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# The Interacting Roles of Network Competence and Entrepreneurial Development in Small and Medium Enterprises

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## Abstract

Network competence is a crucial tool in the growth and development of organizations in corporate sector. Network competence would greatly aid such SMEs to expand and develop within the corporate sector. This study aims to investigate the relationship between network competence and growth and development of such SMEs in local as well as foreign trade markets. The study has selected 120 SMEs of varying businesses that operated in Jordan. Employees of these enterprises were corresponded via a questionnaire based on the Likert scale (0-Strongly Disagree, 4-Strongly Agree). These employees were classified on the parameters of age, gender, and qualifications. Results indicated that a vast majority of the respondents strongly affirmed the key role of network competence in the growth and development of SMEs and their success in international markets. These results were in line with expectations and corroborated existing research conducted in this regard. It is; thus, evident that network competence is a powerful asset to any SME and each SME needs to evaluate their own level of network competence to effectively compete in the corporate sector, both locally and internationally.

**Keywords:** Network Competence, Foreign Trade Markets, SMES, Economic Growth.

## Introduction

Small and medium sized enterprises have extensively contributed to country's economy by assessing economic growth and improving productivity and efficiency during the economic downturn (Tehseen & Ramayah, 2015). These enterprises have become significant because of their compatible and flexible structures (Kayadibi et al., 2013). Their major contribution is towards the development of country's political stability, economy, and social uplifting. This is the reason government pays much attention on the development of these enterprises. With regard to entrepreneurial growth and development, the concept of network competence ranks significantly higher in terms of importance. Specifically, network competence is representative of a firm's ability to utilize, manage, and manipulate interorganizational relationships (Ritter &

Gemünden, 2003). It is a well-known fact that the development and maintenance of professional relationships with different companies is an integral aspect of business in the post-globalization era. It is highly important to have skills or qualifications that are necessary in the completion of tasks and use them effectively in a manner that promotes the firm's growth. One of the main advantages of a firm's network competence is that it aids in the flow of key ideas and information between different organizations. It is particularly helpful to entrepreneurial start-ups, as their growth is highly dependent on the level of innovations they produce. For small-scale firms in particular, network competitiveness is a useful skill in the art of creating connections with capitalists and professional service organizations (Hoang & Antoncic, 2003).

### **Problem Statement**

The development and maintenance of professional relationships is always considered as an important aspect of business. Lack of studies, concerning international business relationships, is acceptable due to major developments, favorable to the business relationships. This gap is needed to be fulfilled through advanced investigation. It has been identified that small and medium size enterprises (SMEs) are of immense importance in the progress of developing countries. These countries usually aid in the economic growth of those nations, help in maximizing the productivity and efficiency of economic structures, and elevate the levels of income distribution within those regions (Tehseen & Ramayah, 2015). Moreover, SMEs have the ability to adapt to market demand flexibly, which can be helpful to make them a significant asset of monetary development (Kayadibi, Polat & Fidan, 2013). Thus, it is clear that such SMEs could play a potentially active role in a country's political stability, economy, and social uplifting. Accordingly, the concept of network competence is necessary to be investigated within SMEs to identify its role. Moreover, it is also necessary to analyze the role between network competence of such firms and their success in international markets. It is also of great relevance to examine the association between network competence and the growth of such SMEs. The findings of the study would be significant for the professionals to understand the role of network competence and entrepreneurship within SMEs. Thus, the study has aimed to assess the impact of network competence on entrepreneurial growth and international market success in SMEs that regulate in Jordan.

### **Research Questions**

Following are the research questions for the study:

1. What is the association between network competence of small and medium sized enterprises and their success in international markets?
2. What is the association between network competence and growth of small and medium sized enterprises?

### **Relevant Literature and Hypotheses Development**

The network competence needs to be examined at different levels in the international market because international success is evaluated by the level, at which the strategic goals are set. The small and medium sized enterprises aim for intensive and rapid growth of internationalization in the high technology industries (Torkkeli, 2013). The internationalization of these enterprises is important for developing and maintaining business networks in developed as well as emerging

economies. The strategic goals of the firm are extensively supported by the concepts of developing business network at the organization level. The entrepreneurs in the context of emerging economies need to be understood because there is a significant difference in the entrepreneurial competencies for business growth survival in emerging economies (Solesvik, 2012). The performance of entrepreneurs is significantly affected by the development of inter-organizational network that results in effective growth of small business. The network processes are used for enhancing the performances of business on the basis of entrepreneurial competencies (Hoyos-Ruperti et al., 2013).

The role of networking is of high importance towards entrepreneurial growth of any SME. There are a few reasons attributed to the explanation of this claim. Established businesses have numerous resources in the form of investors and capital that aids them to achieve higher economic success. Similar aspect cannot be claimed while discussing SMEs; the relatively smaller size of SMEs means that these firms stand at a disadvantage growth wise when compared to large scale firms and industries. SMEs have limited financial and human resources, fewer opportunities to gaining valuable market-oriented information, and greater risks (Sirec & Bradac, 2009). These small firms cannot access resources or tap into monetary funding in the way their larger competitors do. In order to grow entrepreneurially, it is highly essential that such SMEs rely on networking and improve their competency in this regard. It will allow them to get access into potential investment and monetary support; and therefore, lend to their growth into established businesses (Torkkeli, 2013).

The idea of networking as a way to further SME growth is not a novel one; it has been explored in many studies regarding the growth of SMEs within the business sector (Jones & Rowley, 2011). In addition to provide SMEs an opportunity to access resources integral to furthering their entrepreneurial goals, networking plays an important role in helping such SMEs to market their innovations. Networking also plays an integral role in the exchange of marketing and technical innovations and contribute further to the growth and progress of SMEs. Studies have further explored the link between network competency and rapid growth within the international market (Peiris, Akoorie & Sinha, 2012). Moreover, Ezuma & Ismail (2017) have mentioned a conceptual model related to the influence of network competence on entrepreneurship growth. The study identified four predictors growth that include network orientation in managing human resources, openness to corporate culture, availability of resources, and integration of communication system. Similarly, Ahmad, et al. (2018) stated that the effects of different types of entrepreneurial competencies on firm performance. The study has mainly indicated that enforcement and network competencies have significant effects on firm performance. These studies note that networking plays a great role in the induction of SMEs into the international market by providing them with technical and marketing expertise that in turn aids in their interaction with foreign trade markets. The processes of networking are utilized as a means of enhancing the performances of businesses based on their entrepreneurial competencies (Hoyos-Ruperto, et al. 2013).

It is essential that a thorough examination of network competence be made with regard to all levels of international market. According to research, it has been suggested that the ability of SMEs to enter and target the foreign market trade is closely associated with the possession of high-quality business networks (Coviello & Munro, 1995). Moreover, a relevant question would address the link between outstanding business connections and a likelihood of being initiated

into the foreign trade market. Through gaining entry to the first foreign trade market, SMEs may attempt to leverage and extend their opportunities by further accessing more foreign trade markets (Loane & Bell, 2006). This is an excellent way, in which SMEs may expand the sphere of their influence and hope to grow entrepreneurially within the international sphere. Through successful proliferation of international markets, SMEs may gain greater exposure to novel ideas that are integral to their intellectual growth. As stated earlier, such intensive foreign trade market proliferation will allow them the opportunity to market their products in a more effective manner.

Further to this discussion, it has been suggested that it is additionally important to question the level of network competency that the SMEs under consideration have achieved. It is due to the fact that success within the international market is characterized by strategic goals at different levels; each of which have to be met to enter the market at required levels. If these goals are not attained, then the likelihood of international market success decreases exponentially. However, some studies noted that SME proliferation into the international market is also closely linked to a decrease in profitability (Lu & Beamish, 2001). It may be attributed to the fact that expansion into the international market consumes both effort and financial resources. It is a fact that financial and human resource burdens may be countered by the presence of effective networking competency with established organizations. It is; therefore, healthy to maintain a balance between the level of proliferation into the foreign markets and the company's resources. This study makes the hypothesis that there is an overall positive effect of networking competency on the entrepreneurial growth of SMEs. It further hypothesized that in most cases, networking competency has been linked to an overall development of SMEs within the international trade sectors.

**H<sub>0</sub>:** There is positive influence of network competence on the success of small and medium sized enterprises.

**H<sub>1</sub>:** There is negative influence of network competence on the success of small and medium sized enterprises.

### **Research Methodology**

The study has made use of a structured survey questionnaire to collect empirical data. This survey questionnaire was additionally used to quantitatively analyze the collected information. A number of Jordanian SMEs have been selected to retrieve data. These SMEs were chosen on the basis of their diversity in terms of trade, and included sectors such as furniture, metal, software and food sectors. These sectors were noted to have a small number of employees and were selected on this basis. It was observed that the small and medium sized enterprises in Jordan have around 1 – 4 employees in micro enterprises, 5 – 19 employees in small enterprises, and 20 – 99 employees in medium sized enterprises. Moreover, small and medium sized enterprises (including the micro enterprises) have less than 100 employees, according to Jordan's Third National Human Development Report (2011). This study conducted an evaluation of up to 120 small or medium sized enterprises in Jordan having 5 to 100 employees on the basis of research criteria. Questionnaires, based on the Likert scale, were distributed to the managers, directors and assistants of the selected enterprises. The organizational and individual dimensions of network competence had been investigated through the conduction of interview sessions. The



obtained data was analyzed through descriptive and inferential statistics using the Statistical Package of Social Sciences (Version, 20.0).

## Results

This study was conducted on the employees (managers, directors and assistants) of 120 small or medium-sized enterprises on the demarcation of gender, age and qualifications-based categorizations. The sample pool was illustrative of the relatively greater number of male employees that stood at a noteworthy 78.3% as compared to female employees, that stood at 21.7% of the sample population. Furthermore 40% of the employees fell within the age bracket of 22-31 years, whereas 39.2% of the employees were classified within the age bracket of 32-41 years. Additionally, 18.3% of the employees were between 42 to 51 years of age. Lastly, it was seen that 2.5% of the employees were either 52 years of age or above. As discussed previously, demarcations were additionally made on the basis of qualifications, where the demographics of the undergraduate, graduate and postgraduate employees stood at percentages of 21.6%, 59.2% and 19.2% respectively (Table 1).

**Table 1: Demographics**

<b>Gender</b>	N	%
Male	94	78.3
Female	26	21.7
<b>Age</b>		
22-31 years	48	40.0
32-41 years	47	39.2
42-51 years	22	18.3
52 years or above	3	2.5
<b>Qualifications</b>		
Undergraduate	26	21.6
Graduate	71	59.2
Postgraduate	23	19.2

The investigation was carried out through a questionnaire that was distributed to the assistants, managers and directors of each small or medium sized enterprises. A 5-point Likert scale (0-Strongly Disagree, 4-Strongly Agree) was used to question the key informants of the study. A series of seven statements were incorporated in this questionnaire, which were used to gauge the response of SMEs to the relevant issues of consideration. Specifically, the respondents provided an overview of the SMEs with regard to their professional growth and network competence. The responses of the key informants were tabulated in the form of percentages that indicated the opinions of each respondent with regard to the statements that were posed. It was seen that 71.6% of the study population agreed on the importance of maintaining and developing professional relationships with different organizations, whereas only 2.5% of the employees displayed opinions that were in disagreement about the importance of network competence (Table 2).

**Table 2:** It is important to maintain and develop professional relationships with different companies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	2.5	2.5	2.5
	Neutral	31	25.8	25.8	28.3
	Agree	46	38.3	38.3	66.7
	Strongly Agree	40	33.3	33.3	100.0
	Total	120	100.0	100.0	

Respondents were further questioned about the role of SMEs in assessing the economic growth of a nation. The results indicated that a staggering 73.3% of the study population affirmed the role of SMEs in the monetary progress of a country, whereas only 5% of the respondents disagreed about the relevance of SMEs with regard to a nation's economic growth (Table 3).

**Table 3:** Small and medium sized enterprises (SMEs) help assess the economic growth of a country

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	5.0	5.0	5.0
	Neutral	26	21.7	21.7	26.7
	Agree	51	42.5	42.5	69.2
	Strongly Agree	37	30.8	30.8	100.0
	Total	120	100.0	100.0	

Furthermore, informants were questioned with regard to whether the skill sets that employees possess contribute effectively to the growth of the SME under consideration. As demonstrated in the results that were obtained, 75% of the respondents confirmed the vital role of skills and qualifications in furthering the development of an SME. It was seen that only 5% of the respondents stood in disagreement with this position (Table 4).

**Table 4:** Skills & qualifications play a vital role in promoting the growth of SMEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	5.0	5.0	5.0
	Neutral	24	20.0	20.0	25.0
	Agree	46	38.3	38.3	63.3
	Strongly Agree	44	36.7	36.7	100.0
	Total	120	100.0	100.0	

The employees were further questioned with regard to the importance of network competence in the economic growth of the SME. 75.8% of the respondents affirmed the key role of network competence in this regard, whereas 4.1% held a stance that disagreed with this position (Table 5).

**Table 5:** Network competence is a major factor in the growth of any SME

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	.8	.8	.8
	Disagree	4	3.3	3.3	4.2
	Neutral	24	20.0	20.0	24.2
	Agree	55	45.8	45.8	70.0
	Strongly Agree	36	30.0	30.0	100.0
	Total	120	100.0	100.0	

Additionally, the employees were asked about the relevance of market demand flexibility with regard to the growth of an SME. It was found that 74.1% of the respondents affirmed that SMEs need to attain market demand flexibility for their future development. However, it was found that a minor proportion of the respondents disagreed with this position, as illustrated by their small percentage of 4.2% (Table 6).

**Table 6:** SMEs need to attain market demand flexibility for their future development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	5	4.2	4.2	4.2
	Neutral	26	21.7	21.7	25.8
	Agree	46	38.3	38.3	64.2
	Strongly Agree	43	35.8	35.8	100.0
	Total	120	100.0	100.0	

Lastly, the employees were questioned with regard to the role of network competence and the success of SMEs in foreign trade markets. It was found that 80.8% of the respondents affirmed the association between network competence and success in international markets, whereas 1.7% disagreed in this regard (Table 7).

**Table 7:** SMEs need to evaluate the role between their network competence and their success in foreign markets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	1.7	1.7	1.7
	Neutral	21	17.5	17.5	19.2
	Agree	55	45.8	45.8	65.0
	Strongly Agree	42	35.0	35.0	100.0
	Total	120	100.0	100.0	

Furthermore, inferential statistics were utilized to determine a correlation between SME network competitiveness and the positive role of SMEs in the economic growth of a nation. The opinions of the 120 research subjects were ascertained with regard to this, as seen in Table 8. It



was seen that 68-people agreed as to the association between the two aforementioned variables. Moreover, 23 participants were agreed in terms of both statement that include network competence of SME and contribution of SME in the economic growth of country. Therefore, it can be said that network competitiveness and economic growth of the country is directly correlated.

**Table 8:** Network competitiveness is a major factor in the growth of any SME. \* Small and medium sized enterprises (SMEs) help assess the economic growth of a country.

		Small and medium sized enterprises (SMEs) help assess the economic growth of a country.				Total
		Disagree	Neutral	Agree	Strongly Agree	
Network competitiveness is a major factor in the growth of any SME.	Strongly Disagree	0	0	0	1	1
	Disagree	0	0	3	1	4
	Neutral	2	7	5	10	24
	Agree	4	14	23	14	55
	Strongly Agree	0	5	20	11	36
Total		6	26	51	37	120

## Discussion

This study has aimed to investigate the significance of network competence in the growth and proliferation of SMEs in the corporate sector. Additionally, it aimed to evaluate the contribution of network competence in the success of these aforementioned SMEs in international trade markets. In order to investigate the key role of network competence relevant to these two aspects, the responses of 120 SMEs in Jordan were recorded. These responses helped ascertain the stances of these enterprises in aspects that pertained to network competence's role in SME growth and proliferation in foreign trade markets.

Previous research conducted in this regard has stressed on the importance of developing professional relationships and its key function in furthering the growth and development of SMEs in particular (Hoang & Antonucci, 2003). These studies stated that network competence is a tool that aids in the flow of key ideas between different enterprises and is immensely important for SMEs, since their growth is highly dependent on their level of innovation. The results were found to be strongly in line with this stance, with a clear majority of the respondents affirming the significance of developing professional relationships with regard to the economic growth of an SME in the corporate sector. Additionally, a major proportion of the participants in this study strongly emphasized the position of network competence as a major factor that decides the success of any SME. These participants additionally highlighted the necessity of networking-oriented skill sets in the development of SMEs in the corporate sector. Furthermore, existing research has discussed the key contribution of SMEs to the economic growth, progress and monetary stability of a nation (Tehseen & Ramayah, 2015).

Studies discussing the causality behind this state that the flexible structures of SMEs help them adapt easily in the corporate sector (Kayadibi et al., 2013). This was corroborated by the

results obtained in this study, where the participants mostly affirmed the vital role of network competence in the economic progress of a nation and confirmed the presence of market demand flexibility in SMEs. Existing studies have highlighted the strong association between network competence and the proliferation of SMEs in the international trade market (Peiris, Akoorie & Sinha, 2012). These studies noted the key role of network competence in providing SMEs with the technical and marketing expertise they require to enter foreign trade markets. Respondents of this study confirmed the importance of networking in enabling the success of SMEs in the international trade markets and highlighted that it was essential for SMEs to evaluate their own level of network competence and how it would enable them to achieve induction within foreign markets. It is thus evident that network compactivity plays a key role in the internal development of any SME and aids such SMEs to thrive in international markets. Therefore, the results of this study were in line with existing research conducted in this regard.

### **Conclusion**

This study has conducted a research on existing SMEs in Jordan that affirmed the high importance of network competence with regard to both of the aforementioned aspects. It is therefore of immense necessity that SMEs work towards evaluating their own level of network competitiveness and use it to grow internally as well as thrive in foreign markets. The key findings have identified that majority of the participants have agreed on the importance of maintaining and developing professional relationships with different organizations. Similarly, a significant number of participants affirmed the role of SMEs in the monetary progress of a country. Majority of the population have supported the role of skills and qualifications in furthering the development of an SME. The findings also illustrated that SMEs need to attain market demand flexibility for their future development and there is an association between network competence and success in international markets. Therefore, it is said that network competence is a useful tool in the economic development of any SME. Furthermore, developing a high level of network competitiveness is crucial to the growth and proliferation of such SMEs in international trade markets. However, there may be a few risks posed to the development and proliferation of SMEs due to the evolution of globalization. Therefore, it is essential that future research should be carried out to develop a framework through which SMEs may be enabled to collaborate and compete with large-scale firms through their effective network competence. Furthermore, studies are needed that highlight the limitations faced by such SMEs and how to overcome them, so that their network competence may be increased to a relatively greater degree.

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