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Examining the Effects of Business Innovation Among Indigenous Small-Scale Businesses in Chongwe Constituency

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Abstract

Business Innovation plays a critical role in shaping the industrial and firm competitiveness of any nation. Innovation is often discussed in the setting of developed countries, but the rise of emerging economies such as Zambia has generated a new interest in understanding innovation in developing economies. This paper aims to study the effects of business innovation among indigenous small-scale businesses in Chongwe constituency, to analyze the effectiveness of innovation on the profitability of indigenous small-scale businesses, to establish business management and survival strategies used among indigenous small scale businesses constituency and to assess business innovation and creativity practices utilized among indigenous small-scale businesses. The study was exploratory in the sense that it sought to elicit information about management innovations among SMESs in Chongwe district. The study used a mixed research approach of quantitative and qualitative. The study employed probability sampling so that every participant had equal chance of being selected, targeting about hundred (100) SMESs in Chongwe Constituency. The study used face to face distribution of questionnaires for data collection, to yield highest cooperation and lowest refusal rate. The information collected was analyzed using descriptive analysis with pie charts, bar charts, thematic and content analysis. The findings of the study reviewed that Entrepreneurial technological innovation affects significantly SMEs growth 45% strongly agreed, 29% agreed, 13% were not sure, 8 % strongly disagreed whilst only 5% disagreed. The study reviewed that those who are able to determine profit and loss for their business, 73% of the respondents are unable to compute the profit and loss account for their business while only 27% were able to compute a profit and loss account the study established that innovation was key source for achieving competitive advantage for most SMEs. It was found that the majority of the SMEs felt that with innovative and creativity their business would grow and hence make more profits. Further, the results of the study showed that financial performance of firms increased with the increase in innovation level as 75 % of the respondents indicated that they felt that financial performance of firms increased with the increase of in innovation level. Basing on the findings, it was recommended that Ministry of Finance and the Ministry of Commerce and Trade should create an innovation fund under the Ministry, which can help provide financing to SMEs, especially for supporting innovation. To establish a center of excellence for innovation in the Ministry or its attached offices to help promote a culture of innovation. To provide enabling environments for SMEs who may be facing stiff competition with other multi -national companies and change the laws and regulations that cause negative impacts for the overall growth of the SME sector and its innovation, such as specific labor regulations pertaining to factories.

1. Introduction
1.1 Background
Zambia's Small and Medium Enterprises (SMEs) play an important role in production, employment and income generation. They account for 97 percent of all businesses in the country, 70 percent of gross domestic product (GDP) and 88 percent of employment (Zambia Investment, 2017) [35]. The Zambian Ministry of Trade and Industry (2008) stated that Zambia recognized the need to diversify its economy and reduce over-reliance on mining exports and that the primary strategy was to

produce non-traditional export products and create markets. Micro, small-scale products. And medium-sized companies. Despite the attitude encouraging companies to produce for the domestic market, the capacity to grow and export was still very limited, the ministry says. SMEs must use information and technology effectively. For example, the use of advanced process technology usually results in better product quality and durability. In addition, the introduction of new technology reduces costs by saving materials, energy or replacing traditional materials with cheaper alternative materials. Innovation (in business) means novelty, doing new things or doing old things in new ways to improve an organization's sales, profit and market share. It is the application of technical, institutional, human resources and production process discoveries that lead to new practices, products, markets, institutions and organizations that require organizational improvement or performance in terms of sales, profitability and market shares. Innovation in SMEs can be a product, process or marketing innovation introduced to increase the performance of companies in terms of sales volume or otherwise. Small and medium-sized enterprises are considered the engine of economic growth, which drives and promotes the fair development of countries, which is achieved by introducing the principles of innovation. The role of small and medium-sized enterprises in the economic and social development of countries is formed when the concept of innovation is applied to SMEs, which results in a significant improvement in performance. This industry is a nursery for entrepreneurship, often driven by innovation (Twaliwi and Isaac, 2017). Chongwe SMEs have not often applied the concept of innovation in their business operations. There are fewer new products on the market, fewer market innovation strategies and poor business innovation processes. Therefore, these companies are unlikely to increase their sales volume, which in turn means a bad result. The market is full of old and pre-existing products whose quality is already known to consumers. Although Chongwe SMEs do not fully and frequently adopt innovations (product, process, marketing or organization), this does not mean that innovation is completely absent. Although in varying degrees, all these innovations are present in these SMEs and therefore their performance must be investigated. If innovation improves the overall efficiency and competitiveness of a company, its impact can be studied from different perspectives.

1.2 Statement of the Problem
Zambia's SME sector has not fully maximized its innovative power. Retail SME failure rates are high worldwide and the situation in Zambia is no different. The failure of SMEs in the retail sector in Zambia can be attributed to many factors and entrepreneurial culture. Despite their significant contribution to the Zambian economy, according to the Lusaka Chambers of Commerce (2016), over 75% of retail SMEs in Zambia fail, a failure rate that leaves much to be desired. Chibwe (2020) argues that most SMEs start small and hardly grow beyond the size of the start-up. Rodrick (2013) also argues that small businesses increasingly face competition not only from peers, but also from larger firms that operate in niche markets that are considered to be the domain of small businesses in particular. Chileshe (2013) cites industrial business practices as one of the factors contributing to the poor performance of SMEs. Since SMEs account for 97 percent of all businesses in the country, 70 percent of gross domestic product (GDP) and 88 percent of employment (Zambia Investment, 2017) [35], it is therefore important to intensify efforts to find survival strategies for SMEs. Unfortunately, literature reviews do not reveal much research on innovative survival strategies of SMEs in Zambia.

1.3 Research Objectives
1.3.1 General Objective
The purpose of this study is to examine the effects of business innovation among indigenous small scale businesses in Chongwe constituency.

1.3.2 Specific Objectives
1. To analyse the effectiveness of innovation on the profitability of indigenous small scale businesses in Chongwe constituency.
2. To establish business management and survival strategies used among indigenous small scale businesses in Chongwe constituency.
3. To assess business innovation and creativity practices utilized among indigenous small scale businesses in Chongwe constituency.

1.4 Research Questions
1. How effective is innovation on the profitability of indigenous small scale businesses in Chongwe constituency?
2. What business management and survival strategies do indigenous small scale businesses in Chongwe constituency?
3. How have indigenous small scale businesses in Chongwe constituency applied innovation and creativity in their businesses?

1.5 Theoretical Framework
In the global economy, innovation is seen as an opportunity to overcome difficulties and ensure and maintain economic growth. Innovation can play an important role in finding new sources of sustainable growth and competitiveness in cases where innovation is a central objective of economic policy (Galbraith et al., 2017). A permanent competitive advantage can be achieved mainly with increasing innovation potential. The introduction of new, significantly improved products, processes and methods is becoming critical for productivity and job creation. Various concepts and perspectives are presented on what makes an activity innovative and what stimulates it, as well as the effects of individual innovations. Lewandowska et al. (2019) studied how EU economic policy instruments influence firm innovations within the regional innovation system. According to this study, companies use only specific public policy tools; Firms' demand for innovation-support instruments changes in response to business cycles and financial incentives. During economic growth, firms increase innovation, while during contraction, innovation decreases or even stops. Kokot-Stępień and Krawczyk (2020) found no significant effect of state support on the innovative activities of companies. Florio et al. (2017), the most effective strategies to support innovation in SMEs are the more ambitious instruments with a well-defined logical intervention, targeted goals and selective targeting. Previously, Smith and Waters (2011) and Melnikas (2008) showed the need for horizontal networks between firms, institutional systems of vocational training, and significant

public and private investment in innovation. Innovative investment is a financial contribution that creates the basis for starting or expanding innovative projects, for which it is implemented or that promotes the introduction of new products, processes or organizational solutions (Oslo Manual, 2005; PARP, 2007). Before the implementation of the project, this investment can also include the following types of activities: (1) investments in machinery and equipment; (2) investments in intellectual property; (3) Investments in expertise. Although it is well known that competitiveness as a concept has been defined in many ways, in general competitiveness is simply the continued existence or "survival" of a market. This requires a special ability to maintain and increase market shares (Leal Filho and Weresa, 2007). Competitiveness must also reflect the changing needs and preferences of user groups and may include offering high quality products and services at the lowest possible price. According to the Oslo Manual (2005), competitive advantage is achieved by improving a company's ability to change and remain innovative, increase its ability to develop new products or processes, and add and create new knowledge.

2. Literature Review
According to Sivadas and Dwyer (2000), innovation is an important organizational capability because when a new product is successful, it affects sales, profits, and competition and strength. Hult *et al*. (2004) describe the process, product and organization of a new idea as innovation (Thornhill, 2006). Therefore, innovation capability in this study is the ability of SMEs to develop new products according to market demand.

Sriram and Namitha (2021) identified factors that influence the perception of social media advertisements and their impact on customer purchase intentions. We conducted a survey and used exploratory factor analysis to determine which characteristics significantly influenced how people view social media ads. The effect of customer characteristics on purchase intention was investigated using structural equation modeling. The results show that creative features, attention-grabbing details, emotional appeal and celebrity popularity influenced how ads were evaluated on social media. The study showed that attention-grabbing details, celebrity popularity and emotional appeal significantly influence the customer's purchase intention. Sufficient emphasis on the aforementioned characteristics would contribute to the development of effective social media marketing and increase consumers' purchase intention. There are many benefits to having celebrity supporters. They draw attention well to the brand or product and its recall value increases. They are also able to create awareness and attention to it. The use of a celebrity label also raises the image of the product and brings it closer to the expectations of the consumer.

The expansion of competence in obtaining new information takes place in the case of collaboration between companies and external institutions. Collaboration between companies and institutions enables companies to search, find, use and interpret information (Forfás, 2005). The cooperation of SMEs has a positive effect on increasing knowledge, experience and knowledge so that each SME has ideas or ideas for the development of product and service innovation. The company and cooperation with foreign institutions allow expanding know-how and supporting the development

of new products. Piore and Sabel (1984) show that the competitiveness of the company and innovations are determined more by the company and the external network (Mytelka, 1991). The results of the study by Costa and Monteiro (2016) found a relationship between knowledge sharing, absorptive capacity and innovation. Strategic alliances between SMEs can overcome various barriers to growth. Therefore, the collaboration of SMEs has a positive effect on the results of SMEs. Collaboration has a significant impact on innovation.

Owners and managers of SMEs need up-to-date, accurate and timely accounting information to survive (Lohman, 2015; Amidu and Abor, 2016). The task of accounting systems is to analyze and control the financial position of companies, prepare documents for taxation and support many other organizational functions, such as production, marketing, human resource management and strategic planning. Without such a system, it is very difficult for SMEs to determine performance, identify customer and supplier account balances, and predict the future performance of the organization. According to Show (2012), no business can be successful in the long term if it does not know exactly where its profits come from, what its costs are, and how much it earns and spends each month - it needs accounting. But some small business or home business owners ignore any bookkeeping, thinking their businesses are too small to need it. Without even basic accounting, decisions and daily activities are based on assumptions, not facts. Small business accounting provides a snapshot of a business and its current financial position by identifying whether the business has cash and whether its debts and liabilities exceed current cash and receivables.

Sajiah *et al* (2021) investigated the impact of financial literacy on the performance of small and medium enterprises (SMEs) in Malaysia. Data were obtained from questionnaires distributed to 200 SME managers/owners. Regression analysis has often been used to test the effect of financial literacy on SME performance, controlling for manager profile and SME-specific characteristics. Research findings - Multiple regression results show that financial literacy has a positive and significant impact on SME performance. Financially literate managers/owners understand the financial concepts related to business, such as debt, savings, insurance and investments, that keep their business running well.

An analysis of the SME sector in Zambia (2014) by the Department of Commerce shows serious deficiencies in the management and technical skills of SMEs in the following key areas: First, strategic management skills, such as the ability to manage new businesses. Organizing markets and labor and capital to respond to changing markets, technologies and regulations. Such skills are usually acquired through family experience or formal training in business strategy development, followed by significant experience in modern businesses. Operational management skills such as those needed in manufacturing, finance, procurement and marketing to improve capital production and quality control. In addition, technical management skills such as actual technical knowledge to achieve desired quality and quantity.

Another study (Ali Qalati *et al*., 2021) [5] investigated the influence of technology, management and the environment as important factors in the performance of small and medium enterprises. This study examined the moderating

role of social media adoption. Items have been developed to measure different aspects of social media use in organizations, which contribute to increasing the measurement of social media use. For prospective research, this study used a closed questionnaire. The results indicate that technology, management and environment play a positive role in the performance of SMEs. More importantly, social media adoption mediates the relationships between technology, management, environment, and SME performance. The study also helps organizations understand the benefits of using social media and provides a rationale for organizations' investments in social media.

According to Treece (2015), to stay competitive in today's modern world, organizations must be innovative. Therefore, the million-dollar question in this field is "how to innovate", which is still attracting the attention of researchers. Claussen et al. (2013) addressed this challenge by focusing on previous questions and using historical theory to identify four new trends: open exploration, closed exploration, open use, and hard work. Researchers have shown that small firms are less innovative than large firms. Small businesses do not have the same access to new technologies as large companies. The survival of entrepreneurs in the 21st century depends on the available technology and the lack of technology can negatively affect a company's ability to survive and grow (Baloyi, 2010). Drucker (1985) pointed out that new technologies are more efficient, can produce more and are a source of profit for both small and large companies. Morse et al. (2007), technological capabilities benefit SMEs in several ways. In other words, technological capabilities improve small business efficiency, reduce costs, and expand market shares locally and internationally. As Lee (2001) points out, small firms that adopt high levels of technological innovation can be expected to grow faster than similar firms that do not. Romijn (2001), Yusuf et al. (2003) indicate that limited technological capabilities hinder and prevent SMEs from reaching their potential. According to Wendel (2012), countries with high technological growth also have high entrepreneurship growth. However, Kaufmann and Todtling (2002) refuted this misconception, as SMEs are more innovative because of their unusual character, but less innovative because of their financial and human resources.

Collaborative is defined in many ways that describe mutually beneficial cooperation 214 M. Mulyana / SJM 16 (1) (2021) 213 – 229 (Camarinha-Matos, 2009). SME Collaboration shows the cooperation of SMEs with external parties. The parties that can be involved with SMEs include fellow SMEs, groups of SMEs that have a structure, larger companies, the government, and universities. New product development can be created if there is an expansion in the various skills of SMEs due to collaboration between companies and external institutions. Collaborative networks with business partners will make them easier to share knowledge and information to improve innovation capabilities through relationships with clients, suppliers, competitors, and research organizations (Tsai, 2009). Collaborative networks can be developed vertically through clients, suppliers, and competitors and horizontally through research institutions, universities, and government support (Zeng et al., 2010). Collaborative networks as a means to build synergies for the development of organizational innovation for mutual progress (Ziemer et al., 2009; Najib et

al., 2014). Collaborative innovation networks are interactions with suppliers, customers, competitors, and research organizations that are designed for new product development (Najafi-Tavani et al., 2018). In this study, collaborative networks are interactions with suppliers, competitors, customers, and the government that is designed to strengthen innovation, competitive advantage, and business performance.

According to (Keller, 2014) The increasing competition to the compete market, causes companies to determine the right strategy in marketing their business products. Marketing is a social and managerial process by which individuals or groups to get what they need and want, by creating and offering and exchange value products with others. To maintain their market, several companies implement various strategies that are planned and directed to win the competition and produce good marketing performance, by knowing needs, meet the needs and tastes of consumers (Rodriguez & Morant, 2016) The marketing concept is used to measures the extent to which market achievements have been achieved by a product produced through the strategies by company (Bakti & Harun, 2011) The company's strategy is always directed to produce good marketing performance (such as sales volume and sales growth rate) as well as good financial performance.

3. Research Methodology/Design
3.1 Project Design/Approach
This was a descriptive design. Descriptive research is a design used to describe characteristics of a population or phenomenon being studied. It does not answer questions about how/when/why the characteristics occurred. Rather it addresses the "what" question (what are the characteristics of the population or situation being studied? (Shields, et al 2013).

3.2 Sampling Procedure
The researcher employed probability sampling so that every participant has equal chance of being selected in the study.

3.3 Target Population
McLeod (2019) defines the target population as the total group of individuals from which the sample might be drowned. For this particular study, the population of interest is indigenous small scale businesses in Chongwe constituency. A sample size of 100 SMEs was targeted from Chongwe. Schendeler, (2018), defines Sample size as a group of respondents consisting of part of the targeted population carefully selected to represent the population, (It is the specific number of the study area). The researcher chose a fairly small sample size so as facilitate meaningful depth of analysis in the light of time and resource constraints.

3.4 Data Collection Procedure
The researcher employed questionnaires as instruments of data collection. Questionnaires were framed according to the objectives of the research, which would be used as major themes. Each theme had a number of constructs that were designed as a way of obtaining primary data so that measurable concepts/ variables could be captured. The questionnaires for this study included both open-ended and closed ended questions. The traditional parts of the questionnaires such as demographic details, were included.

Structured and unstructured questions were also administered to the respondents. This helped the researcher to collect the right information from an individual due to the greater opportunity given to respondents. Also, a predetermined set of questions was used to lead the respondents towards giving the required information so as to meet the research objectives. The interviews method enabled the researcher to do most of the qualitative part of this research. In most cases, the data gained under this method of data collection tends to be more realistic. After collecting this qualitative data derived from the said interviews, a well thought of situation was analysed specifically on how to help about the different suggestions which were brought out by the various respondents.

The mode of administration of the questionnaires was a Face to Face (F2F). The researcher used this method because face to face generally yields highest cooperation and lowest refusal rates. Furthermore, this method allows for longer and more complex interviews with high response quality. Finally, the Face to Face interview takes advantage of the interviewer presence.

3.5 Data Analysis Techniques
A mixed research approach of quantitative and qualitative was used in this study. Creswell (2005) states that mixed methods approach: is a pragmatic worldview, collection of both quantitative and qualitative data sequentially in the design. A qualitative research aims at describing, making sense of, interpreting or reconstructing in terms of the meanings that the subjects express (Thyer, 2001). This method is most suitable for this study to capture stories of respondent's experiences. Similarly, in quantitative research, data can be collected from many participants at many research sites by administering questionnaires. Researchers rely on gathering information either by sending or administering testing instruments to participants. Data is usually collected through the use of numbers which can be statistically analysed (Kumar 2011:168). The research used Statistical Package for Social Sciences (SPSS) software to analyse the data collected. For presentation of data, simple percentage method was adopted to show the respondents' perceptions about the questions raised in the questionnaires. Furthermore, the researcher also used a descriptive narrative content about the other constructs in the research questions.

In addition, the study carried out triangulation which is a process of checking the data collected whether it is correct. Basically, triangulation is a technique that is common in non-quantitative studies. The researchers normally base their research on a variety of origins of the data (Creswell, 2014). The approach of triangulation is widely accepted in qualitative studies because it strengthens the investigation because of its application of numerous approaches and theories. In this study the researcher applied triangulation by employing a variety sources in data collection. Firstly, the researcher employed questionnaires to collect primary data from the respondents. Secondly, the researcher employed phone call and also made some relevant review of literature to ensure that proper triangulation is achieve.

4. Results and Discussion
4.1 Results/ Research findings
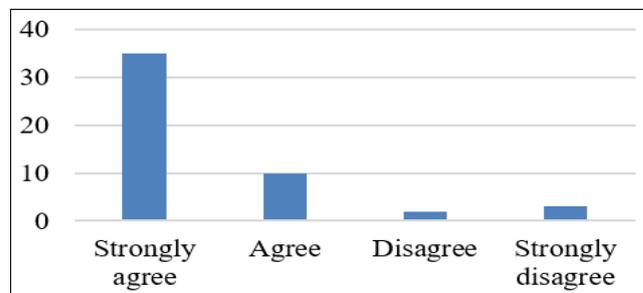*Management and survival strategies used by indigenous small scale*

Fig 1: To what extent you agree that Financial Literacy is important for SMEs

The researcher sort to determine the perception of the respondents on how they rated the importance of Financial Literacy as SMEs Fig 1 show that that most SMEs strongly agree that financial literacy was importance for SMEs to grow as 35% of the respondents strongly agreed to that effect whilst 10% agreed and only 2% and 4% strongly disagreed and disagreed respectively.
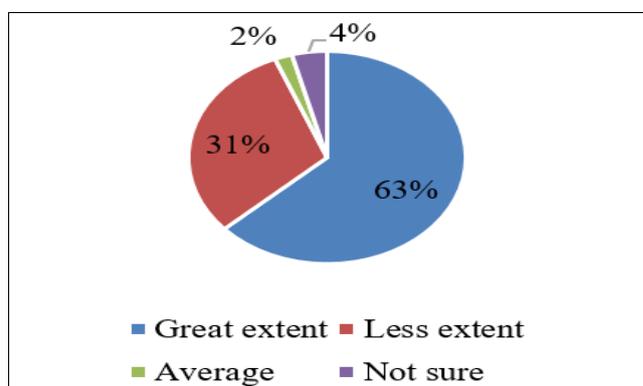

Fig 1.1: To what extent financial literacy programs benefits SMEs

The researcher sort to determine the perception of the respondents on how they rated the benefit of Financial Literacy on their business performance. Figures 1.1 show that that most SMEs strongly agree that financial literacy was importance for SMEs to grow as 63% of the respondents rated it great extent whilst 31% rated it less extent and only 4% and 2% rated it not sure and average respectively.
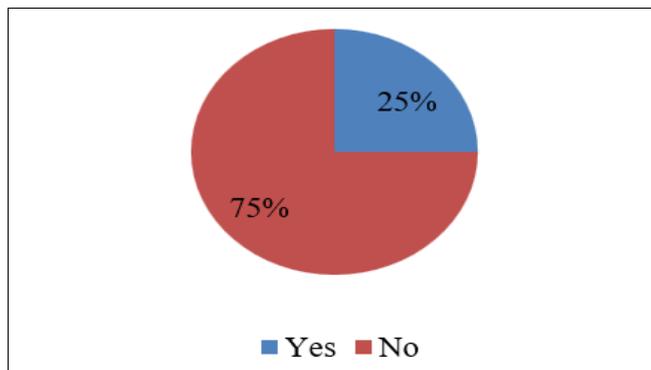
Fig 1.2: Do you maintain proper books of accounts

The researcher sort to determine the business accounting practices used among SMEs in terms of keeping proper books of accounts. Figure 1.2 shows that 75% of the respondents do not maintain proper books of accounting whilst only 25% indicated that they do.
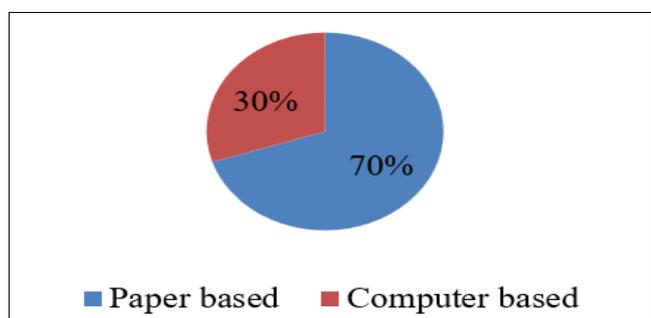

Fig 1.2.1

Figure 1.2.1 above shows that 70% of the respondents had paper based method of record keeping whilst 30% represented computer based method of record keeping.
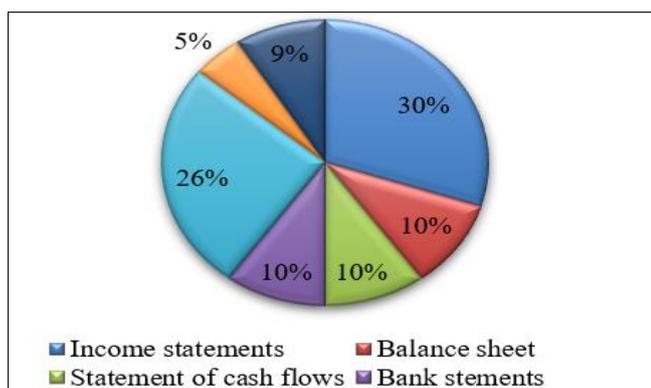

Fig 1.3: What type of accounting records do you keep for your business

Figure 1.3 shows the different types of accounting records that SMEs maintain for their businesses. 30% indicated that they kept income statements, 26% kept invoices, 10% balance sheet, 10% statement of cash flows, 10% bank statements, 9% cash receipts and 5% payroll records.
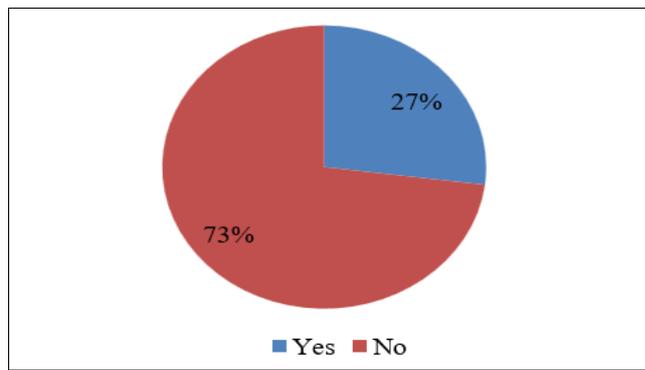
Fig 1.4: Do you have qualified accountants

Figure 1.4 shows 73% of the respondents don't have qualified accountants whilst only 27% employed qualified accountants.

Table 1: Reasons for not having qualified accountants

Factors	Frequency	Percent
High cost of hiring qualified accountant	46	46.00
Lack of accounting knowledge	22	22.00
Accounting difficulty to understand	13	13.00
Accounting reports do not add value to business	19	19.00
Total	**100**	**100**

Table 1 above the reasons for employing qualified accountants. 46% of the respondents indicated that high cost of hiring qualified accountant, 22% said lack of accounting knowledge, 13% accounting difficulty to understand and 19% accounting reports do not add value to business.
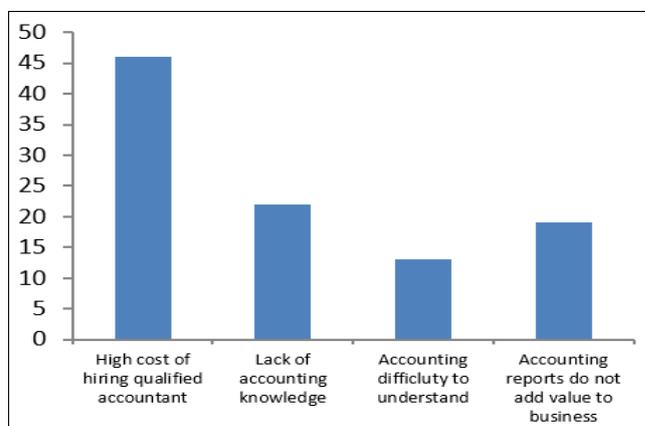

Fig 1.5: Reasons for not having qualified accountants

The researcher interviewed the owner managers as to why they did not have qualified accounting personnel. Figure 1.5 shows the responses. 46% of the respondents indicated that high cost of hiring qualified accountant, 22% said lack of accounting knowledge, 13% accounting difficulty to understand and 19% accounting reports do not add value to business.
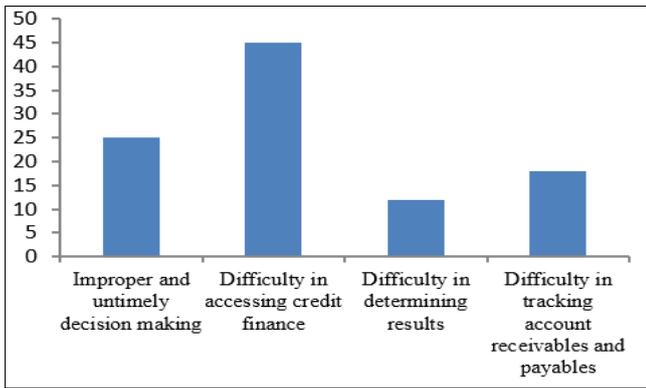
Fig 1.6: Effects of Improper Accounting Records

The researcher interviewed the owner managers find out what they thought were the effects of improper accounting records. Figure 1.6 shows that 45% indicated that they faced difficulties in accessing credit finance, 25% improper and untimely decision making, and 18% difficulty in tracking account receivables and payables, whilst 12% indicated that they had difficulty in determining results of the business.

Effectiveness of innovation on the profitability of indigenous small scale businesses
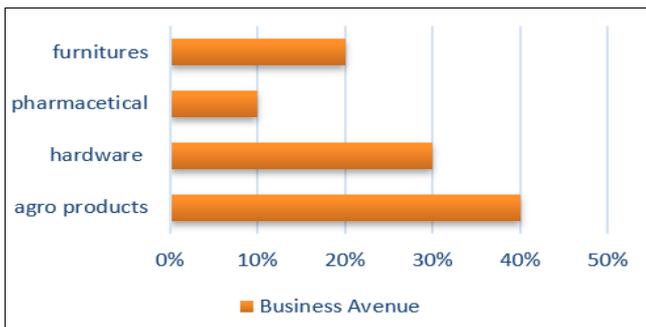
Fig 1.7: Shows business avenues utilized by SMEs in Chongwe

The researcher sort to determine the business avenues utilized by SMEs in Chongwe. The finding show that that 40% of SMEs are agro shops, 30% are hardware, 20% are in furniture making and only 10% are pharmaceutical.
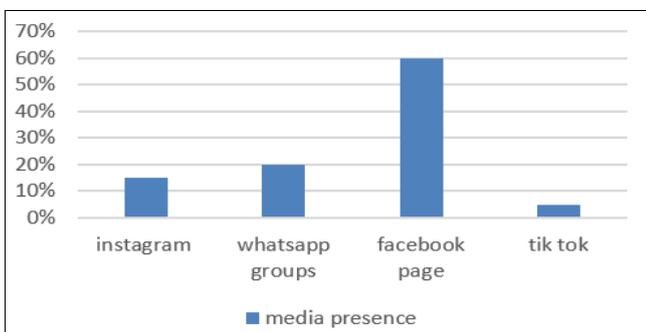
Fig 1.8: Effect of social media advertisement on SMEs profitability

The study shows the effect of social media advertisement on SMEs profitability. Distribution of how the respondents thought, 60% use Facebook to market their business, 20% use Whatsapp to market to contact list, 15% use Instagram to market, 5 % use Tik Tok.
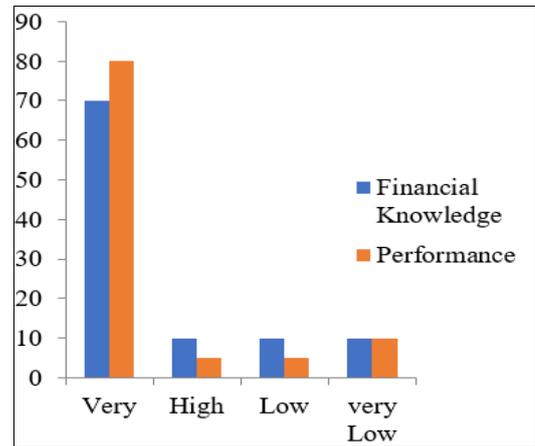
Fig 1.9: Financial Knowledge vs SMEs performance

Figure 1.9 shows a comparison between financial knowledge and SMEs performance. The results show that where there was high rate of financial knowledge, there was also a significant increase in SMEs performance.
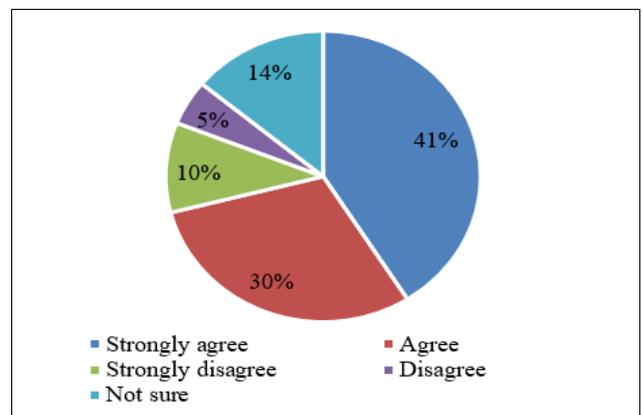

Fig 2: Innovation as a key source for achieving competitive edge for firms

Figure 2.0 shows the extent to which respondents believed innovation as a key source for achieving competitive edge for all firms. 41% of the respondents strongly agreed with this assertion, 30 agreed, and 14% were not sure, 10% strongly disagreed, 5% disagreed.
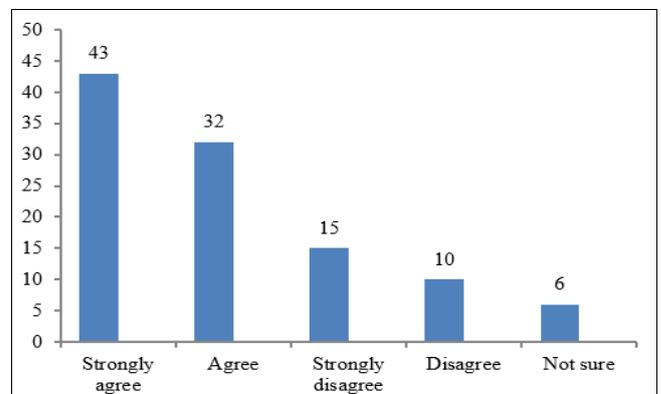

Fig 2.1: Financial performance increased with innovation level

Figure 2.1 shows the responses of the SMEs with regards the assertion that Financial performance of firms increased with the increase in innovation level.43% of the respondents

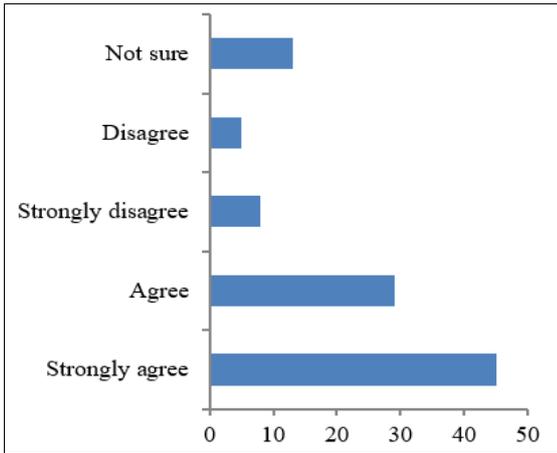strongly agreed with the assertion, 32% agreed, 15% strongly disagreed, 10% disagreed whilst 6% were not sure.

Fig 2.2: Entrepreneurial technological innovation affects significantly SMEs growth

Figure 2.2 shows the distribution of how the respondents thought about Entrepreneurial technological innovation affects significantly SMEs growth 45% strongly agreed, 29% agreed, 13% were not sure, 8 % strongly disagreed whilst only 5% disagreed that Managerial competencies have positive influence performance of SMEs.

Business innovation and creativity practices utilized among indigenous SSB
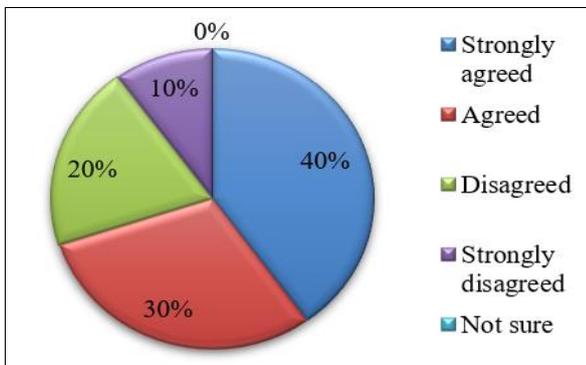
Fig 2.3: Reduced Cost of production

The findings show that there was a direct positive correlation when SMEs used business marketing and networking strategies as 40% of the respondents strongly agreed that they experienced reduced cost in production. This also shows a positive impact on profits as indicated in figure 2.3 above. The findings indicate a rise in profits for the SMEs.
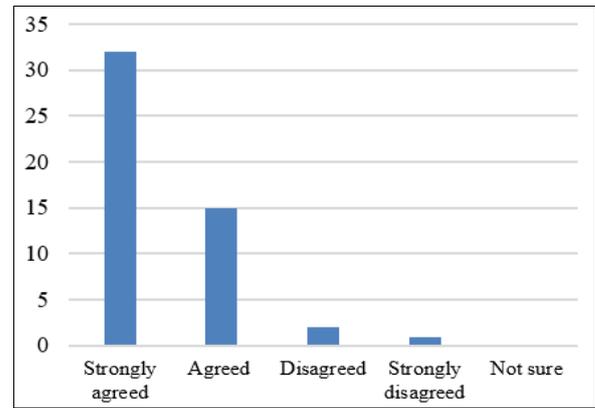

Fig 2.4: Positive impact on profits

The findings show that SMEs experienced a positive impact in their profits when they utilized networking strategies.
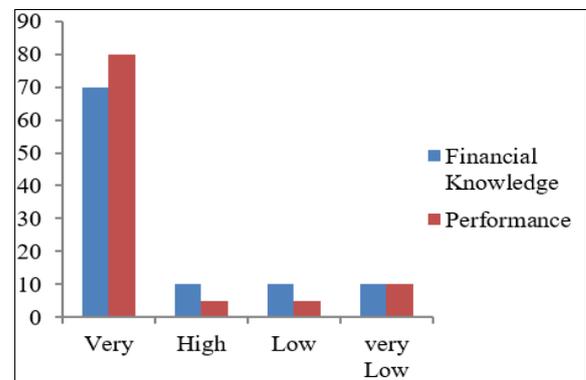

Fig 2.5: Financial Knowledge vs SMEs performance

Figure 2.5 shows a comparison between financial knowledge and SMEs performance. The results show that where there was a high rate of financial knowledge, there was also a significant increase in SMEs performance.
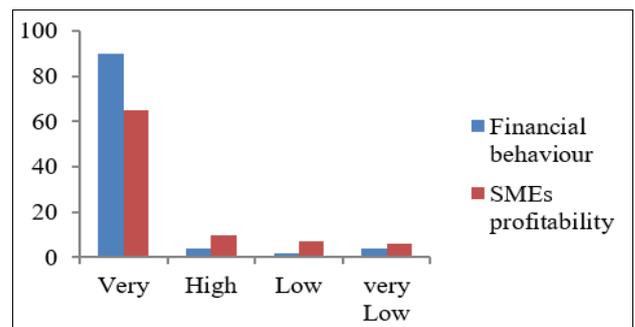

Fig 2.6: Financial behaviour and SMEs profitability

Figure 2.6 shows comparisons between financial behavior and SMEs performance. The results show that where there was a high rate of financial behaviour, there was also a significant increase in SMEs profitability.

Survival Strategies and Sustainability of Small and Medium Enterprises in a Volatile Environment
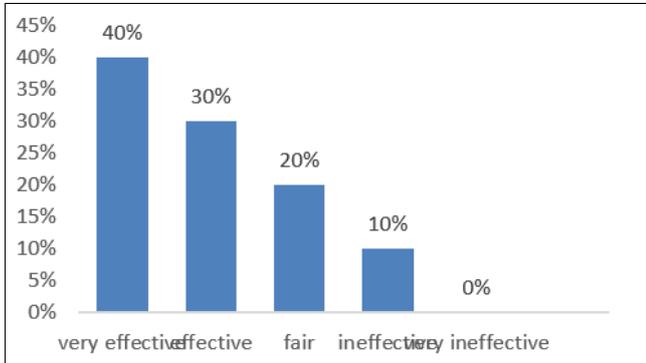*Use of SME collaborative networks and its Performance?*

Fig 2.7: Shows the effects of SMEs collaboration on its Performance

The findings show that there was positive correlation between SMEs Collaboration and its performance. Collaboration strategies show 40% very effective, 30% effective, 20% fair, 10% ineffective and 0% very ineffective.

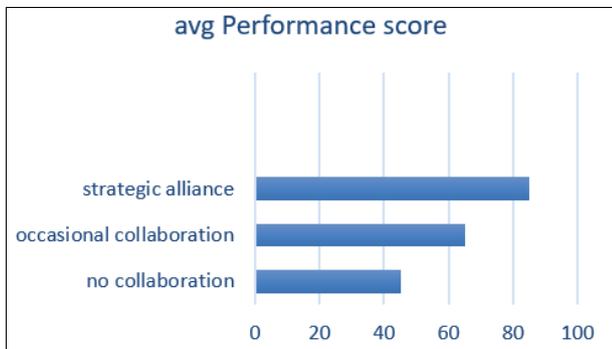**What effect does SME collaborative networks have on its Performance?**

Fig 2.8: Effects of SMEs collaboration on its Performance

The findings show that there was positive correlation between SMEs Collaboration and its performance on a scale from (1-100). No collaboration, SMEs operating independently achieved the lowest average performance score of 45, Occasional collaboration score, SMEs engaging in some level of partnership showed an improvement in performance, rising to average score of 65 and Strategic alliance collaboration SMEs with the highest level of

intertwined strategic partnerships demonstrated the strongest performance with an average score of 85.
This data strongly suggests that collaboration is a beneficial strategy for SMEs seeking to enhance their performance.
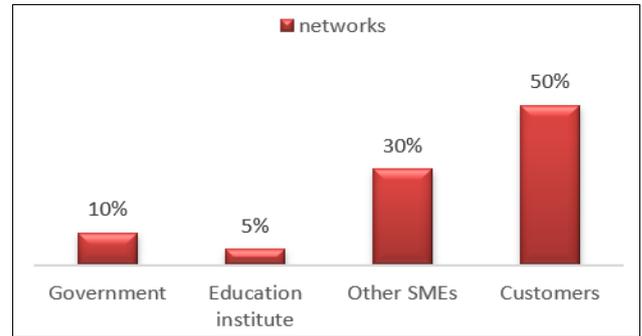

Fig 2.9: Shows most utilized networks by SMEs

The findings revealed that 50% of SMEs network with customers to keep the relationship, 30% network with other SMEs to gain competitive advantage against large companies, 5% network with education institution to gain knowledge and skill and 10% network with Government to access funds and land for trading.
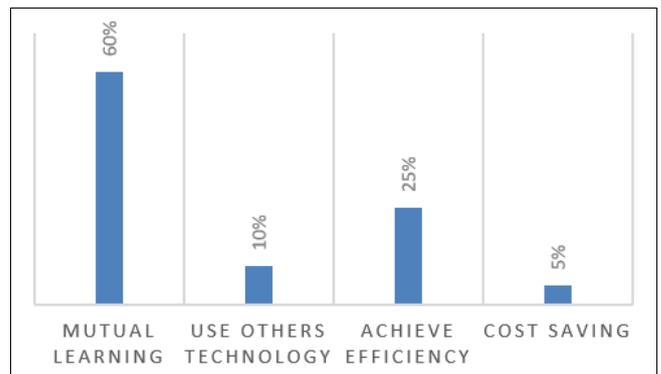

Fig 3: What benefit is strategic collaboration to SMEs partners

Result shows that, 60% Improved mutual learning experience, 20% helps SMEs steal other companies' technology and gain its capabilities, 25% achieve efficiency by minimizing the generation of redundant work and fostering efficiency and states that 5% SMEs economies of scale can be achieved significantly reducing the required costs, shows 50% benefited SMEs by enabling them.
According to the findings, cooperation between SMEs and other organizations led to market access in the same field. Increase sales and gain competitive advantage that allows small businesses to increase profits, allows SMEs to reduce costs and achieve economic growth. Gain access to markets in different industries. Complement critical skills and develop new technologies.

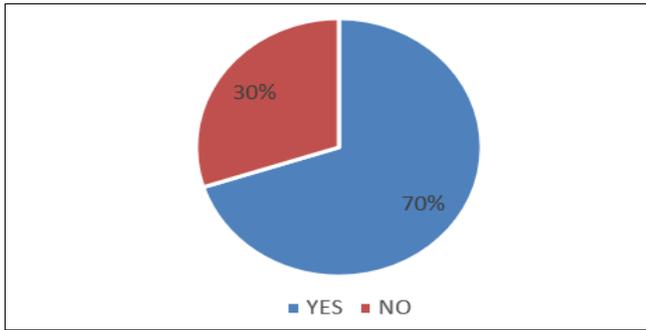*What Marketing strategies have SMEs developed to increase sales?*

Fig 3.1: Does SME location improve business growth

Respondent revealed that 70% of the SMEs responded that, YES there is a positive relationship between business growth and business location, while 20% responded that, NO there is no relationship. Therefore, the results indicate that location plays an important role in determining growth opportunities for small businesses.
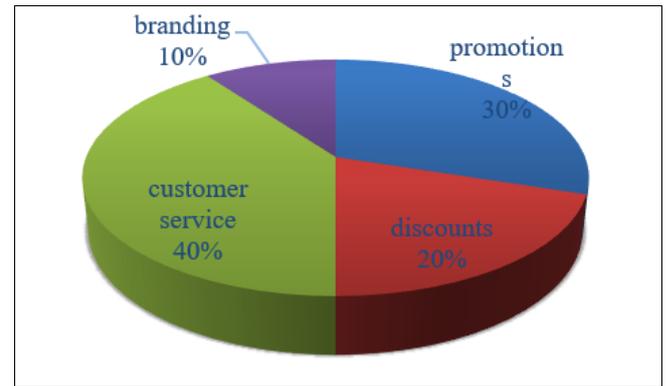

Fig 3.2: The Rate of SMEs which practiced marketing activities

The findings revealed that, 30% SMEs use marketing activities, 20% SMEs where not sure, '' 50% SMEs would not use it. This result shows that the majority of SMEs do not market their business.

Responses regarding the types of marketing activities used by small businesses.

Fig 3.3: What marketing platforms used by SMEs

The findings revealed that 22% of SMEs promote their products on local radio stations, 38% of SMEs work closely with customers to market their products, 10% of SMEs use mega phones.

This result shows that very few small and medium-sized enterprises selling their products in Chongwe utilize local radio stations.

Fig 3.4: Shows influence of marketing strategies by SMEs on business Performance

The respondent said that customer service improves business performance by 40%, promotions by 30%, offering discount 20% and SME branding by 10%.
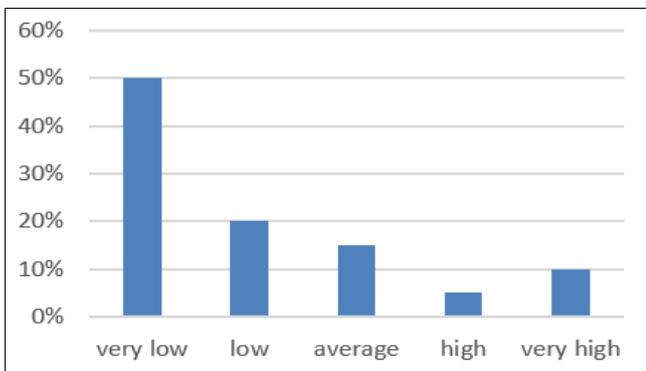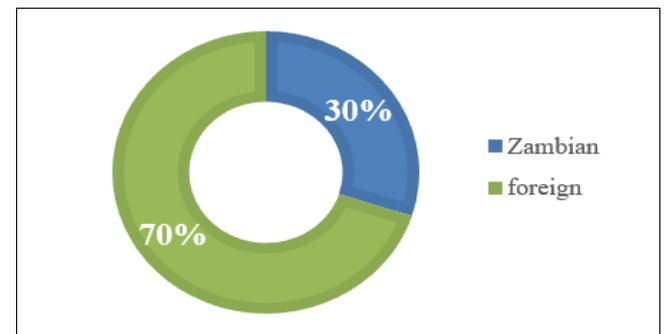

Fig 3.5: Shows SMEs performance in relation with business Ownership

The finding revealed that foreign owned SMEs performed very well representing 70%, while most Zambian owned SMEs represented 30%.
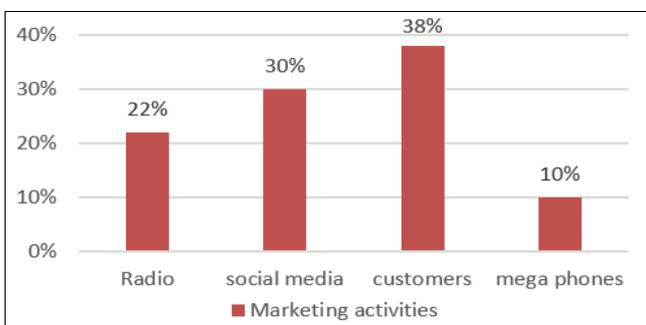

Fig 3.6: Cost leadership strategy significant influence on sustainability of business

The researcher interviewed the respondents to find out if they Cost leadership strategy (CLS) has significant influence on the sustainability of their business. The findings indicate that most of the SMEs depend on this survival strategy as 70% agreed that the use of Cost leadership strategy was very significant influence on sustainability of their businesses.
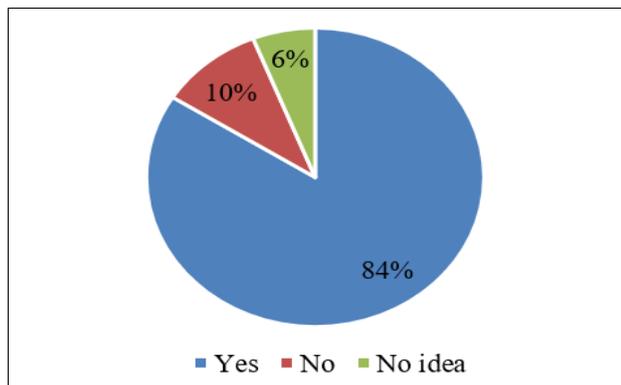
Fig 3.7: Cost Focus Strategy influenced sustainability of your business

The researcher interviewed the respondents to find out if they Cost Focus Strategy (CFS) has significant influence on the sustainability of their business. The findings indicate that most of the SMEs depend on this survival strategy as 84% agreed that the use of Cost leadership strategy was very significant influence on sustainability of their businesses.

Fig 3.8: Combination of Strategies influenced sustainability your business

The researcher interviewed the respondents to find out if the Combination of Strategies (CoS) has significant influence on the sustainability of their business. The findings indicate that most of the SMEs depend on this survival strategy as 76% agreed that the use of Cost leadership strategy was very significant influence on sustainability of their businesses.
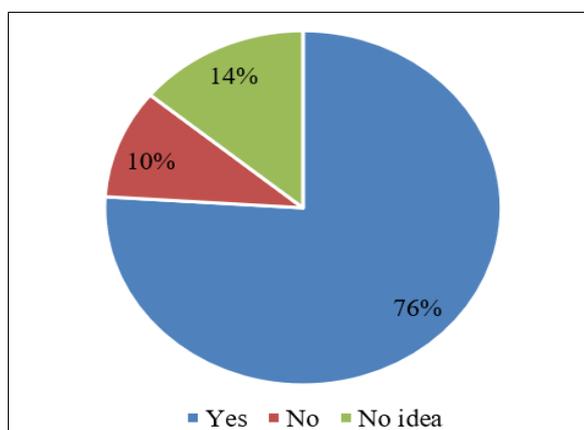
4.2 Discussion and Interpretation of Research Findings
In order to determine the management strategies of the selected SMEs under study, questionnaires, interviews and focus group discussions were conducted with managers and employees from the enterprises. The researcher sort to determine the business accounting practices used among SMEs in terms of keeping proper books of accounts, method of record, type of records do you keep for your business, whether they have qualified accountants, the reason for not having qualified accountants, able to determine profit and loss for your business and effects of improper accounting records?

It was established from the study that most SMEs do not maintain proper books of accounts as 70% of the respondents indicated that they had no proper books of accounts. Further the study found that the few SMEs who kept books of accounts mostly were income statements and invoices. The study revealed that the majority of SMEs did not have qualified accountants to do their books and that the reason behind this scenario was that most of the SMEs felt that it was costly to hire qualified accountants and that they lacked accounting knowledge regarding the importance of having these qualified accountants.

These findings agree with the findings of Plakalovi (2015) who found that most SMEs managers are not able to perform accurate calculations and lack numeracy skills especially elderly, female and less educated population.

The findings from the study uncover that majority of the respondents have adequate financial knowledge as the higher percentage could answer the basic financial knowledge questions that were drawn from the financial literacy questionnaire correctly. It was established that SMES with financial knowledge there was a high rate of, there was also a significant increase in SMEs performance also a significant increase in SMEs profitability.

The findings agree with empirical evidence by Robb (2014) who found that financial knowledge influences positive financial behavior. Robb (2014) added that for effective decision makings, financial knowledge is very critical. The findings of Burke and Manz (2014) suggested that knowledge of inflation is an important determinant of financial behavior such as taking debts, opening savings account to mention a few. Also, Lusardi and Mitchell (2014) concluded from their study on economic importance of financial literacy that financial knowledge is an investment in human capital that is important for wealth accumulation.

The study established that innovation was key source for achieving competative advantage for most SMEs. It was found that the majority of the SMEs felt that with innovative and creativity their business would grow and hence make more profits. Further, the the results of the study showed that financial performance of firms increased with the increase in innovation level as 75 % of the respondents indicated that they felt that financincail performance of firms increased with the increase of in innovation level. The study also established that managerial competencies and Entrepreneurial technological innovation affects significantly SMEs growth.

In today's environment, creating sustainable value for customers and shareholders requires building effective collaboration. With the rapid growth of wealth in emerging global economies, the basis of competitive advantage is increasingly shifting from internal capabilities to network capabilities. Therefore, SMEs need to adopt strategic collaboration to cope with the ever-changing environment. Ireland *et al.* (2012) found that strategic collaboration allows firms to share resources and learn, thereby gaining competitive advantage in the competitive business world. Gomes (2006) found that the main purpose of alliances is to create added value with varying emphasis on trade, competence, information/knowledge acquisition, or overcoming barriers. Our previous findings are consistent with research showing that strategic collaboration allows partners to improve and manage business relationships in a variety of ways. Additionally, the study found that collaboration enhances mutual learning experiences and helps small businesses steal and leverage other companies' technology.

As companies face pressure from increased competition, increased product complexity, and shorter product lifecycles, many companies believe they need to change the

way they develop new technologies, products, and services. They realize that they can no longer run their business on their own and must collaborate with others to gain a competitive advantage over their competitors. Due to increasing competition in the global market, strategic collaboration continues to be one of the key business strategies. Introducing collaboration between SMEs and other organizations leads to improved business performance through access to markets, increased adoption of SME products, increased sales, increased profits, as well as cost reductions and the development of new technologies.

The finding shows that strategic cooperation among companies increases production capacity, reduces uncertainty in internal structures and the external environment, and provides competitive advantages that enable increased profits and capture future business opportunities. To achieve higher market value of products. Wheelan and Hungar (2010) argue that companies continue to form alliances to acquire technology, reduce financial risk, reduce political risk, gain access to specific niche markets, and gain competitive advantage.

4.3 Conclusion

The purpose of this study was to examine the effects of business innovation among indigenous small scale businesses in Chongwe constituency.

This study investigates the impact of innovation on small business performance. The target group of the study was 100 small and medium-sized enterprises in Chongwe Constituency. Additionally, this study used both descriptive and regression analyzes to estimate the impact of innovation. In the previous section, the analysis was performed and the results were presented. This study investigated small and medium-sized enterprises in Chongwe Constituency and found that these small and medium-sized enterprises are male-dominated. The majority of employees/owners are young, single, and university educated. In contrast, the majority of SMEs targeted are small businesses with one to five employees and have been in existence for at most five years. Our regression results show that innovation has a significant impact on the performance of SMEs in Chongwe Constituency. For these SMEs, the effects of product innovation, marketing innovation, and organizational innovation are statistically significant. Therefore, this study concludes that innovation has a positive impact on firm performance. The results of this study are consistent with those of Rosli & Sidek (2013), Terziovski (2010), Ndalira, Ngugi & Chepkulei (2013), and Twaliwi & Isaac (2017). This result is also consistent with theories that emphasize the importance of innovation for firm performance.

4.4 Recommendations for Research

This section makes recommendations based on the outcomes of the study. The aim of the study was to analyze determinants of Business growth of Small and Medium Scale Enterprises (SMEs) with the focus of Chongwe constituency. Moving forward, with regard of the data generated from the study, SMEs contribute to more than 70% of the country's GDP and therefore, it is of utmost importance that all stakeholders consider implementing the following recommendations in to enhance growth in the SME sector.

Ministry of Local Government: As the ministry with the mandate to formulate policies in the local authority. The sector should ensure that it comes up with a legal framework that will help councils formulate robust and efficient licensing procedures for new business in the districts.

Ministry of Finance: As a Ministry vested to raise funds and make budgetary allocations for startups for SMEs through the newly formed ministry dealing with SMEs in Zambia. Further, the study recommends that the Ministry of Commerce should formulate a fund that will be used as a revolving fund for SMEs and also provide enabling environments for SMEs who may be facing stiff competition with other multi -national companies from the Chinese investors.

Other Stakeholders

Government agencies along with micro finance institutions and banks should organize financial education programs that will create awareness on areas that are lacking such as more effective sources of funds for startup businesses. This will encourage SMEs to expand and grow in areas they are lacking. Financial education programs will not only improve the growth of the enterprises but also the entire economy as MSE's contributes so much to the economies where they exist.

5. Acknowledgements

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