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RESEARCH ARTICLE

Influence of Entrepreneurial Networking on Small Enterprise success: A Service Industry Perspective

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Abstract

Entrepreneurial networking includes the linkages and connectivity through which entrepreneurs obtain information resources, knowledge and social support about market opportunities. While network relationships have been recognized as indispensable for SMEs to the achievement of growth, a particular focus on entrepreneurial networks in the service industry has been limited. The main objective of the study was to examine the influence of firm's entrepreneurial networking and its influence on the success of Small and Micro enterprises in Eldoret Town in Uasin Gishu County. The study utilized exploratory survey design. Specific objectives were: to examine the relationship between entrepreneurial networks and enterprise success, and to determine the relationship between entrepreneurial ties and enterprise success. Small and Micro business owners in the service industry were divided into a sample by use of simple random technique to arrive at a sample size of 240 SMEs from a target population of 1200 in the service sector, Eldoret Town, Uasin Gishu County. The study was guided by Relational Theory of Social Networks. Data was sorted coded and analyzed using inferential statistics as: Pearson's product moment correlation, Chi-Square methodS and Analysis of variance (ANOVA) and multiple regressions. The study found out that, there was a strong positive relationship between networking [r=.683] and ties [r=.559] on entrepreneurial success. This indicated that an increase in networks and ties will lead to greator entrepreneurial success. It is hoped that the results of this study will assist to sharpen entrepreneurs' skills and policy formulation and development of entrepreneurial networking.

INTRODUCTION

While network relationships have long been recognized to be indispensable for SME's to achieve growth a particular focus on social networks has been limited to date (Ellis et al, 2001). Scholars have recently emphasized that informal social networks or networks of social relationships serve as the initial basis from which formal networks of business linkages are developed in new territories (Chen, 2003), and through which exporting relationships are formed (Ellis et al, 2001).Past studies (Losccoco et al.,1993) indicated that small business is the engine of economic growth in developed and developing countries economies.Small business have contributed to ecomic growth and job creation and this is beleived to be related to growth in total earnings.

There is still an urgent need for academic research to systematically investigate the influence of networks on firm success(Gulati et al., 2000).Therefore the objectives of this study is twofold: in achieving its success:

1,To examine the influence of entrepreneurial networks on enterprise success.

2.To determine the influence of ties on enterprise success.

Literature review

Influence of Entrepreneurial Networking and entrepreneurial success

The concept of network includes four key components: actors, links, flows and mechanisms (Conway et al 2001). The actors are the individuals that make up the network and are usually represente@d graphically as the nodes of a web. Individuals cannot be separated from the cultural context in which they were born which is believed to be true with Chinese cultures where harmony in social relationships is encouraged Links is associated with networking, as flows is associated with the information.However,mechanism is how something operate (Hanna et al, 2010).

Influence of ties and entrepreneurial success

Strong ties in the business world do help entrepreneurs in achieving success in their businesses. A study of McClelland et al., (2005) showed that the entrepreneurs in Canada, Singapore and Ireland utilized family and fiends ties as a means of business development of which it contributed to their success in business. Other studies suggest that family links provide support to entrepreneurs' success

Methodology

The study was carried out in North Rift Region, Uasin-Gishu County, Eldoret town. Exploratory research design was used and which leads the researcher to gaining great depth of understanding into how entrepreneurs through exploitation of networking (Entrepreneurial network and entrepreneurial ties) influence the success of small and micro businesses in Eldoret town. Simple random sampling technique was utilized to constitute a sample size of 240 using Yamane (1967) formulae where 1200 registered SMEs business owners of small and micro enterprises in Eldoret Town .Cronbachs Alpha Coefficient for success of SMEs reported scale reliability of Networking 0.683 and Ties 0.559 respectively showing reliability of the research instrument. The study used inferential statistics such as multiple regression and analysis of Variance (ANOVA) to establish the relationship between business owners' network resource use in relation to the enterprise success.

Results

Demographic Information

From the study majority 56.2% (n=109) of the respondents were male, while 43.8% (n=85) were female which shows that male business owners were more than their female, age of the respondents shows that 35.6% (n=69) of the respondents aged between 26-35 years, 25.3% (49) were in the age bracket of 36-40 years, with 24.2% (47) were over the age of 40 years and 13.9% (27) aged between 21 and 25 years The results showed that small and micro enterprises were dominated by business owners (75.8%; n=147) who were in their active working age of below 40 years. From the study, the majority 65.5% (127) of the respondents worked for more than 9 hours in a week in their business firm, while 21.1% working for between 5 and 9 hours a week, while 9.8% of them worked for between 3 and 5 hours and the least 3.6% worked for less than three hours in a week.The results showed that most 86.6 (168) of the respondents worked for more than 5 hours in a week in the business firm. The number of hours committed to business owner was important because the study indicated that entrepreneurs were tied to other economic

activities and family chores. From the study, 11.9% of the respondents had between 10 and 15 years' experience and 2.6% had above 15 years of working experience.The results also showed that small enterprises 97.5% (189) was dominated by business owners who had below 15 years of working experience compared to those above 15 years of experience. It is therefore that clear that the business owners who have been in business for more than 15 years, participated in networking and linked their ties much more than those active in business for less than 15 years.

Relationship between Entrepreneurial Networks and Entrepreneurial Success

From the study there was no relationship between engagement in entrepreneurial networks and profits to sales ratio, sales revenues, firm's reputation, employee and expenses, p >.05], indicating that a change in any of the variables will lead to no change in any of the indicators of entrepreneurial success. There was a strong negative relationship between the engagement in entrepreneurial networks and sales growth indicator [r= -.151, n=174, p<.05], (Table 4.2), indicating a negative correlation between engagement in entrepreneurial networks and sales growth. The lesser the engagement in entrepreneurial networks the lower the sales growth attained.

Table 4.1: Entrepreneurial Networks

Entrepreneurial networks	Disagree		Neutral		Agree		Mean	Std. Dev.
	Freq	%	Freq	%	Freq	%		
I have positive relationship with my competitors.	48	24.7	31	16.0	115	59.3	4.72	1.80
I have an opportunity to interact with my stake holders.	16	8.2	27	13.9	151	77.8	5.38	1.29
I use various networks to reach my customers	21	10.8	10	5.2	163	84.0	5.38	1.31
I get ideas from networking with friends.	22	11.3	30	15.5	142	73.2	5.23	1.31

I interact with the proprietors frequently.	48	24.7	21	10.8	125	64.4	4.79	1.54
I am able to interact with my family members freely.	37	19.1	25	12.9	132	68.0	5.13	1.59
My enterprise encourages innovation through networking among the ‘‘chamas’’ groups.	29	14.9	17	8.8	148	76.3	5.25	1.47
My institution adopts participatory networks in its operations	30	15.5	24	12.4	140	72.2	5.08	1.43
There are other factors which contribute to my business	12	6.2	21	10.8	161	83.0	5.53	1.21

Table 4.2: Entrepreneurial Networks and Entrepreneurial Success

Spearman's rho		Profits to sales ratio	Sales revenues	Sales growth	Firms reputation	Employee Expenses	Networking
Profits to sales ratio	Correlation Coefficient	1.000					
	Sig. (2-tailed)	.					
Sales revenues	Correlation Coefficient	.668**	1.000				
	Sig. (2-tailed)	.000	.				
Sales growth	Correlation Coefficient	.613**	.720**	1.000			
	Sig. (2-tailed)	.000	.000	.			
Firms reputation	Correlation Coefficient	.570**	.631**	.655**	1.000		
	Sig. (2-	.000	.000	.000	.		

	tailed)							
Employee	Correlation Coefficient	.299**	.321**	.404**	.544**	1.000		
	Sig. (2-tailed)	.000	.000	.000	.000	.		
Expenses	Correlation Coefficient	.214**	.328**	.296**	.340**	.448**	1.000	
	Sig. (2-tailed)	.003	.000	.000	.000	.000	.	
Networking	Correlation Coefficient	.014	-.067	-.151*	.016	-.005	-.075	1.000
	Sig. (2-tailed)	.843	.350	.036	.826	.946	.297	.

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The Spearman rank-correlation was used to establish the Relationship between t in entrepreneurial networks and Entrepreneurial Success. There was a positive relationship between the engagement in entrepreneurial networks and enterprise success [r= .853, n=174, p<.05], (Table 4.3), indicating a positive correlation between engagement in entrepreneurial networks and Entrepreneurial Success. The more the entrepreneurial networking the higher enterprise success.

Table 4.3: Overall Relationship between Entrepreneurial Networks and Entrepreneurial Success

	Spearman's rho	Success	Network
Success	Correlation Coefficient	1.000	
	Sig. (2-tailed)	.	
Network	Correlation Coefficient	.853**	1.000
	Sig. (2-tailed)	.000	.

**. Correlation is significant at the 0.01 level (2-tailed).
b. List wise N = 194

Influence of Ties and Entrepreneurial Success

Table 4.4 Entrepreneurial Ties

Entrepreneurial Ties	Disagree	Neutral	Agree	Mean	Std. Dev.

	Freq	**%**	**Freq**	**%**	**Freq**	**%**		
Entrepreneurial ties have contributed to the business success	30	15.5	18	9.3	146	75.3	5.30	1.57
Customers and friends have contributed to social ties	17	8.8	12	6.2	165	85.1	5.54	1.21
Entrepreneurial ties encourages us to be in business	23	11.9	28	14.4	143	73.7	5.28	1.38
Social Family ties links us to the business world	44	22.7	21	10.8	129	66.5	4.91	1.66
Customers are like our friends	9	4.6	9	4.6	176	90.7	5.96	1.11
Entrepreneurial ties enhances business effectiveness	7	3.6	18	9.3	169	87.1	5.75	1.08

Source: Researcher's Survey Data 2014

Table 4.5: Influence of Ties on Indicators of Entrepreneurial Success

	Spearman's rho	Profits to sales ratio	Sales revenues	Sales growth	Firms reputation	Employee	Expenses	Ties
Profits to sales ratio	Correlation Coefficient	1.000						
	Sig. (2-tailed)	.						
Sales revenues	Correlation Coefficient	.668**	1.000					

	Sig. (2-tailed)	.000	.					
Sales growth	Correlation Coefficient	.613**	.720**	1.000				
	Sig. (2-tailed)	.000	.000	.				
Firms reputation	Correlation Coefficient	.570**	.631**	.655**	1.000			
	Sig. (2-tailed)	.000	.000	.000	.			
Employee	Correlation Coefficient	.299**	.321**	.404**	.544**	1.000		
	Sig. (2-tailed)	.000	.000	.000	.000	.		
Expenses	Correlation Coefficient	.214**	.328**	.296**	.340**	.448**	1.000	
	Sig. (2-tailed)	.003	.000	.000	.000	.000	.	
Ties	Correlation Coefficient	.082	.062	-.063	.024	.001	-.151*	1.000
	Sig. (2-tailed)	.257	.390	.380	.741	.990	.035	.

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

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

c. List wise N = 194

Source: Researcher's Survey Data, 2014

From the study majority of the respondents 85.1% (165) agreed that customers and friends had contributed to social ties, with 8.8% disagreeing and 6.2% undecided that customers and friends had contributed to social ties. Most of the respondents 75.3% (146) agreed that entrepreneurial ties have contributed to the business success, with 9.3% undecided and 15.5% disagree that entrepreneurial ties have contributed to the business success. From the study majority of the respondents 73.7% (143) agreed that entrepreneurial ties encouraged them to do business, with 11.9% disagreeing and 14.4% undecided that entrepreneurial ties encouraged them to do business. Most of the respondents 66.5% (129) agreed that social family ties linked the business world, with 10.8% undecided and 22.7% disagree that social family ties linked the business world. Overall, from the study the findings showed that the mean of the statements were all above 4.9, with the respondents rating customers as their friends had a mean of 5.96(as shown in (Table 4.4) This showed that the entrepreneurial ties among the business firms were good.

Table 4.6:

Variable	Spearman's rho	Success	Network
Success	Correlation Coefficient	1.000	
	Sig. (2-tailed)	.	
Ties	Correlation	.559**	1.000

Coefficient		
Sig. (2-tailed)	.000	.

**. Correlation is significant at the 0.01 level (2-tailed).
b. List wise N = 194
Source: Researchers Survey Data, 2014

Table 4.7: Model Summary on Entrepreneurial Success Indicators

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.984[a]	.969	.968	.13661	.969	1467.14	4	189	.000

a. Predictors: (Constant), Ties, Networking
b. Dependent: Enterprise success
c. **ANOVA on Enterprise Success**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	109.513	4	27.378	1467.141	.000[b]
	Residual	3.527	189	.019		
	Total	113.040	193			

a. Dependent Variable: Success
b. Predictors: (Constant), Ties and Networking

Source: Researcher's Survey Data, 2014

Table 4.8 Coefficients of Enterprise Success

Model		**Un standardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**	**Co linearity Statistics**	
		B	**Std. Error**	**Beta (β)**			**Tolerance**	**VIF**
1	(Constant)	.200	.096		2.091	.038		
	Networking	.201	.020	.200	10.193	.000	.427	2.340
	Ties	-.026	.022	-.021	-1.162	.247	.499	2.006

a. Dependent Variable: Success
Source: Researcher's Survey Data, 2014

To test whether there was no linearity; tests were carried out using tolerance and Variance Inflation Factor (VIF) statistics (Table 4.8). For this model, VIF values are all below 10 and tolerance statistics are all well above 0.2 .The findings showed that networking had a positive relationship with enterprise success.(Table 4.8).

Conclusions of the Study

In conclusion, the research objectives were to determine the influence of Entrepreneural Networking in Small and Micro enterprises in the service industry on enterprise success. Reflecting on the first objective of the study the findings of the study showed that,Entrepreneural Networking had a significant influence on enterprise success .On the second objective of the study; it was found that there was influence of Ties on enterprise success . The higher the linkage of Ties the greater the enterprise success.

Recommendations of the Study

The recommendations drawn from the study based on the conclusions, for the effective firm networks is as follows:

The entrepreneurs SMEs should be encouraged to use entrepreneurial networks to gather noble business information. Business Ties are equally recommended to SMEs to adopt.

The Kenya government should regulate the channels of communication and embrace both entrepreneurial networking and social ties so as to enable business owners to share business information more often.

Implication of the Research

The study presents major implications resulting from these findings. Firstly, in terms of Networking, it could be argued that networks play a very important role in enterprise success; therefore business owners should be recommended to utilize such in order to sharpen their skills. Secondly, the results may help guide policy makers to incorporate the same during policy formulation and which then can be implemented..

Recommendation for Extension of Theory

The researcher in business field should expand on this study in research work so as to contribute to academic field in relation to the social theories and networking theories and management of business.

Practical Contribution

In terms of practical contribution the findings of this study can be used as a guideline by Small and Micro business owners on the utilization of network information for the improvement and the success of Small and Micro enterprises. The study findings shall help the business owners in improving their business skills in order to achieve the desired success The findings shall also help the communication institutions in the provision of the appropriate channels of communications for all Small and Micro enterprises.

Recommendations for Further Research

Researchers should investigate the awareness of the network's contribution to the Small and Micro enterprises and entrepreneurs in general. Future research should investigate whether awareness of network contribution leads to the success of enterprise.

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