niche business into a nightmare in just a few weeks or months. High-tech start-ups have cutting-edge technology in-house, but no manufacturing capabilities or distribution channels to turn the technology into a successful and profitable business. Changing market conditions thus force smaller firms to adapt or reinvent their business through new technologies or unique value propositions. At the same time, small firms face several constraints in differentiating their products and changing their business model. (Bologna 2000 SME conference)

Competition we see is created by the presence of SMEs, however, as they cause a threat to other related companies the bigger ones included, one would wonder how they position themselves in the competitive market. What are those pertinent things in their strategy that could allow it to thrive beyond and become a much bigger threat in the market place, is the question the study was asking?

Globally, SMEs are the biggest contributors to employment across countries. (World Bank, 2011, analysis of 47,745 firms in 99 countries surveyed in the period 2006 to 2010) found that SMEs are the backbone of the European economy with 20.7 Million firms accounting for more than 98% of all enterprises, 67% of total employment and 57% of gross value added. (European Commission, 2012 Directorate –General for Enterprise and Industry). In Europe it is estimated that 19million SMEs make up 19% of the enterprises. SMEs generate a huge share of the GDP and are a key resource of the new jobs as well as current employment.

Despite being smaller in size, it is believed by researchers that SMEs tend to create the innovation that drives most of the economy (usher 2006). The EU is not the only organization that recognizes the importance of SMEs in contributing to the economy. Nations worldwide are increasingly depending on SMEs for their economies." (Lorna Uden).

Furthermore, there is evidence in the European Union that innovative companies are more likely to export, as detailed in the European Commission report Policies in support of high-growth innovative SMEs (2011). Such companies are more productive and internationally more competitive and, in turn, exporting has a positive impact on innovation. Hence, exporting and innovation are complementary strategies that result in higher export shares, suggesting turnover and employment growth at firm level and policies supporting innovation and internationalization should be linked up. Results from the 2011 World Bank study Importing, Exporting, and Innovation in Developing Countries, which surveyed 16,722 firms from 43 developing countries in different regions of the world, show that globally engaged firms are larger, more productive, more capital intensive and pay higher wages than domestic firms. Is innovation a project that Medium companies are employing to realize this growth as evidenced by European companies or are they using the ability to export as a competitive strategy.

Emphasis has been sighted and given in many works carried out and Government activities on growing SMEs through readily availability of funds and improved technology. Some of these Medium companies grow to boost the economy; however, little is noticed on management's role in strategically looking at the firm and industry competitively.

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Rwanda needs to improve trade dramatically if it is to meet its development objectives. Domestic investment and trade provide a crucial basis for economic development, helping producers move from subsistence farming to access local and international markets and providing a core of employment by generating income within domestic industrial production and services delivery (Rwanda trade policies and strategies 2006).

The SME sector, including formal and informal businesses, comprises 98% of the businesses in Rwanda and 41% of all private sector employment — though the formalized sector has much growth potential with only 300,000 currently employed. Most micro and small enterprises employ up to four people, showing that growth in the sector would create significant private sector non-agricultural employment opportunities (SME Development policy, 2010)

Today there's a body called youth empowerment systems that is geared towards enhancing entrepreneurial skills amongst SMEs. During the Labour Day celebrations bringing together all SMEs in agricultural and non-agricultural sectors the best performers were recognised and received awards. This shows the Government initiative in growing the SMEs because of the benefits towards economic sustainability. How far are these initiatives worthwhile in reference to survival and growth in terms of the strategies they put up? As much as the SMEs are created, if the environment is not that supportive as the government's initiative then little was achieved.. Specific strategies of differentiation, cost leadership, unequalled services, innovation and skills are what enables a cooperative to keep going and breaking all odds.

According to the EAC's report on SMEs in Rwanda, the vast majority of SMEs (93.07%) work in commerce and services. This is followed by 1.86% in professional services, 1.66% in Arts & Crafts, 1.33% in industry, 0.94% in financial services, 0.7% in tourism and 0.45% in agriculture and livestock. This heavy concentration in the commerce and services sector, with only 1.33% in industry, reveals the need to address the challenges faced by SMEs, in order to build an economy based on value added exports. (Rwanda SME Development Policy)

The manufacturing sector as clearly portrayed in the industrial policy is where the Government of Rwanda is focused on. The improvement in the industrial sector was to see to it that the outflow of Rwanda's youth and employed persons get employment. A steady growth within these SMEs would therefore provide an avenue for more employment, increase in the export trade of the country and solve balance of payment that is not attractive. The growth of these Medium companies and the manufacturing, sector however, needs the strong backing of clear thought out competitive plans. These plans would set the firm to stand out to accumulate a good share of the market, and build customer loyalty for sustainability.

Statement of the problem

SMEs are the backbone of the European economy with 20.7 Million firms accounting for more than 98% of all enterprises, 67% of total employment and 57% of gross value added. (European Commission, 2012 Directorate –General for Enterprise and Industry)(Rwanda trade policies and strategies 2006). SMEs are said to be the engines that drive the economy in the developed economies and being looked in the same way in developing worlds.

The SME sector, including formal and informal businesses, comprises 98% of the businesses in Rwanda and 41% of all private sector employment — though the formalized sector has much growth potential with only 300,000 currently employed. The country GDP, employment and

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export, BOP issues are heavily affected by the state of SMEs (Rwanda SME Development policy, 2010).

Despite the fact that SMEs contribute heavily to market participation and contribute to direct value added or production, they still have challenges that hinder their growth especially in the region. “These five issues, cluster organization, access to finance, access to market information, skills development and production were identified as cross cutting challenges affecting SMEs in Rwanda (Minicoms SME product cluster book let 2011)

Some of these challenges feature issues to do with finances, managerial skill and some on the quality of products. There are, however, some indications that SMEs pay little attention to strategy and strategy formulation (e.g. Snuif and Zwart, 1994a) (Gibcus and Kemp 2003).

Gordon (2004) attributes the growth of Nucor, Walmart, Microsoft and Dannon to different competitive strategies they employed. A firm’s competitive strategy in large enterprises in developed nations has been seen to play a lot in steering industry and national growth. As concerns challenges and issues of growth of Medium companies, very little information on competitive strategies is available especially in developing nations.

This study therefore sought to evaluate what competitive strategies are under play within the Medium companies in Rwanda and most important the effects the strategies have on firm growth.

OBJECTIVES

General Objectives

The general objective of this study was to evaluate competitive strategies within Medium companies and their effect on firm growth.

The specific objectives of the study

1. To evaluate the effect of cost leadership strategy practices on Medium companies’ growth.
2. Assess the influence of differentiated strategy on firm growth.
3. To examine the impact of innovative strategies on the firm growth.
4. Establish the relationship between customer service practices and growth of the Medium companies.

RESEARCH METHODOLOGY

Introduction

The methodological approach to be used in the study are discussed in this section. It highlights the methods and techniques used as per the research under coverage. The critical issues examined include: the characteristics of the study population with its sample size, data sources and techniques for their collection and analysis and presentation.

Research Design

Research design is the plan, structure and strategy of investigation proposed for obtaining answers to research questions (Orodho, 2005). This study adopted a descriptive survey design which is defined as the method that involves asking a large group questions about a particular issue (Fraenkel & Wallen, 2003). Information was obtained from a sample rather than the entire population at one point in time for a period of two weeks. Descriptive survey research collects data in order to test hypothesis or to answer questions covering the current status of the subject in the study. It also allows for quick collection at comparatively cheap cost (Grinnell, 1993). This study employed a correlational design which according to Frankel and Wallen (2003) purposely tries to explain important behaviors or to predict likely outcome. For this study, a prediction study approach was adopted to investigate the relationship between the predictor variable (the independent variables) and the criterion variable (dependent variable). Two or more scores were obtained from each individual in the sample, one score for each variable. The pairs of score were then be correlated, and the resulting correlation coefficient used to indicate the degree of relationship between the variables.

Target Population

The study was carried out among 67 Medium size firms because it's the focus of our study but specifically within the industry/manufacturing sector in Kigali city.

Table 3. 1Number of Establishments by Size and Economic Sector

Sector	**Small (4-30)**	**Med (31-100)**
Manufacturing	631	67

Extract from the MINICOM SME product cluster booklet 2011

This is because manufacturing sector contribution as an aggregate of the SMEs as depicted is greater than in other sectors. The industry sector is also where competition is openly evidenced looking at larger domestic and foreign companies offering clear practice of the competitive strategies.

Sampling frame

In statistics, a **sampling frame** is the source material or device from which a **sample** is drawn. It is a list of all those within a population who can be sampled, and may include individuals, households or institutions. In this respect, a critical sample defined as one considered to be critically enlightened because it is so unusual or exceptional (Fraenkel& Wallen, 2000).

The identified population under study is the Medium companies in the industry/manufacturing sector in Kigali city. This is because competition is clearly evidenced in this sector and it is supposed to be a bigger contributor to national economies. The study then isolated firms that have a five year and above stay in business. This is because the study seeks to establish relationships between the strategies being adopted and growth. A clear product cluster as identified by the MINICOM report and those categorically practicing manufacturing formed

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the sample frame. There are 67 established manufacturing firms in Kigali out of the country of Rwanda.

Table 3. 2 Number of Manufacturing firms by cluster and those above 5 years

Manufacturing firm sector	No.	Exact sample
Agriculture and Agri- processing	16	14
Tea	5	4
Coffee	5	4
Handcraft and Craft	7	6
Wood Work	9	8
Construction	9	8
Plastics and other home use products	3	3
Metal Processing	13	11
Total	67	57

Extract from the MINICOM SME product cluster booklet 2011

From these established clusters and available data from MINICOM, firms each contributed depending on their number to the overall sample and thereby provide the needed information.

Sampling Technique

With a population of 67 for medium enterprises, only those with a 5 year and above birth date and those in the manufacturing industry were isolated and included.

Using stratified sampling technique the sample size of 57 Medium firms were broken down to represent each product cluster within the Kigali city region. This was achieved by getting the cluster size divided by the target population, this against the sample size.

Sample Size

According to Grinnell, (1990), a sample size is the number of elements or objects in the sample.

Yamane (1967) provides a simplified formula to calculate sample sizes. n= $N/(1 + N(e)^2)$. Where n is the sample size, N is the population size, and e is the level of precision. A 95% confidence level and Precision = .5 are assumed with a population 798. When this formula is applied to the above. Firms with at least five years of experience were considered and this criteria left 381 companies for the target population.

n= $67/(1 + 67(0.05)^2$

= 57 companies

With a population of 67 for medium enterprises, using the elimination criteria explained previously only 57 firm in the manufacturing industry were included in the study.

Data Collection procedures

The study is using questionnaires as the tool for data collection. Research assistants were used to hand over the questionnaires to the sampled sectors and request if they can receive the information then or later. This method was adopted for the entire sampled sectors.

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Data Collection Instruments

The study used Questionnaires as our only primary source of information. This is mainly because the study seeks to find out what competitive strategies are being adopted by Medium Firms and also because there's a likelihood of a large sample. A questionnaire required respondents to fill out the form themselves, and depended on high level of literacy of the respondents. The questionnaires were translated to Kinyarwanda because part of the population may not be fluent with the English Language. The questionnaire was Self-administered. They were closed questions and administered to all participants. The questionnaires contained a likert scale rating statements with five levels namely Strongly Agree (5), Agree (4), Not sure (3), Disagree (2) and Strongly Disagree (1).

Data analysis

Hermeneutics data analysis technique.

This technique is used for interpreting and understanding written, verbal and nonverbal communications and always very useful for social science research. In this study, the responses of the participants were analyzed and interpreted in context with other authors findings as discussed in literature review chapter.

Thematic analysis

This technique involves analyzing and reporting themes in a given data set according to Braun and Clarke (2006). The closed ended questions in the questionnaire were analyzed and grouped under specific themes so as to enable coding and entering into the software (SPSS) for final analysis. However since theme interpretation varies from one person to another, the research grouped the themes as deemed relevant to the current study.

Multiple regression was used to analyse the four constructs of the independent variables so as to predict the dependent variable (firm growth) using the equation model

$$\boldsymbol{Y' = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4}$$

Where Y' denoted the predicted growth of manufacturing firms, $a, b_1, b_2$and b_3 are constants. $X_1, X_2, X_3 and\ X_4$ are the Innovative, cost leadership, differentiation and customer care services respectively.

The liker-scale was interpreted by grouping (1+2) = Disagreement and 4+5 = Agreement with 3 as the middle point. The coefficient of multiple regression R generated was interpreted as $-1 \leq R \leq 1$

Reliability and Validity

Reliability demonstrates the ability of a study to produce the same results when repeated (Brock-Utne, 1996). The reliability in this study was achieved by the use of Test- Retest reliability. In this regard the researcher first administered the same questionnaire to some informants concerned in this study before going into the process of data collection, in addition the questionnaires were interpreted in Kinyarwanda whenever the situation required.

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On the hand, validity determines whether the research truly measures that which it was intended to measure .To ensure validity, the researcher designed the questionnaire present it to the research supervisor and other research experts . To ensure the validity the researcher performed a reliability test for all the items in the questionnaire. The results of the test are presented in Table 3.3.

Table 3. 3 Test of Reliability

Cronbach's Alpha	N of Items
.789	30

Source: Primary data (2015)

The reliability test results showed that Cronbach's Alpha of 0.789 for the 30 items that were analyzed. This result is interpreted as good and reliable for the measures the questionnaire items set to measure. In the study of Nwafor and Nwafor (2012) the Alpha value was 0.78 and they considered the instruments reliable.

Ethical consideration

According to Patton (1990) ethics increase credibility of a study, Fontana and Frey (1994) Advice that because the objects of inquiry in interviewing are human beings, extreme care must be taken to avoid any harm to them. At the preliminary stage before going for fieldwork to collect the data; the researcher requested a letter from school of Human Resource development at Jomo Kenyatta University of Agriculture and technology that helped to introduce the researcher to the various authorities where the data was collected. In order to maintain confidentiality and anonymity of respondents, the names of the participants were not disclosed.

FINDINGS AND DISCUSSIONS

Introduction

This section presents the findings of the study by discussing the demographic characteristics, and descriptive analysis of the data, correlation, regression and ANOVA analysis.

Demographic characteristics

Response Rate

Table 4.1 shows the sector that the company belonged to, the number of questionnaires given, returned and the response rate per sector. It also provides the total number of the questionnaires given and returned and the average response rate.

Manufacturing firm sector	Exact sample	Returned questionnaires	Response Rate %
Agriculture and Agri- processing	14	14	100
Tea	4	4	100
Coffee	4	4	100
Handcraft and Craft	6	6	83%
Wood Work	8	8	100

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Construction	8	8	100
Plastics and other home use products	3	3	100
Metal Processing	11	11	100
Total	**57**	**57**	**100**

Source: Primary data (2015)

From the table, all sectors had a response rate of 100% and according to Mugenda and Mugenda (2004) a response rate of more than 50% is adequate for analysis. All the 57 questionnaires received had no inconsistencies or errors and all the information from it were used for analysis.

Age group of the respondents

The respondents were asked to choose from five categories namely; 20-30 years, 31-40 years, 41-50 years and 50 and above. Table 4.2 presents the findings in frequency and the percentage composition of each category.

Table 4. 1 Age group of the respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30 years	20	35.1	35.1	35.1
	31-40 years	27	47.4	47.4	82.5
	41-50 years	5	8.8	8.8	91.2
	50 above	5	8.8	8.8	100.0
	Total	57	100.0	100.0	

Source: Primary data (2015)

There were 20 (35.1%) of the respondents within the age group 20-30, while 27(47.4%), 5 (8.8%) and 5 (8.8%) in the category 31-40 years, 41-50 and 50 and above respectively. This implies that the majority of the respondents were below 41 years of age. In a study by Natalia et al. (2011) 56.9% of the workforce in India were people below 30 years and they observed that such a large composition possess uniform challenges to the workforce that needs special attention. This is a similar case in this sample whereby a large proportion were under 41, therefore occupational challenges common to this age group may be evident as an intervening factor to the performance of the firms under this study.

Gender of the respondents

Table 4.3 indicates the gender composition of the participants in the study presented by frequency and percentage.

Table 4. 2 Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	37	64.9	64.9	64.9
	Female	20	35.1	35.1	100.0
	Total	57	100.0	100.0	

Source: Primary data (2015)

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In reference to the table, 37 (64.9%) and 20(35.1%) of the respondents were male and female respectively. This means that the majority of the respondents were male and the distribution is nonuniform. This has a bearing on the findings of this study in that gender dependent traits emerged in the findings.

The educational level of the respondents

The respondents were requested to indicate the highest level of education they have attained. They chose from four categories namely; up to secondary, diploma, Bachelor and masters as shown in Table 4.3.

Table 4. 3 Educational level of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	up to Secondary	7	12.3	12.3	12.3
	Diploma	18	31.6	31.6	66.7
	Bachelor	31	54.4	54.4	98.2
	Master	1	1.8	1.8	100.0
	Total	57	100.0	100.0	

Source: Primary data (2015)

A total of 7 (12.3%) of the respondent had attained up to secondary education level while18 (31.6%) had a diploma, 31(54.4%) had Bachelor and one (1.8%) person had master degree. This means that the majority of the respondents had Bachelor degree and diplomas. Some of them had secondary education and Masters. The implication of this is that most of the respondents are educated and therefore were able to interpret the questions. The high education level here also implies that they have minimum education for conducting business and since entrepreneurship education is compulsory for secondary students, most of them being less than 30 years of age should have undergone some kind of business skills exposure while at school. This skill level is crucial for business success.

The effect of cost leadership strategy practices on Medium companies' growth.

The cost leadership strategy was evaluated by the use of five statements that sought to assess the basis upon which the companies are performing in the view of the respondents. Table 4.4 summarizes the agreement and disagreement level to each of the statement.

Table 4. 4 Response to Cost Leadership strategy implementation

My company performs because	Agreement		Disagreement		Uncertain	
	Count	Row N %	Count	Row N %	Count	Row N %
The company minimizes its procurement cost	41	71.9%	16	28.1%	0	0.0%
The company minimizes on operational cost	41	71.9%	9	15.8%	7	12.3%
The company conducts costing of its labour	41	71.9%	16	28.1%	0	0.0%
The company conducts service costing	46	80.7%	8	14.0%	3	5.3%
The company conducts costing promotion activities	46	80.7%	8	14.0%	3	5.3%

Source: Primary data (2015)

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There were equal agreement to the three statements i.e. (i) the company minimizes its procurement cost, (ii) the company minimizes on operational cost, and (iii) the company conducts costing of its labor. Each of these statements had 41 (71.9%) agreement. Statement (i) and (iii) had same disagreement level as indicated by 16 (28.1%) of the respondents while (ii) had 9 (15.8%). This implies that majority of the respondents agreed that the reason their companies were performing well was because it minimizes operational costs, procurement costs and cost of its labour. Similarly 46(80.7%) and 8(14%) of the respondents agreed and disagreed respectively that by conducting servicing costs and costing promotion activities, there companies perform better.

On average the agreement on Cost Leadership strategy was 75.42% implying that the respondents believe that Cost leadership strategy is a competitive strategy that leads to growth.

Table 4.5 is the result of the analysis of the correlation between cost leadership and growth of the medium firms.

Table 4. 5 Correlation between Cost Leadership and Growth

	Growth		
	Pearson Correlation	Sig. (2-tailed)	N
Cost Leadership	.789**	.000	57

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2015)

The result shows that the Pearson's correlation coefficient R = .789, P<.05 was produced. This implies that the effect of cost leadership strategy on growth was positive and statistically significant. Company grows more as it employs better cost leadership strategies and according to Bauer and Colgan, (2001), a firm enjoys cost leadership through access to raw materials or superior proprietary technology which helps to lower costs. Lower prices lead to higher demand and, therefore, to a larger market share (Helms et al., 2007). As a cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market (Hyatt, 2001). As a cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market.

On the other hand when using differentiation strategy, a company focuses its efforts on providing a unique product or service (Bauer and Colgan, 2001). Since, the product or service is unique this strategy provides high customer loyalty (Hlavacka et al., 2001).Product differentiation fulfils a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share.

The influence of differentiated strategy on firm growth

To examine the agreement on differentiation strategy, the respondents evaluated their opinions using five statement shown in Table 4.7

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Table 4. 6 Response on how differentiation strategy is implemented in organisation

	Agreement		Disagreement		Uncertain	
	Count	Row N %	Count	Row N %	Count	Row N %
The company competes through differentiating its products	47	82.5%	10	17.5%	0	0.0%
The company competes through different prices for its products	46	80.7%	8	14.0%	3	5.3%
The company competes though different production processes	41	71.9%	16	28.1%	0	0.0%
The company has unique product promotion strategies	46	80.7%	11	19.3%	0	0.0%
The company's premise design is different from others	38	66.7%	19	33.3%	0	0.0%

Source: Primary data (2015)

In reference to table, 47 (82.5%) and 10(17.5%) agreed and disagreed respectively that their company their company competes through differentiating its products. A total of 46(80.7%) and 8(14%) agreed and disagreed that the company competes through differentiating prices for its products while 3(5.3%) did not commit. On whether the company competes through differentiating production process, 41(71.9%) agreed and 16(28.1%) disagreed. Another 46(80.7%) agreed while 11(19.3%) disagreed that the company has unique product promotion strategies. Thirty eight (66.7%) of the respondents agreed that the company's premise design is different from others while 19(33.3%) saw no difference. The implication of the findings is that most of the respondents seem to view their company as applying differentiation strategies for competition. On average the 76.5% agreement was accorded to this item showing that a high majority agreed with the statements.

The summary in Table 4.7 shows the correlation result of the analysis between differentiation strategy and growth.

Table 4. 7 Correlations between Differentiation Strategy and Growth

	Growth		
	Pearson Correlation	Sig. (2-tailed)	N
Differentiation Strategy	.791**	.000	57

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2015)

The Pearson's correlation coefficient R = .791, P<.05 meaning that the relationship between differentiation strategy and growth was strongly positive and statistically significant. Differentiation strategy contributed to 62.6% of the firm growth. The differentiation strategy is
effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support. Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The differentiation strategy

ISSN 2053-4086(Print), ISSN 2053-4094(Online)

appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price (Arasa & Gathinji, 2014).

The impact of innovative strategies on the firm growth.

Using seven statements, the relationship between Innovation strategy and the growth of the firm was done and the respondents were to rate their view by using a 5 level likert scale with 5 = strongly agree to 1 = strongly disagree. The responses were summed up for agreement and disagreement for easy interpretation. Table 4.5 shows the count and percentage of the agreement, disagreement and uncertain responses

Table 4. 8 Response on how innovation strategy is implemented in organisation

The company is performing well because of	Agreement		Disagreement		Uncertain	
	Count	Row N %	Count	Row N %	Count	Row N %
Introduction of new product	46	80.7%	8	14.0%	3	5.3%
Application of the latest technology in production process	41	71.9%	16	28.1%	0	0.0%
Application of the latest technology in product	42	73.7%	15	26.3%	0	0.0%
Materials Sourcing from new suppliers/sources	41	71.9%	16	28.1%	0	0.0%
Using new material combination in production	46	80.7%	11	19.3%	0	0.0%
Employing the Internet in business	46	80.7%	10	17.5%	1	1.8%
Investing in research and development (R & D)	50	87.7%	6	10.5%	1	1.8%

Source: Primary data (2015)

A total of 46 (80.7%) of the respondents believed that their company was performing well because it introduces new products, eight (14%) disagreed while only three (5.3%) did not comment. Görzig, Gornig, & Werwatz(2008) in their study of German manufacturing firms found that almost 30% of all firms introduced at least one new product between 1995 and 2001. They also found that the firms that modified their products earlier had much higher productivity than those that did not. The finding in this study implies therefore that the firms with the high introduction of new products, these firms are more likely to be more productive.

There were 41 (71.9%) of the respondents who agreed that their company is performing well because of the application of the latest technology in production process though to 16 (28.1%) this was not the case. The implication is that majority of the respondents agreed that their companies are applying latest technology and this could be why they think the company is doing well. Technological innovation contributed to 5% of revenue growth in the study of Nik, Muhamad and Chong(2008).

In response to the question that the company is doing well because of material sourcing from new suppliers/sources, 41(71.9%) agreed while 16(28.1%) disagreed. A total of 46 (80.7%), and 11(19.3%) agreed and disagreed that using new material combination in production is the cause of good performance. Employing the internet in business was the reason for 46 (80.7%) though 10 (17.5%) disagreed. R&D has been discussed as a possible cause of firm growth by

ISSN 2053-4086(Print), ISSN 2053-4094(Online)

scholars such as Nik et al.(2008) therefore the respondents were asked to comment on the company's investment in research and development (R&D). A total of 50 (87.7%) agreed while 6 (10.5%) disagreed and one (1.8%) did not comment.

The average agreement to the use of innovation to grow the company was 78.2% while 21.8% disagreed. This implies that majority of the respondents agreed that innovation is important and their companies are taking advantage of this to improve on the performance of their companies. This finding is in line with that of Nik et al.(2008) that found that innovation has the ability to make a firm to increase its revenue. Table 4.9 is a summary of the analysis of the relationship between innovation strategy and growth

Table 4. 9 Correlation between Innovation Strategy and Growth

	Growth		
	Pearson Correlation	Sig. (2-tailed)	N
Innovation Strategy	.578**	.000	57

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2015)

The analysis produced Pearson's coefficient R = .578, P<.05 and the implication was that the relationship between innovation strategy and growth. In a study of Bianchini, Pellegrino, and Tamagni (2014) there was lacking correlation between activities that involve external sourcing of new knowledge or new technologies (external R&D, Disembodied and Embodied technical change) arguing that the view that valuable knowledge is inherently firm specific was supported because Firms may face difficulties in establishing effective collaboration with external providers, or may lack of specific absorptive capacities in integrating external knowledge and technologies within the firm.

The equally lacking effect of process innovation can be interpreted as a signal that new processes are primarily designed to improve efficiency or to change production modes, and may affect sales growth only indirectly. And, the weak role of product innovation may just reflect that the share of sales due to new products is on average small (p. 25).

However in this study, there was a positive correlation observed confirming the difficulties observed in previous studies in the determination of the relationship between innovation strategies and firm growth.

The relationship between customer service practices and growth of the Medium companies.

Table 4.8 summarizes the responses of 57 individuals in evaluation of six (6) items that were used to measure the customer care service strategy.

ISSN 2053-4086(Print), ISSN 2053-4094(Online)

Table 4. 10 Response on how customer care service strategy is implemented in organisation

	Agreement		Disagreement		Uncertain	
	Count	Row N %	Count	Row N %	Count	Row N %
We involve our customers in product design	43	75.4%	7	12.3%	7	12.3%
The company has different mediums and platform to reach out to the customers.	43	75.4%	14	24.6%	0	0.0%
The company has a mechanism for receiving complaints	57	100.0%	0	0.0%	0	0.0%
The company involves in activities that give back to customers	39	68.4%	18	31.6%	0	0.0%
Strict product quality control	42	73.7%	10	17.5%	5	8.8%
Improving customer services	48	84.2%	9	15.8%	0	0.0%

Source: Primary data (2015)

There were 43(74.4%) of the respondents who saw their companies as involving customers in product design, 7(12.3%) disagreed while another 7(12.3%) did not comment. That the company has different mediums and platform to reach out to the customers, 43(75.4%) agreed while 14(24.6%) disagreed. This means that the majority of the respondents find their companies involving their customers in product design and reach out to them through different mediums. All respondents acknowledged that their companies have a mechanism for receiving complaints, while 39(68.4%) agreed that the company is involved in activities that give back to the customers and 18(31.6%) disagreed. The survey of 50,000 people in 14 countries showed that 20% of companies with good customer relationship won the loyalty of the customers. The companies involved their customers and had good feedback mechanisms(Business Insider, 2012).

Table 4.11 summarizes the result of the analysis of the correlation between customer service and growth of the firm.

Table 4. 11 Correlation between Customer service and Growth

	Growth		
	Pearson Correlation	Sig. (2-tailed)	N
Customer Service	.035	.795	57

Source: Primary data (2015)

In reference to the table, Pearson Correlation coefficient R = .035, P>.05 implying that the relationship was not statistically significant though very weak and positive. Also it is interpreted here that customer care services is not contributing significantly to the growth of the firms in the sample. In fact the contribution of the variable was 0.12% of the registered firm growth. This finding affirms the customer satisfaction survey report OTF Group (2010) which showed that all sectors in Rwanda had issues with timeliness, communication and problem

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solving. The poor customer services are leading to dissatisfied clients hence affects the growth of the firms in terms of profitability and competitive advantages.

Growth of the organisation

Six statements were used to examine the growth of the companies and the responses summarized as shown in table 4.12.

Table 4. 12 response to growth of the firm

	Agreement		Disagreement		Uncertain	
	Count	Row N %	Count	Row N %	Count	Row N %
The company has seen an increase in sales volume by 20%	15	26.3%	37	64.9%	5	8.8%
The company has seen an increase in profit margin	45	78.9%	5	8.8%	7	12.3%
The company has realized an increase in service delivery	21	36.8%	21	36.8%	15	26.3%
The company has seen a decline in return inwards	41	71.9%	9	15.8%	7	12.3%
The company has reduced operational costs	46	80.7%	8	14.0%	3	5.3%
The company has reduced on wastage	46	80.7%	8	14.0%	3	5.3%

Source: Primary data (2015)

A total of 15(26.3%) of the respondents agreed that their company has seen an increase in sales volume by 20%, 37(64.9%) disagreed while 5 (8.8%) were not sure. This means that the companies are not realizing an increase in sales volume. A total of 45(78.9%) agreed that the company has seen an increase in profit margin, 5(8.8%) disagreed and 7(12.3%) did not comment. This means that though the companies did not realize sales volume by 20%, the revenue they recorded exceeded the cost hence making profits. To 21(36.8%) of the respondents, the company realized an increase in service delivery while to another 21(36.8%) it was not so and 15 (26.3%) did not comment. This means that the managers' employment of good business strategies that reducing on the situations that favor returns inwards is not clear to the respondents. According to 46(80.7%) the company has both reduced on operational cost and wastage. An equal number, 8(14%) and 8(5.3%) disagreed and did not comment on the statements. This implies that the companies are reducing on costs which help them to have more money to invest into other areas of the business and increase on productivity.

The relationship between Competitive strategy and growth

To answer the general objective of this study which was to evaluate competitive strategies within Medium companies and their effect on firm growth, all the independent variables were regressed against each dependent variable (sales volume, profit margin and returns inwards).

ISSN 2053-4086(Print), ISSN 2053-4094(Online)

Effect of Cost Leadership, innovation, customer service and differentiation on firm sales volume

The effect of low cost, innovation and differentiation on firm sales volume was analyzed by conducting a multiple linear regression as shown in Table 4.10.

Table 4. 13 Multiple regression results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.515[a]	.266	.224	.93961

a. Predictors: (Constant), Differentiation, Innovation, Low Cost
Source: Primary data (2015)

The analysis produced regression coefficient R = .515 implying that the relationship between cost leadership, innovation, customer service, differentiation and sales volume was positive. The variables attributed for 27% of the growth of the manufacturing firms. This finding supports that of Bisungo, Chege, and Musiega(2014) who found that a positive relationship existed between competitive strategies and the volume of sales that the firm made. Competitive strategies do not work in isolation but support one another in producing the effects (Bisungo, Chege, & Musiega, 2014b). The findings in this study show that the manufacturing firms in the sample are affecting their firm performance especially increasing sales volume through a combination of strategies. This causes them to grow more than their competitors.

Effect of Cost Leadership, innovation, customer service and differentiation on firm profit margin

The analysis of the independent variables on firm profit margins was conducted and reported as shown in Table 4.11

Table 4. 14 Correlation result of independent variable and growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.213[a]	.046	-.008	.87979

a. Predictors: (Constant), Differentiation, Innovation, Low Cost
Source: Primary data (2015)

The model summary shows that differentiation, innovation, customer service and cost leadership strategies correlated with a coefficient of R = .213 and R square = .046 which is 4.6% with profit margin. This implies that there was almost no relationship that existed between the variables in question.

Effect of Cost Leadership, innovation, customer service and differentiation on firm decrease on returns inwards

The relationship between the independent variable and returns inwards was determined by regression analysis and the results were as shown in Table 4.15.

ISSN 2053-4086(Print), ISSN 2053-4094(Online)

Table 4. 15 Model Summary for cost leadership, differentiation and innovation and returns inwards

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.676[a]	.457	.426	.57287

a. Predictors: (Constant), Differentiation, Innovation, Cost Leadership
Source: Primary data (2015)

The relationship between differentiation, innovation, customer service and cost leadership, and returns inwards produced a coefficient R = .676. This means that the relationship was positive and the three independent variables attributed to 45.7% of the returns inward. The implication is that the mangers are employing good practices that utilize the competitive strategies to provide satisfying products to the customers so that the level of quality of the products is high and reduce the tendency of the clients returning them. This finding is in line with the findings of Bisungo et al.(2014) that when managers committedly adhere to quality of their products through innovative attempts, the customer satisfaction level is elevated and the firm profits. The essence here is that the manufacturing firms are receiving less return of goods and services to the companies hence less losses and additional costs are reduced.

The findings in this study confirm that of Arasa and Gathinji (2014) who found that the most employed competitive strategies were low cost, differentiation of products and strategic alliance. They concluded that manufacturing firms that employed these strategies realized increase in their sales and market shares, customer retention, profitability and product innovation.

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The summary of the findings, conclusions that have been drawn from the findings and recommendations projected as a result of the study findings are presented in this section.

Summary of the findings

The summary of the findings are discussed under the thematic guidance of the following study objectives:

1. To evaluate the effect of cost leadership strategy practices on Medium companies' growth.
2. Assess the influence of differentiated strategy on firm growth.
3. To examine the impact of innovative strategies on the firm growth.
4. Establish the relationship between customer service practices and growth of the Medium companies.

Each of these objectives therefore compose the subtitles of the following discussions.

ISSN 2053-4086(Print), ISSN 2053-4094(Online)

The effect of cost leadership strategy practices on Medium companies' growth.

Based on the findings presented in Table 4.4 majority of the respondents agreed that the reason their companies were performing well was because it minimizes operational costs, procurement costs and cost of its labour. Similarly there was a majority agreement that by conducting servicing costs and costing promotion activities, there companies perform better.

On average the agreement on Cost Leadership strategy was 75.42% implying that the respondents believe that Cost leadership strategy is a competitive strategy that leads to growth since the effect of cost leadership strategy on growth was positive and statistically significant.

The influence of differentiated strategy on firm growth

In reference to Table 4.6, majority of the respondents agreed that their company competes through differentiating its products, prices for its products, providing unique product promotion and premises design as a strategies. The relationship between differentiation strategy and growth was strongly positive and statistically significant. Differentiation strategy contributed to 62.6% of the firm growth. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support.

The impact of innovative strategies on the firm growth

Majority of the respondents believed that their company was performing well because it introduces new products, implying that the firms with the high introduction of new products are more likely to be more productive. A high agreement was also shown that the reason for the company's good performance was because of the application of the latest technology in production process. The other reasons for good performance in relation to innovation were awarded to the fact that the company installed latest technologies, resourced materials from new suppliers/sources, and commitment to research and development

There the relationship between innovation strategy and growth was positive and significant.

The relationship between customer service practices and growth of the Medium companies.

There was a high agreement that companies involved customers in product design, and used different mediums and platform to reach out to the customers. All respondents acknowledged that their companies have a mechanism for receiving complaints, and the effect of customer

In relation to sales volume, profit margin and returns inwards, there was a positive significant relationship between cost leadership, innovation, differentiation and sales volume, and returns inwards while there was a weak relationship established with profit margin.

Conclusions

Based on the findings of this study, the following logical conclusions were made.

The effect of cost leadership strategy practices on Medium companies' growth.

Given that majority of the respondents agreed that the reason their companies were performing well was because it minimizes operational costs, procurement costs and cost of its labour and

ISSN 2053-4086(Print), ISSN 2053-4094(Online)

also that by conducting servicing costs and costing promotion activities, there companies perform better., is was concluded that the use of cost leadership strategy is evident in the firms. With more dedication to producing and operating at low cost the firms are in position to sell the products at lower costs as compared to their competitors hence the positive and significant relationship observed. The firms are able to increase on their sales volume, maximize their profit margins and decrease on the tendency of returns of products by the customers.

The influence of differentiated strategy on firm growth

Given that the majority of the respondents agreed that their company competes through differentiating its products, prices for its products, providing unique product promotion and premises design as a strategies and that the relationship between differentiation strategy and growth was strongly positive and statistically significant, a conclusion that the firms are differentiating their products for growth is logical. Differentiation provides the customers with unique products that the competitors do not have hence attracting more clients to the firm. Strategies such as branding give the firm prominence in the market and in return more competitive advantage.

The impact of innovative strategies on the firm growth

Since the majority of the respondents believed that their company was performing well because it introduces new products, application of the latest technology in production process, installed latest technologies, resourced materials from new suppliers/sources, and commitment to research and development, and that there was a positive relationship between innovation strategy and growth, it was concluded that innovative strategy was being used in the firms to grow. This strategy enabled the firms to introduce new products, new processes and even reengineer the business processes hence quality products that suit the needs of the customer. Through this therefore, sales volume increased and returns inwards decreased.

The relationship between customer service practices and growth of the Medium companies.

In the findings, there was a high agreement that companies involved customers in product design, and used different mediums and platform to reach out to the customers and all respondents acknowledged that their companies have a mechanism for receiving complaints, and the effect of customer. However there was no evidence in the analysis to suggest that customer care services led to the growth of the company.

Recommendations

The following recommendations were projected as a result of the discussions and findings of the current study.

Managers of manufacturing companies should maximize the use of competitive strategies for increased growth of their firms. These strategies each contribute differently however when combined their effects are incomprehensible in terms of growth of the firm. These strategies need a total commitment both financially and intellectually if its fruits will be reaped. Therefore firms need to encourage their teams to think creatively on how to apply low cost strategies, innovation and differentiation in the total quality management process.

ISSN 2053-4086(Print), ISSN 2053-4094(Online)

There is also need to train the Rwandan population on customer care services. Small and medium companies negate this and do not attach importance to customer focussed production and products, yet its contribution to the firms growth and performance is immense. The responsibility may fall on training institutions, but also trade and business institutions. For the case of Rwanda, institutions like Private sector federation, the Ministry of trade and Industry and the Rwanda Development Board would all put in an effort towards continuous skills development especially since they share SME department that seek to develop the Economy into an industry based one. Medium companies are negating the role of customer service to firm growth.

Suggestions for further studies

(i) A broader study needs to be carried out with a wider population with more provinces in Kigali covered. More companies will be included to participate, and probably a longer period of observation used for the investigation. This will provide the current study with more grounds to generalize the findings.

(ii) Effect of customer care services on the organisations profitability.

(iii) Competitive strategy as a core competence for customer loyalty to a firm

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