

## **Entrepreneurial Networking Relations and Growth of Small and Medium Enterprises in Kenya**

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### **Abstract**

The purpose of this study was to determine effects of entrepreneurial networking relations on growth of Small and Medium Enterprises in Kenya. This study was guided by entrepreneurial networking and entrepreneurship theories. Study employed mixed research design and stratified and simple sampling techniques were employed to obtain 375 SMEs from target population of 2,354 SMEs. Descriptive statistics was used to summarize data and inferential statistic (regressions) was employed to test hypotheses. The study found that Entrepreneurial networking relations had positive significant influence on growth of Small and Medium Enterprises in Kenya. The study further revealed that entrepreneurs require both structured (closed) and weak relations at different stages of enterprise growth. The study established that weak (business) networking relations generated innovative resources and information that had positive effects on entrepreneurial outcomes. The study recommends that the government as a policy setting organ to come up with conducive regulatory policies that encourage SME entrepreneurs to participate in entrepreneurial networking to address some of the challenges that inhibit growth of enterprises. The study also recommends that SME entrepreneurs should configure valuable entrepreneurial networking to access resources and information that enhance growth of enterprises.

**Keywords:** Entrepreneurial Networking Relations, Growth of Small and Medium Enterprises.

**Background of the Study**

The Small and Medium Enterprises (SMEs) are acknowledged all over the world as important drivers of economic growth and economic development in terms of new job creation, contribution towards GDP and promotion of entrepreneurial culture (Lori et al., 2018). The study by Ruchkina et al (2017) in USA, Japan, Italy and Netherland found that SMEs account for 90 percent of the total enterprises. Similar to study done by KNBS (2020) in Kenya found that states MSMEs account for 90 percent of firms. Odhiambo et al (2019) observe that growth of SMEs are significant to economic growth since they cut across all sectors of the economy and they further note growth of SMEs is likely to have multiply effect to the economy. This implies that any measure or intervention aimed at expanding SME sectors may ultimately expand the entire economic growth of Kenya. This means that growth of SMEs may assist the Kenya government to tackle problem of social problems such as unemployment.

Despite the important roles played by SMEs in economy of Kenya, their growth has been a concern. The study by Linguli et al (2016) in Kenya found that 3 out of 5 SMEs don't celebrate their fifth birthdays. This implies that failure rate of SMEs in Kenya is 60 percent far above average world of 40 percent (Mandakini & Goswami, 2019). Makwara (2019) observes that high failure rate and low growth of SMEs increase net destruction of jobs created, cause huge losses and suffering to SME owners and reduction in government revenues. Thus there is an urgent need of measures that will mitigate challenges facing SMEs in order to enhance their growth to enable them perform their social and economic functions effectively and efficiently. Brand et al (2018) note that entrepreneurial networking relations may position firms to address challenges hindering growth. Hostovesky and Polacik (2016) define entrepreneurial networking as a voluntary active process where an entrepreneur or a team of entrepreneurs continually form relations to further business activities. Leyden, Link and Siegel (2014) perceive two types of networking relations: structural and hole relations.

According to Lin (2018), entrepreneurs' action and effort are fundamental in configuration of workable networking relations to enhance entrepreneurial outcomes. The argument is in line with Schumpeter innovative entrepreneurship theory which holds that an entrepreneur actively invent and innovate entrepreneurial organisations that disrupt market equilibrium to enhance entrepreneurial outcomes. The study by Agbim et al (2014) in Nigeria found that entrepreneurial networking relations determine where a firm reach for assistance (depend on other enterprises resources), information on innovations in industry and collaboration along the supply chain of products to enhance growth of their enterprises. This meant that entrepreneurial networking relation is paradigm shift that enables enterprises to address inadequate resources and information. However, there was no empirical studies in Kenya explaining effect of entrepreneurial networking on growth of SMEs. Thus, the current study was imperative as it attempted to create insight of entrepreneurial networking on growth of SMEs in Kenya. Secondly, the findings of studies done in developed countries could not be seamless applicable in Kenya. The SMEs in Kenya experience different legislations and economic conditions.

**Statement of the Problem**

Despite important roles played by SMEs in socioeconomic development of Kenya, their growth has been a concern and continues to attract the attention of researchers with the view of identifying measures that can enhance growth of Small and Medium Enterprises. Bwisa (2011) observes that suitable entrepreneurial networking relations may provide mechanism for SMEs to mitigate challenges hindering their growth and high failure rate. Thus,

there was need of urgent empirical studies to examine effects entrepreneurial networking relations on growth of SMEs in Kenya. The previous studies done in Kenya never analysed effects of business, friends and family networking relation on growth of SMEs. Thus, it was imperative to conduct current study as it hoped to create insight on effect of entrepreneurial networking relations on growth of SMEs and informs policy makers.

### **Study Objective**

Determine the influence of entrepreneurial networking relations on growth of small and medium enterprises in Kenya.

### **Research Hypothesis**

**H<sub>0</sub>:** there is no statistically significant relationship between entrepreneurial networking relations and growth of SMEs.

### **Justification of the Study**

The findings of the study is hoped to create insight among policy makers effects of entrepreneurial networking relations on where the SME operator reached for assistance in addressing challenges hindering growth of SMEs in Kenya. The SME operators are hoped to be informed on effective networking relations to employ during different cycle of businesses growth. The study is hoped to contribute to academic discourse entrepreneurial networking on growth of SMEs.

### **Scope of the Study**

The scope of the study defines the boundaries of coverage and limits the study to relevant areas of concern. The study was conducted in Kenya by considering Nairobi represented cities counties, Nakuru represented big municipalities counties and Trans Nzoia represented rural Counties in order create a miniature of Kenya. The study only analyzed effects of entrepreneurial networking relations (businesses, friends and family) on SMEs.

### **Literature Review**

#### *Theoretical framework*

#### **a. Innovation Entrepreneurship Theory**

According to Schumpeterian entrepreneurship innovation theory, entrepreneurship is a catalyst that disrupts the stationary circular of the economy and thereby initiates and sustains the process of economic development through innovations. According to Schumpeter, an entrepreneur is an innovator who carries out new business organization to disrupt market forces. Schumpeter (1949) accorded an entrepreneur the role invention and innovations that disrupted market equilibrium and resulted into economic growth. Entrepreneurial networking is a form of innovative business organization that allows entrepreneurs to come up with new order to execute enterprises functions. Brand et al (2018) argued that entrepreneurial networking relations create a synergy for entrepreneurs to share resources and ideas.

#### **b. Entrepreneurial Networking Theory**

Walker et al (1997) hold that entrepreneurs are embedded in networks of enduring social relations. Nair et al (2016) perceive that entrepreneurial networking relations provide mechanism for dependency on others resources and subsequently create social capital to

enhance entrepreneurial outcomes. Burt (2015) posits that entrepreneurial networking is a paradigm shift where an entrepreneur networks with other entrepreneurs and enterprises to access resources and information to enhance entrepreneurial outcomes.

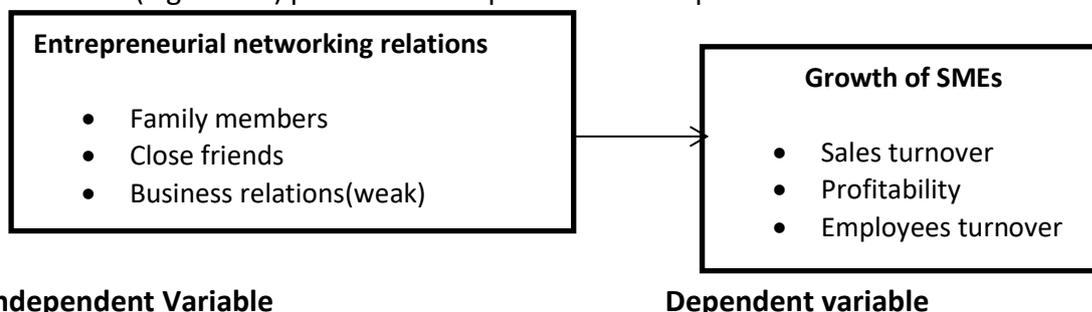
Stam et al (2014) identify various types entrepreneurial networking relations: weak versus strong relations. Kim and Lee (2016) observe that family and friends networks are strong network relations that provide initial resources to nascent entrepreneurs, while businesses and institutions networks are weak network relations responsible for invention and innovations aspects of enterprises.

Napiat and Ghoshal (1998) hold that entrepreneurial networking provide mechanism for an entrepreneur to access both virtual and actual resources to complement entrepreneur’s resources to enhance entrepreneurial outcomes. Burt (2017) posits that an entrepreneur must undertake SWOT analysis of an enterprise before entering into strategic networking relationships. Namusonge (2017) holds that if SWOT analysis is not done, some entrepreneurial networking if not carefully evaluated may result into redundant resources and waste of time.

Leyden, Link and Siegel (2014) note that an entrepreneur continuously engages in formation of entrepreneurial networking relations that are either strategic or supply base. The assumption of strategic relations holds that an entrepreneur enters into networking arrangements with other networking partners to secure strategic resources and innovations that enhances enterprise activities outside the firms’ boundaries. Bwisa (2011) observes that entrepreneur’s wide networking increase an entrepreneur’s ability to acquire more information and there is greater probability for his/ her innovations success. The theory was adequate in guiding the study. Similar Abbas et al (2019) examined influence of entrepreneurial networking on growth of small and medium enterprises in Pakistan. Entrepreneurial networking theory provided concepts and constructs for examining influence of entrepreneurial networking on growth of SMEs. The theory attempts to provide an alternative to organise entrepreneurship activities outside the firms’ boundaries.

**Conceptual Framework**

The conceptual framework model shows diagrammatically the relationships between independent and dependent variables in the study (Kothari, 2004). Entrepreneurial networking theory and entrepreneurship theory provided concepts and constructs to examine influence of entrepreneurial networking on growth of SMEs. The conceptual framework (Figure 2.1) presented independent and dependent variables.



**Independent Variable**

**Dependent variable**

Figure 2.1: Conceptual framework

**Literature review**

Nair et al (2016) observe that networking relations refer to nature of relations that exist between networking partners. The authors further note that relations can weak or strong

determine sharing of innovation, resources or knowledge about market intelligences. Khan et al (2017) evaluated effects of entrepreneurial networking on growth of SMEs in German. The study employed descriptive survey design. The study found that structural networking (strategic alliances) eased access to resources.

The study further established that that family networks had strong bonds that were difficult to admit or exit. The current study employed mixed research design.

Nee et al (2017) examined effects of family networks on growth of SMEs in USA. The study found that family networking provided capital to nascent SMEs without stringent conditions. The study further revealed that family networks prevent admission of non-family members. The study implied that family networks were critical in promotion of entrepreneurial culture in the country. The study considered three types of networking relations: business, friends and family.

Hoang and Yi (2015) examined effects of entrepreneurial networking relationship on growth of SMEs in China. The study employed qualitative approach and data was collected through interview guide. The study found that family networks provided coaching and mentorship that enhanced entrepreneurial culture in the community. The study further disclosed that family networks were unable to provide evolving resources for growth of SMEs. Lee et al (2017) argued that nascent entrepreneurs lacked valuable networking arrangements and necessary experiences thus relied on family and close friends networking for referral to other networks in Korea. The current study evaluated types structured networks that yielded entrepreneurial information and resources.

Brand et al (2018) analyzed effects of networking holes (business) networking on growth of SMEs under franchised networking in Dutch. The study employed descriptive survey design and structured questionnaire was used to collect data. The study found that business networking provided financial evolving resources for growth of SMEs. The study established that networking holes provided entrepreneurial innovations and information that improved firm's commodity and processes. The study further established that networking holes allowed networking businesses switching networking partners as the need of business changes. The current study filled literature gaps by considering SMEs from developing countries and contextual gaps was filled by considering both structural (closed) and weak networking (Holes)

Arregle et al (2015) evaluated the effects family (closed) networking on growth of enterprises in German. The employed quantitative approach and the study found that family members compelled some member to venture into entrepreneurship as careers. The study further established that family members provided resources that insignificant effect on entrepreneurial outcomes. The current study attempted to fill these gaps by employing mixed approach to answer why, what and how questions. The study also attempted analyzed both family and business networking to be able to identify why and where a business may require what type of network.

Mwangi and Namusonge (2018) examined effects networking family networking on entrepreneurial outcomes of Micro and Small Enterprises in Kiambu, Kenya. The employed quantitative approach and the study established that family networking was vital in provision of initial capital. The study did not consider effects on growth and other entrepreneurial outcomes. The current study attempted to effects of family networking entrepreneurial outcomes measured by growth, inventions and innovations of commodities.

Okatch and Katambo (2016) evaluated effects of networking relation on performance of auditing SMEs in Nairobi Kenya. The study found networking relation improved performance

auditing firms by providing referrals. Similar to Kero et al (2017) who found that family members and closed friend network provided resources easily without security. The study further established that closed friends and family networks had positive effects on promotion of entrepreneurial culture. The current study aimed to establish effects of these networking relations (closed, structural and hole) on growth of SMEs in Kenya by considering three counties.

Buyayi et al (2016) examined effects of entrepreneurial networking relations on performance of SMEs in Kampala Uganda. The study found that business network relations were not reliable in supply of inventories, information and finance to performance of SMEs. The study findings suggested that business networks were vital in supply of inventory and marketing information to enhance performance of SMEs.

Wanga et al (2016) found that business networking exposed core competitive advantages of businesses to competitors who pretended as networking partners in Kampala Uganda. Similarly Serem (2016) argued that entrepreneurial networking ties (business networking relations) provided wasted resources delayed completion of production processes Eldoret town. The current study was imperative as it attempted to identify measures 'networking partners put in place to core competitive resources that provided entrepreneurial outcomes. Kiprotich (2014) found that family networking had rigid norms and governance mechanism that promoted reciprocity and responsibility among firms' operators in Kenya. The current aimed to be specific by studying SMEs in Kenya. Kariuki and Iravo (2016) examined perceived roles of networking relations on growth of SMEs owned by women in Garisa in Nairobi. The study found that women entrepreneurs used family networks to acquire capital and business resources. The study further established that SME owned by women lacked title deeds and logbooks to acquire finance from commercial banks required. The findings of the study probably suggested that SME operators formed or enter family networks to acquire resources with collateral.

Kiprono et al (2017) examined effects of networking relation on growth of SMEs in Kiambu Kenya. The study found that weak business networks generated opportunistic behaviors that threatened supply of strategic inputs to enhance performance of SMEs. similar argument were echoed by Maina et al (2016) who found that weak networking relations were not stable and unreliable in future as members always practiced opportunistic behaviors.

The literature reviewed revealed many studies done in Kenya either considered business (enterprises relations-based firm's or firm's managements) or personal networking family and friends) relations on growth of SMEs. These mixed findings of previous empirical studies done in Kenya hamper generalization of entrepreneurial networking on growth of small and medium enterprises in Kenya. The current study attempted to fill both geographical and conceptual gaps by considering businesses, friends and members/ friends networking on growth of SMEs.

### **Growth of Small and Medium Enterprises**

Bunyasi et al (2014) observe that the growth of an enterprise is regarded as the second most important goal of any firm, the first one being firm survival. Bwisa (2011) notes that growth of firms' measure efficiency and effectiveness of utilizations of business resources. The common indicators used to determine growth of firms include profitability rate, liquidity ratio, sales turnover rate, market share and leverage ratio. The current study measured growth of SMEs using both financial (profitability, sales, return on capital) and non-financial (number of employees, opening of branches).

## Research Methodology

### Research Design

The study was guided by Positivism Philosophy that limited researcher roles on factual data collection and interpretation in objective way. The study adopted a mixed research design that included both quantitative and qualitative approaches. Namusonge (2010) notes that quantitative and qualitative approaches are effective for gathering descriptive information where the researcher wants to know about the attitude of people concerning one or more variable through direct query. According to Saunders et al (2003), quantitative data is strongly linked to deductive testing of theories through hypothesis, while qualitative approach is concerned with inductive reasoning and formulation of theories. Mugenda and Mugenda (2003) observe that qualitative research design are effective in helping researchers understand people and the social cultural contexts within which they live so that valid conclusion can be made on phenomena of interest. Thus, the qualitative approach helps the research to go beyond the statistical results reported in the quantitative research. The current study adopted open ended questions in a questionnaire to generate qualitative data that helped to answer the 'why' questions. The study adopted descriptive research design with intention of describing the nature of existing conditions without manipulation of some variables.

### Target Population

The target population of study was all small and medium enterprises (SMEs) registered in Nairobi, Nakuru and Trans Nzoia Counties in the years (2016, 2017 & 2018). The study adopted SMEs from three counties: Nairobi represented SMEs in Cities, Nakuru big municipalities and Trans Nzoia rural counties.

Table 3.1

#### *Target population*

<b>County</b>	<b>SMEs</b>
Nairobi	1543
Nakuru	481
Trans Nzoia	330
<b>Total</b>	<b>2354</b>

**Source: Nairobi, Nakuru and Trans Nzoia Business Directory (2018)**

### Sampling Frame

The study determined sample size using Yemen formula. The calculation yielded 341 SME.  $Y = \frac{N}{1+N(e)^2}$  Where: N = number of SMEs (2354), e = error (0.05). The Yemen formula yielded 341. The study employed stratified sampling techniques to place SMEs in Nairobi, Nakuru and Trans Nzoia Counties. Simple sampling technique was employed to select SMEs from each stratum. Previous empirical studies where similar sampling frames were used included (Kariuki and Iravo, 2016; Katambo and Okatch, 2016).

Table 3.2

*Sampling Frame*

<b>Sector</b>	<b>Target Population N</b>	<b>Percent %</b>	<b>Sample size N</b>
Nairobi	1543	15	223
Nakuru	481	15	70
Trans Nzoia	330	15	48
<b>Total</b>	<b>2354</b>	<b>15</b>	<b>341</b>

**Validity and Reliability Data Collection Instruments**

- a. Validity is the extent to which an instrument measures what it is supposed to measure. According to Bryman and Cramer (2005), validity concerns the accuracy and meaningfulness of inferences which are based on research results. This ensures that study variables measures concepts correctly and provide correct inferences to population parameters. Mugenda and Mugenda (2003) recommend that reviewing a large body of literature to carefully identify concepts, ideas, relationship and developing questionnaire questions from existing relating studies and pre-testing the questionnaire formally with academic experts to evaluate individual items.

**b. Reliability Test**

Reliability is the ability of research instrument to yield consistent in repeated test. The study administered 36 questionnaires during pilot study to determine Cronbach alpha. The study Cronbach alpha yielded 0.723 above 0.7 threshold requirement by Cronbach (1957).

**Diagnostic Tests****a. Normality**

It assumes that both independent and dependent variables have normal distribution that peaks at the middle. The normal distribution peaks in the middle and is symmetrical about the mean (Ghasemi & Zahedial, 2012). The p values for the study variables were greater than  $\alpha = 0.05$  implied that variables were normally distributed.

**b. Multicollinearity**

Multicollinearity means that independent variables in multiple regression models do not have close correlation. The study employed Variance Inflation Factors to test Multicollinearity.

**c. Heteroscedasticity**

It is the degree at which independent and dependent variables have systematic change in spread of residual values over the range of measured value. According to Gujarati et al (2014), heteroscedasticity is a problem because Ordinary Least Squares (OLS) in regression assumes that all samples are drawn from a population that has a constant variance. Bivariate analysis Heteroscedasticity is not a problem.

**Research Findings AND Discussion****Response rate**

The study distributed three hundred and seventy-five questionnaires to the respondents out of which, 267 were completed and returned. Thus, achieving a response rate of 72.1 percent and this was considered adequate for the purpose of further analysis.

**Variables****Influence of Networking Relations on Growth of SMEs**

Employing a five-point likert scale, the study sought to obtain entrepreneurs or equivalent responses regarding effects entrepreneurial networking relations on growth of SMEs. The statements were opinions which required the respondent to Strongly Disagree (SD), 4 - Disagree (D), 3 - neither agree nor disagree (U), 4 - Agree (A) and 5 - Strongly Agree (SA).

Table 4.1

*Influence of Networking Relations on Growth of SMEs.*

<b>Statement</b>	<b>SD</b>	<b>D</b>	<b>U</b> <b>%</b>	<b>A</b>	<b>SA</b>	<b>M</b>
Family networks provide capital	4.3	7.6	5.2	31.9	51	4.2
Network diversity generated innovative resources	3.8	6.2	4.8	38.6	46.6	4.2
Family networks provide resources for nascent growth of SMEs.	8.1	5.2	6.7	32.4	47.6	4.1
Structured networks affected adoption of technology	2.9	3.2	1	32.9	60	4.4
Strategic alliances eased sharing of resources and innovation	8.2	11.4	5.2	23.3	51.9	4.0
Managers' networks allow freedom in formation networks	5.7	2.4	3.3	24.3	64.3	4.4
Close friend's networks prevent admission members.	6.2	2.9	2.4	25.2	63.3	4.4
Business networks generate market information	5.2	2.9	6.2	18.6	67.1	4.4
Weak networking relationships generated innovations	4.3	1.9	7.1	20.5	66.2	4.4
<b>Overall Mean</b>						<b>4.2</b>

Overall mean of 4.17 on a likert scale of 1-5 indicated agreement. This meant that entrepreneurial networking relations influenced access to networking resources and information enhancing growth of SMEs. The findings of the study are supported by those of Mwangi and Namusonge (2016) who found that entrepreneurial networking relations determined access to both resources and information vital for entrepreneurial outcomes. Zhao and Burt (2018) found that strategic alliance provided shortcuts for mitigating SMEs limited resources. The study further established that adequate supply of resources to SMEs enabled them to compete favourably with large firms. However, Rauch et al (2016) found that entrepreneurial networking relation was not the sole determinant of accessing resources, market opportunities and information from networking members.

### Qualitative Data on Networking Relations on Growth of SMEs

The study asked respondents to describe any other influence of entrepreneurial networking relations on growth of SMEs. The majority of respondents (90 percent) felt that family members provided capital and other resources easily. This meant that family members were able to provide capital probably without requirement of security. The findings of the study are supported by Stam et al (2014) who felt that family members provided capital to nascent SME entrepreneurs. The study further revealed that nascent entrepreneurs lack collateral to access finance from commercial banks. Kiprotich et al (2014) felt that family member networks and close friends networks were vital in promoting enterprising culture. The study further revealed that majority of nascent entrepreneurs depended on member coaching and cheering to venture into entrepreneurial activities.

Some SME entrepreneur respondents (10 percent) felt that entrepreneurial business networking provided resources during growth phases of SMEs. This meant that business networks provided resources to complement SMEs' resources. The findings of the study are supported by Brand et al (2018) who felt that learning institutions such as universities were responsible for channeling out new technologies adopted by SMEs to innovate products. The study further revealed that SME entrepreneurs networking with universities offered competitive products. Katambo and Okatch (2016) felt that SME entrepreneurs with vibrant research and development produced market-oriented products.

Table 4.2

#### *Qualitative Entrepreneurial relations*

<b>Entrepreneurial relations</b>	<b>Frequency</b>	<b>Percent</b>
Family and friends provided finance (no security)	17	90
Weak relations provided technology (improved)	2	10
<b>Total</b>	<b>19</b>	<b>100</b>

### Regression Results

#### Regression Results for Networking Relations on Growth of SMEs

The study used simple regression analysis to determine the relationship between entrepreneurial networking relations and growth of Small and Medium Enterprises.

#### a. The model summary of entrepreneurial networking relations on growth SMEs

The regression summary model of entrepreneurial networking relations and Growth of Small and Medium Enterprises) yielded Coefficient of determination  $r^2 = 0.760$  (p value < 0.001). This meant 76 percent of growth of Small and medium was determined by entrepreneurial networking relations. The adjusted  $r^2 = 0.75.2$  (75.2 %) meant explained growth of SMEs, the remaining unexplained growth of SMEs could be attributed to other factors not captured in the model. The  $r = 0.872$  revealed that there was positive correlation between entrepreneurial networking relations and growth of SMEs in Kenya.

Table 4.3

#### *Model Summary networking relations and growth of SMEs*

<b>Model</b>	<b>R</b>	<b>r Square</b>	<b>Adjusted Square</b>	<b>r</b>	<b>Std. Error of the Estimate</b>
1	.872 <sup>a</sup>	.760	.751		4.1537

a. Predictors: (Constant), networking relations. b. Dependent variable growth of SMEs

The findings of the study are supported by those of Nee et al (2017) who found that entrepreneurial networking relations determined where a partner in the networked reached. Abbas et al (2019) found that family relations provided trustworthy advice, coaching and information that were positively significant and determined growth of SMEs. The study further revealed that during growth phases of SMEs, weak relations (enterprise relations or buyers and suppliers relations) provided innovative information that influenced access to entrepreneurial opportunities that eventually determined growth of SMEs. However, study findings contradicted those of Buyayi et al (2016) found that networking relation had insignificant effects on accessing support inventory from suppliers and buyers.

#### b. ANOVA of Entrepreneurial Networking Relations on Growth of SMEs

The regression ANOVA of entrepreneurial networking relations and Growth of Small and Medium Enterprises had positive significant effects (F value of 39.839, p value < 0.001) at 0.05 percent level of significance. This means that entrepreneurial networking relation is a significant valid predictor in the entrepreneurial networking model determining growth of small and medium enterprises in Kenya.

Table 4.4

*ANOVA of Networking Relations on Growth of SMEs*

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	1273.987	1	1273.987	73.839	0.000
Residual	3571.468	209	17.253		
Total	4845.455	210			

Predictors: entrepreneurial networking relations. b. Dependent variable: SME growth

#### c. Coefficients of regression of entrepreneurial networking relations

The coefficients of regression of entrepreneurial networking relations on growth of Small and Medium Enterprises revealed  $\beta_0 = 10.941$ ,  $\beta_{05} = 0.349$ ,  $t = 8.586$  p value < 0.000 significant at 0.05 level of significance. The coefficients of regression of entrepreneurial networking relations fitted simple linear statistical equation:  $Y = 10.941 + 0.340X_5$ . Where Y= Growth of SMEs,  $X_5$  = entrepreneurial networking relations. This means that a unit increase in entrepreneurial networking relations results into 0.349 index unit or 34.9 percent increase in growth of SMEs. Table 4.42.

Table 4.5

*Coefficients networking relations and Growth of SMEs*

Model	Unstandardized Coefficients		Standardized Coefficients		Sig	Collinearity Statistics	
	B	Std. Error	Beta	T		Tolerance	VIP
Constant	10.941	1.694		6.460	0.000		
Entrepreneurial networking relations	.340	.041	.512	8.586	0.000	1.000	1.000

a. Predictor: Entrepreneurial networking relations b. Dependent Variable: SME Growth

### Testing Hypothesis

The study hypothesized that  $H_0$ : There is no statistically significant difference between entrepreneurial networking relations and growth of Small and Medium Enterprises in Kenya ( $H_0: \beta_{01} = 0, H_1: \beta_1 \neq 0$ ). The coefficient of regression of entrepreneurial networking relations revealed ( $\beta_0 = 10.941, \beta_{01} = 0.349, t = 8.586, P \text{ value} < 0.001 \text{ at } 0.05$ ). The study rejected the null hypothesis  $H_0$  and adopted alternate  $H_1$ : There is statistically significant difference between entrepreneurial networking relations and growth of Small and Medium Enterprises in Kenya. The survey results fitted regression model:  $Y = 10.941 + 0.349X$  Where:  $X$  = entrepreneurial networking relations,  $Y$  = growth of SMEs. This meant one unit increase in entrepreneurial networking relations resulted into 34.9 percent increases in growth of SMEs significantly. The findings of the study are supported by those of Ruef (2017) who found that networking relations influenced virtual and actual access to resources that had positive significant effects on growth of enterprises in German. The study further established that nature of networking relations influenced nature of interactions, flow of resources and information that affected performance enterprises. Kariuki and Namusonge (2015) found that networking relations affected members accessed by the networking member. The findings of the study support entrepreneurial networking assumption that entrepreneurial networking relations influence (determine) flow of resources and information to execute enterprises functions (Huggins & Thompson, 2014).

### Summary, Conclusions and Recommendations

#### Summary of the Study

Descriptive statistics established that entrepreneurial networking relation variables had high rating means indication of agreement. This meant that entrepreneurial networking relations influenced growth of SMEs in Kenya. Entrepreneurial networking holes had the highest rating. The study revealed networking businesses generated entrepreneurial innovations that increased growth of SMEs. The study established family networking relations were effective in supplying in provision of initial capital for nascent SME operators. However, networks of close family members and friends had low means, an indication of disagreement influence on growth of SMEs.

#### Conclusions

The study concluded that entrepreneurial networking relations had positive significant influence on growth of SMEs in Kenya. Accordingly, entrepreneurial networking relations determine how networking members interact, share resources and relate in future transactions. The study further concludes that weak entrepreneurial networking relations between an entrepreneur with a team of SME entrepreneurs or other businesses generated more entrepreneurial opportunities for growth of SMEs. The close entrepreneurial networking relations between an entrepreneur with close family members and close friends restricted an entrepreneur to forge new relation to access evolving or more resources to enhance growth of SMEs. The study further concluded that close family members and close friends are vital in provision of resources and advice to nascent entrepreneurs that lack security to acquire resources from weak networking.

#### Recommendation

The study recommends that entrepreneurs should configure valuable entrepreneurial networking to complement SMEs resources to enhance growth. The valuable networks

provided both hardware and software resources that are difficult to acquire from market. The study recommends that the government as a policy setting organ to concoct conducive regulatory policies that suit the necessities of existing SME entrepreneurs and nascent SME entrepreneurs to participate in entrepreneurial networking activities to spur growth of the SMEs.

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