EFFECT OF NETWORKING COMPETENCY ON THE SURVIVAL OF SMALL AND MEDIUM ENTERPRISES IN KENYA

Ramadhan Odhiambo Abdul  
Email: abdulramadhan@gmail.com  
PhD in Entrepreneurship  
Jomo Kenyatta University of Agriculture and Technology, Kenya

Prof. Elegwa Mukulu,  
Jomo Kenyatta University of Agriculture and Technology, Kenya

Prof. Romanus Odhiambo,  
Jomo Kenyatta University of Agriculture and Technology, Kenya


ABSTRACT

Small and Medium Enterprises (SMEs) are the key drivers of economic growth in almost all economies of the world. Efforts directed towards enhancing their survival and eventual growth has been a concern to researchers, policy makers and governments. This is out of the realization that there is a high mortality rate of SMEs within the first three years of operation. The collapse ration of SMEs is alarming for developing countries as well as developed countries and Kenya is no exception. Many SMEs encounter problems that limit their survival. The threat to survival is real and requires a concerted effort from both policy makers and the entrepreneurs themselves. This study, therefore, seeks to investigate the effect of networking competency on the survival of SMEs in Kenya. The study is about the prospects of survival of SMEs in Kenya should they opt to use appropriate networking competency. The study was guided by the research objective as finding out what role is played by networking competency on the survival of SMEs in Kenya. The study reviewed past activities and this was explained by the literature review. The literature review evaluated the relationship between networking competency on the one hand and survival of SMEs on the other hand. The study adopted a descriptive research design. The target population was 268,100 registered SMEs who are operating under single business permit (SBP) in Nairobi City County where a stratified random sampling was applied to identify 400 SMEs. Data analysis was by way of descriptive statistics (frequencies and percentages), tables and graphical presentations, and a linear regression model where survival was regressed against networking competency to make statistical reference. The findings revealed that networking competency has a positive and significant effect on the survival of SMEs in Kenya thereby increasing their chances of survival. The study, therefore, recommends that SMEs through the management should embrace networking competency as a way of gaining competitive advantage and widening their customer base.

Key Words: networking competency, survival, small and medium enterprises
1.0 INTRODUCTION

1.1 Background of the Study
Small and medium Enterprises (SMEs) are the key drivers of economic growth in almost all economies of the world. The idea that SMEs and economic growth are very closely and positively linked together has undoubtedly made its way since the early works of Schumpeter (Adeoye, 2015). They are considered as the engine of growth and development of countries due to their immense contributions to the manufacturing subsector, diversification of output, and reduction of unemployment (Iorun, 2014). They create employment not only to the business owners but also to others since the sector is characterized by ease of entry, small scale operations, adaptive technology, and are found in every part of a country.

It is estimate that SMEs make up more than 90% of all new business establishment worldwide. They have been identified by the Western economies as a significant strategy of job and wealth creation. In the developing countries, there has been a considerable interest in the role of SMEs in economic growth, regeneration in general and the creation of employment opportunities in particular. They are widely recognized the world over for their role in the social, political and economic development (World Bank, 2014a). In middle-income countries, formal SMEs contribute about 20% more to employment and GDP than the informal enterprises (Nyagah, 2013). Thus, in these countries, eliminating factors that discourage informal enterprises from entering the formal SME sector would also bring about gains in economic terms. This is evidenced by the fact that SMEs contribute over 3 times as much as the informal sector in both total employment (approximately 65%) and GDP (approximately 55%) in high-income countries and that these countries are also taking initiative to bring as many informal enterprises as possible into the formal sector (IFC, 2006; Ngugi & Bwisa 2013).

However, the mortality rate of SMEs in Africa remains very high; it is posited that five out of seven new SMEs fail within the first year of operation. For instance, in South Africa, it is said that five out of seven new SMEs fail within the first year of operation (Entrepreneur, 2014). This would mean that only two out of seven new SMEs will survive in their first year. The same case is replicated in almost all the African countries. In Kenya SMEs are easy to start since Kenyans are creative, innovative and full of business ideas the reason why they are quite many. The biggest problem faced by these enterprises is that they don't last in the market for a considerable good time before being faced out by well-established businesses. As much as the number of SMEs grow by the day, a number of them have had shorter lifespan due to the many challenges they are facing. The collapse ration of SMEs is alarming for developing countries as well as developed countries. In Kenya, they have been found to have very high mortality rates and as a result, measures to cope with this mortality are vital (Ochanda, 2014). They are therefore threatened for survival as competitive enterprises. Just like in many developing countries, in Kenya the survival rate of SMEs is only 10-20% (Ruhiu, Ngugi & Waititu, 2014).

1.1.1 Networking competency and SMEs survival
Networking allows small business to engage in relationship marketing and it can be part of social capital to provide opportunities to connect to various industries and the depth of closeness in relations (Taneja, & Toombs, 2014). Business networking plays a vital role in increasing the competitiveness of SMEs. Networking is a useful way for SME owner/managers to expand marketing expertise and improve their performance. As such, networking in form of clusters,
strategic alliances and business collaborations has become popular among the SMEs as a competitive tool (Turyakira & Mbidde, 2015). According to Watson (2007), networking appears to be significantly positively associated with business’s survival; and both formal and informal networks are associated with SME survival.

Firms are truncated in their resources endowment, outsource certain parts of the value chain and transact with other economic actors having complementary assets. External contacts perform a very important role in the procurement of those assets and the identification of entrepreneurial opportunities, since economic actions are embedded within larger inter-organizational networks (Vissa & Chacar, 2009). Networks are vital to the discovery of opportunities, to the testing of ideas and to garner resources for the formation of the new organization (Klyver & Schott, 2011).

Embedded ties with partners, which can be defined as ‘ties that are reinforced by mutual feelings of attachment, reciprocity and trust, can enhance support for a start-up by the commitment of their resources (Burt, 2009). As networks provide information benefits, a focal firm with higher level of social capital is better positioned to find entrepreneurial opportunities (Ebbers, 2014). Other firms having ties with the focal firm provide information regarding new technological and market opportunities and solicit collaboration in exploiting new entrepreneurial opportunities. These firms also make referrals on behalf of the focal firm to third parties that are in search of strategic alliances to exploit or explore new entrepreneurial opportunities (Sytch, Tatarynowicz & Gulati, 2012).

Contacts are also conducive to the mobilization of external resources from third parties since those very contacts signal positive assessment regarding the start-up’s future prospects (Partanen, Möller, Westerlund, Rajala, & Rajala, 2008). Schallenkamp and Smith (2009) provided ample evidence that successful entrepreneurs were particularly active in networking with business people and regulators. Kozan and Akdeniz (2014) likewise found that entrepreneurial networks are positively associated with organizational growth. Business network is seen from three components, the performer, activity, and source in each sub-network. As a result, business network will cover individual network, performance network and source network (Ismail, 2012).

1.2 Statement of the problem
According to the Micro, Small and Medium Establishments report (RoK, 2016) there is high mortality rate of SMEs in Kenya with a total of 2.2 million businesses having closed from 2012 to 2016. It is argued that in Kenya, just like in many developing countries, the survival rate of SMEs is only 10-20% (Ruhiu, et.al, 2014). It is this minimal survival rate that continues to attract the attention of researchers with a view to putting more emphasis to survival and growth-oriented parameters. Several researchers (Abdul & Ngugi, 2015; Martin & Namusonge, 2014; Ngugi & Bwisa, 2013; Nyagah, 2013; Ochanda, 2014) have attempted to uncover the primary determinants of new venture success/failure and trying to come up with a comprehensive list of the factors that play a role in the success/failure of new ventures. The high mortality rate is raising concern over sustainability of this critical sector. The SME sector has great potential as we realize that while many SMEs fail, others survive beyond infancy and adolescence, becoming major success stories, creating wealth for their founders and jobs for the communities they serve (Vijay & Ajay, 2011).
Could poor networking competency or lack thereof be the driving force behind this minimal survival rate of SMEs in Kenya? Previous studies (Ogunnaike & Kehinde, 2013; Omar, 2015; Peprah, 2013; Teneja & Toombs, 2014; Turyakira & Mbidde, 2015) conducted in other countries have found positive relationship between networking competency and SMEs survival. Since each market and economy has its own features that provide a unique environment for SMEs to develop and operate, the Kenyan scenario requires its own analysis. In Kenya, there has been little attempt to explore survival prospects and more specifically investigating how business networking competency affects the survival of SMEs in Kenya as in this case. This study, therefore, seeks to fill this knowledge gap.

**Objective**
The study sought to investigate how networking competency determines the survival of SMEs in Kenya.

**Research hypothesis**
The study aimed to test the following research hypothesis: -

\( H_0: \) Networking competency significantly increases chances of survival of SMEs in Kenya

2.0 LITERATURE REVIEW

2.1 Theoretical review

A theoretical framework consists of concepts and together with their definitions and references to relevant scholarly literature, existing theory that is used for a particular study. The theoretical framework must demonstrate an understanding of theories and concepts that are relevant to the topic of research paper and that relate to the broader areas of knowledge being considered (Grant & Osanloo, 2014).

2.1.1 Theory of networking- Social Network theory

A business network is a collection of people, preferably with a broad array of experience and knowledge, to which an individual is connected and with which the individual is in periodic contact (Rathwell & Peterson, 2012). Ideally, any member of this network would answer an email request for help within 24 hours. It’s that level of responsiveness that one should aspire to when assembling a sound business network. Networking is a key competency of the entrepreneurs. They are embedded in social networks which play a decisive role in their overall business undertakings (Muzychenko, Zalan & Wells, 2008). These entrepreneurial social networks have attracted a great amount of research interest in the literature. Furthermore, it is largely accepted that entrepreneurs run their own independent ventures, but of critical importance is that they operate within and develop a network of people that they can refer to for addressing different problems, get support, increase revenues, find new ideas and utilize external knowledge (Tjosvold, 2008).

Ko and Butler (2007) have overviewed the main findings, which indicate that the majority of the entrepreneurs possess well developed and extensive social networks, being a valuable source of business ideas and particularly significant to be the weak ties which have a greater likelihood of providing new information. Building contacts and relationships are overall seen as important aspects for moving up on one’s career or simply to get business success. Entrepreneurs have to take an active role in setting up their own communication channels so that they can anticipate
emerging issues, get ahead of breaking information, obtain coaching relative to important decisions and request help to get things done. These activities are part of what constitutes “business networks”- developing, nurturing and tapping contacts to further business or personal success (Dimitrijevic & Engel, 2004).

Entrepreneur’s networking is intrinsically related to their social capital. Ellison, Steinfield and Lampe (2011) defined social capital as “the actual and potential resources individuals obtain from their relationships with others (through a favorable reputation, high status and personal referrals)”. Social capital has a direct impact on the speed and likelihood of the entrepreneurs establishing new businesses and on their overall success (Muzychenko et al., 2008). In their study, social capital together with intellectual and psychological capitals is presented to determine the acquisition and further development of various entrepreneurs’ competencies necessary for their successful operations. Something more, social capital is often the result of the entrepreneur’s social skills (Praszker, Nowak & Zablocka-Bursa, 2009). The authors describe the social skills as certain competencies that help the entrepreneurs in their effective interaction with others and might have a role for their overall success.

According to Machirori and Faloki (2013) the social network theory was introduced by Moreno (1937) who argued that individuals in any society are involved in a number of social relationships with each other. Within a society/group marked by a high degree of social disintegration, trustworthiness among members is low and the value derived from such connections is not great. Therefore, members will seek to form linkages and networks. This will result in mutual bonds among members creating trustworthiness which leads to beneficial information and resource exchanges (Al-Tabbaa & Ankrah, 2016).

Social network analysts have focused attention on the abstract contours of a social space comprising concrete relationships among entities. The social network tradition has largely ignored physical space, yet the idea that space is important to understanding innovation has wide credence. Moreover, evidence that shows proximity’s effects on network tie formation is mounting. Whether because of gaps in a web of relationships, indirect ties connecting partners or central locations in an industry structure, social networks can dictate access to information and resources, thus enhancing performance (Whittington, Owen-Smith & Powel, 2009).

The relevance of this theory to this study stems from the fact that in today’s competitive business world, the entrepreneur majorly relies on referrals to get business transactions or clinch business deals. According to Christakis and Fowler (2009) this concept of network and its focus lies on the person who has the relationship with ego and thus, social network research utilizes the relationship either directly or indirectly between the ego and their alter(s). Alters comprise family members, friends, relatives and business contacts. With the vulnerability of the business environment today, the social network is considered as a weapon to secure important resources for SME firms. The greater the social network circle, the higher the chances of clinching more business transactions aimed at creating more profit hence prospects of survival.
2.2 Conceptual Framework

Conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variable (Mugenda, 2008; Walliman, 2011). In the study, the components of networking competency studied constitute the independent variables side which influence survival of SME in Kenya that constitutes dependent variable as illustrated in Figure 2.1.

<table>
<thead>
<tr>
<th>Networking competency</th>
<th>Survival of SME</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Contacts and relationships</td>
<td>• Profitability</td>
</tr>
<tr>
<td>• Strategic alliances</td>
<td>• Liquidity</td>
</tr>
<tr>
<td>• Resources sharing</td>
<td>• Diversification</td>
</tr>
<tr>
<td>• Market transactions</td>
<td></td>
</tr>
</tbody>
</table>

Independent variable
Dependent variable

Figure 2.1: Conceptual Framework

2.3 Empirical review

Omar (2015) researched on the Entrepreneurial Network of Muslim Women Entrepreneurs in the Southern Region of Malaysia. The paper sought to empirically explore the dynamic roles of strong and weak ties within Muslim female entrepreneurs’ networks during critical problems (“tipping points”), and how this affects the subsequent performance of the small business. This is a qualitative study that involved four cases of Muslim women small businesses in Johor Malaysia. This method was particularly appropriate for the study since it dealt with complex social phenomenon where relationships of entrepreneurs, which can be characterized as abstract and subjective, can only be gathered through interactions with the respondents and the stakeholders that entails the richness of data. The results of the study indicated that the personal networks (i.e., spouse, family, close relatives and close friends) of all these entrepreneurs, who they regard as strong ties, are vital for both the start-up and the developing phase. This is because the relationship has existed long before the business was established, and they are readily available in terms of supporting the entrepreneurs. The findings support the idea that the relationship with business networks (suppliers, customers and employees) is established at the start-up stage for they are the individuals/parties that entrepreneurs strongly rely on to run the business. However, connections with other individuals/parties of the business network (such as financial institutions, governments agencies, clubs and associations, and other entrepreneurs) are established at the developing phase of the business.

Ogunnaike and Kehinde (2013) carried out a study on social networking and business performance in Nigeria. The research study examined the nature of relationship between social networking and business performance using selected entrepreneurs in Ota, Nigeria as respondents. The specific objectives of the study were; (i) to ascertain the extent to which social media networks are used by entrepreneurs (ii) to find out the purpose for which those sites were visited (iii) to determine the effect of electronic networking on sales turnover and (iv) to identify the effect of physical networking on business efficiency. The study used survey research method with structured questionnaire that was distributed among the sampled respondents to elicit
relevant information to the study from entrepreneurs that is SME owners. The special emphasis
is on the impact of social networking on business performance. The findings showed that
network-based system can bring the success every entrepreneur craves in business. Owners of
business should be involved in social networking which will enhance their business and the right
social media should be used to get current information relevant for the business which will
increase business success. The research concluded that social media networking has become a
viable tool in the hand of any modern entrepreneur for business differentiation and success
because the business world is becoming more competitive in the emerging global village.

Taneja and Toombs, (2014) wrote a paper on networking entitled “Putting a face on small
businesses visibility, viability, and sustainability: the impact of social media on small business
marketing”. The paper focused on the role and relevance of social media in small businesses.
The objectives were: (1) to analyze which social media would be more effective in the marketing
and promotion of small organizations; (2) to explore the benefits and limitations of social media
in small business marketing strategies, compared to the traditional promotion tools; (3) to
determine how social media helps in differentiating businesses from their competitors; and (4) to
analyze the importance of small businesses incorporating social media into their marketing
efforts. They found out that the use of social media has become a common place in
organizations. As organization leaders understand more about social media, they can think
beyond the likes and how many members and followers they have to opportunities that keep their
business alive and, in their communities, and with their customers and prospects. They
discovered that small business leaders are using social media marketing to promote their
business to gain visibility, viability, and sustainability to survive in the current competitive era.

Širec and Bradač (2009) examined how networking impact the SMEs growth in Slovenia. The
study investigated the entrepreneurs networking activities and their impact on previous growth as
well as growth aspirations of the company. They tested the described relationship through two
hypotheses namely: (1) networking is positively correlated with past growth of the company; (2)
networking is positively correlated with growth aspirations of the company. First, a framework
was developed for a conceptualization of entrepreneurship that incorporates measures relating to
the networking activities. This involves a refinement of previously proposed, but inadequately
tested, theoretical constructs into an empirically testable framework. The second, and closely
related, objective of this research was the development and testing of a valid and reliable survey
instrument that lends itself to establishing this framework for future studies, enabling an
international comparison of a multi-dimensional conceptualization of entrepreneurship
phenomena. The statistical population of the research was Slovenian small and medium-sized
companies (joint-stock companies, limited liability companies, non-limited liability companies)
in all Standard Industry Classification (SIC) categories. Quota sampling was used.

Turyakira and Mbidde (2015) investigated networking for SMES in Uganda. The primary
objective of this paper was to identify networking factors that influence the competitiveness of
SMEs and to develop a hypothesized model that can be tested on SMEs with a view to
improving the survival rate of SMEs in Uganda. This was a conceptual paper that followed a
quantitative research paradigm. Quantitative data was collected using a structured questionnaire
and analyzed using Statistical Programme for Social Scientists (SPSS) for Windows. The study
concluded that for SMEs to benefit from networking arrangements, they need to establish sincere interest to their partners by encouraging conversation. The goal of networking is to establish long-term mutually beneficial relationships with partners in order to boost profitability.

Peprah (2013) undertook a study on Sustainable entrepreneurship: The role of networking. The objective of this study was to explore the role networking play in making entrepreneurship more sustainable. Using a sample of 320 women entrepreneurs from the Mfantsiman district of Ghana. The study adopted two stage multinominal logit as well as ordinary least square (OLS) estimation techniques to determine the effects of number of network on start-up capital and credit amount. Result of the study showed that women entrepreneurs in the Mfantsiman district belong to at least one of the four networks identified as religious, occupational, political or ethnic. Entrepreneurship requires information resources to start business activities. While they hold some of these resources themselves, they often complement their resources by making other contacts. These contacts create social capital which serves as a necessary and sufficient condition for successful entrepreneurship.

2.4 Summary
The literature reviewed the relationship between networking competency and survival of SMEs. Reviewed literature generally agrees that these attributes of networking competency affect the survival of SMEs. In general, entrepreneurship research has shown that networks are vital to the discovery of entrepreneurial opportunities, provide information benefits, create link with other business people and regulators which then leads to a higher degree of business success and survival.

3.0 RESEARCH METHODOLOGY

3.1 Research Design
The study adopted a descriptive research design. A descriptive research design is used when the problem has been well designed and where the researcher can engage in a field survey by going to the population of interest in order for the respondents to explain certain features about the problem under study (Creswell, 2013). It uses a pre-planned design for analysis and also determines and reports the way things are. A descriptive research design is used when data are collected to describe persons, organizations, settings or phenomena. According to Salaria (2012), the method of research which concerns itself with the present phenomena in terms of conditions, practices, beliefs, processes, relationships or trends invariably is termed as descriptive research study.

3.2 Research philosophy- Positivism
According to Galliers (1991) as cited by Wang (2012), a research philosophy is a belief about the way in which data about a phenomenon should be gathered, analyzed and used. The term epistemology (what is known to be true) as opposed to doxology (what is believed to be true) encompasses the various philosophies of research approach. This research adopted positivist research philosophy. The term positivism has at least three meanings. First, it is an epistemology that identifies scientific knowledge with covering laws—that is, statements of the type “if A occurs, then B will follow.” Second, it is an ontology that equates existence with objects that are observable. Third, it is associated with a self-understanding of scientific activity in which social science is independent of the reality it describes (Riley, 2007).
3.3 Target Population
Target population in statistics is the specific population about which information is desired (Mugenda, 2008). The concept of a target population is an informal one, sometimes defined as “the population about which information is wanted” or the “totality of elements which are under discussion and about which information is desired. According to the Micro, Small and Medium Establishments report (RoK, 2016) there are an estimated 1,506,500 licensed SMEs in Kenya out of which 268,100 SMEs are located in Nairobi trading under single business permit. The target population was therefore the 268,100 SMEs.

3.4 Sampling frame, techniques and sample size
A sampling frame describes the list of all the units in population from which the sample was selected. Simply put, sampling frame is the sampling range or the list of all sampling units in the survey population (Zhengdong, 2011). It is the source material or device from which a sample is drawn. Sampling technique on the other hand refers to the method of selecting a sample. It is the methods used in drawing samples from a population usually in such a manner that the sample will facilitate determination of some hypothesis concerning the population. The study used stratified random sampling method. The population was first grouped into strata of manufacturing, wholesale and retail trade and service activities. From each stratum, simple random sampling was applied. A sample is a carefully selected subgroup or subset that is a representative of the population under study (Teddle & Yu, 2007). Yamane (1967) as cited by Singh and Masaku (2014) provides a simplified formula to calculate sample sizes. This formula is used to calculate the sample sizes where the population is large. It assumes a certain level of significance which normally ranges from 0.01 to 0.1 but 0.05 is the most commonly used. In the circumstances the sample size of the study was calculated to be 400.

3.5 Data Collection instruments
Data collection instruments are the tools for data collection (Zohrabi, 2013). The goal for all data collection is to capture quality evidence that then translates to rich data analysis and allows the building of a convincing and credible answer to questions that have been posed. The study used a questionnaire to collect the required data. A questionnaire is a data collection instrument that sets out in a formal way the questions designed to elicit the desired information (Wadi, 2016). It consists of a list of structured questions, un-structured questions and Likert rating scales relating to the field of inquiry with spaces provided for selection of choices and explanatory answers. Close ended questions have the advantage of collecting viable quantitative data while open-ended questions allow the respondents freedom of answering questions and the chance to provide in-depth responses. Questionnaire was preferred because it is efficient, cheap and easy to be administered.

3.6 Data Analysis
The completed questionnaires were first edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. A descriptive analysis was then employed. Descriptive statistics was used to summarize the data. This includes percentages and frequencies. All quantitative data were measured in real values by normalizing. Multiple regression was used to measure the quantitative data which was then analyzed using the statistical package for social sciences (SPSS) version 24 which is the most current version in the market and Microsoft excel. Tables and other graphical presentations as appropriate were also
used to present the data collected for ease of understanding and analysis. These generated quantitative reports through tabulations, percentages and measure of central tendency. Cooper and Schindler (2003) notes that the use of percentages is important for two reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons.

3.7 Hypothesis testing
Hypothesis is a formal statement that presents the expected relationship between an independent and dependent variable (Haber, 2010). It is an assumption about a population parameter that is to be proved or disapproved. It is also a conjecture used to guide the investigations or accepted as highly probable in the light of established facts. Such should be clear and precise, capable of being tested, capture the relationship between the variables, limited in scope and consistent with a substantial body of facts (Kothari, 2004). The researcher developed research hypotheses that need substantiation or verification and this calls for hypothesis testing. The testing of a statistical hypothesis is the application of an explicit set of rules for deciding whether to accept the hypothesis or to reject it. For testing networking competency against the dependent variable (survival of SMEs in Kenya), regression model was used at a significance level of 0.05 and a $P$-value derived therefrom compared with the level of significance in order to make a decision on whether or not to reject the null hypothesis. Since the research hypothesis is non-directional, it will be rejected if the $P$-value is less than or equal to half of the defined significance level ($P$-value = $\alpha/2$). The lower the $P$-value in comparison to $\alpha/2$, the more evidence there is in favor of rejecting the null hypothesis.

4.0 FINDINGS

4.1 Response rate
The percentage of people who respond to a survey is considered as the response rate. In general, response rate is the number of respondents divided by the number of eligible subjects in the sample. The probability of nonresponse bias decreases as response rate increases thus increasing the ability to generalize findings to the original target population. A high survey response rate helps to ensure that the survey results are representative of the survey population (Draugalis & Plaza, 2009).

The study sought to find out the rate at which the targeted respondents participated in the study in order to determine whether the study attained a reliable number of respondents to make conclusions and recommendations. From the data collected, out of the 400 questionnaires 256 were successfully administered face-to-face and 144 left with respondents and collected later out of which 56 were filled and returned. This means that in total 312 questionnaires were administered which represents 78% response rate. However, for the individual industry categories, manufacturing had 89.6% response rate, wholesale and trade 71.8% response rate and service 87.5% response rate. These response rates are considered satisfactory to make conclusions for the study. Mugenda and Mugenda (2003) observed that a 50% response rate is adequate, 60% good and above 70% rated very good. The implication here is that 78% is very good. This high response rate can be attributed to self-administered questionnaires and follow up phone calls that prompted the respondents to fill the questionnaires that were left behind. The response rate is as shown in table 4.1.
Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Industry</th>
<th>Sample size</th>
<th>Face-to-face</th>
<th>Left behind</th>
<th>Returned</th>
<th>Total administered</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>48</td>
<td>33</td>
<td>15</td>
<td>10</td>
<td>43</td>
<td>89.6%</td>
</tr>
<tr>
<td>Wholesale &amp; Trade</td>
<td>248</td>
<td>151</td>
<td>97</td>
<td>27</td>
<td>178</td>
<td>71.8%</td>
</tr>
<tr>
<td>Service</td>
<td>104</td>
<td>72</td>
<td>32</td>
<td>19</td>
<td>91</td>
<td>87.5%</td>
</tr>
<tr>
<td>Total</td>
<td>400</td>
<td>256</td>
<td>144</td>
<td>56</td>
<td>312</td>
<td>78%</td>
</tr>
</tbody>
</table>

4.2 Networking competency

4.2.1 Embracing networking strategies

Networking strategies determine how effective an entrepreneur gets larger market and continues to operate within the market. Business networking plays a vital role in increasing the competitiveness of SMEs as well as a useful way for SME owner/managers to expand marketing expertise and improve their performance. On this basis therefore, the study sought to find out the networking strategies that were embraced by the respondents and as presented in table 4.1, the results showed that most of the respondents had teamed-up with other vendors for joint sales, contacted former customers and developed multiple revenue streams as network strategies as was shown by 81%, 79% and 76% respectively. On the other hand, 19%, 24% and 21% of the total respondents did not embrace teaming up with other vendor for joint sales, developing multiple revenue systems and contacting former customers for the purpose of keeping networks respectively. This, as argued by Maina, Marwa and Waiguchu (2016) could to a great extent affect the survival and performance of such SMEs since their customer base which relies on the networking strategies applied is limited.

Table 4.2: Embrace of Networking Strategies

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th></th>
<th>No</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Team-up with other vendors for joint sales</td>
<td>252</td>
<td>81</td>
<td>60</td>
<td>19</td>
</tr>
<tr>
<td>Developing multiple revenue streams</td>
<td>236</td>
<td>76</td>
<td>76</td>
<td>24</td>
</tr>
<tr>
<td>Contacting former customers</td>
<td>245</td>
<td>79</td>
<td>66</td>
<td>21</td>
</tr>
</tbody>
</table>

4.2.2 Social forums attended in the last five years

Social forums are about meeting people, sharing who you are and what you do, and gaining some valuable contacts and information that you can use immediately or in the future. It is not just about showing up, grabbing some free snacks, and passing out business cards. In this view therefore, the study sought to find out the number of forums that the respondents had attended in a move to enlarge their network. The findings as shown in table 4.2 showed that most of the respondents had attended 6-10 social forums comprising 35%. A further 33% of the total respondents had attended 3 to 5 social forums. On the other hand, 21% had attended 1-2 social forums while 5% of the total respondents had not attended any social forum. The findings compare with those by Ogunnaike and Kehinde (2013) who established that many SME owners choose to attend social forums and other society-based gatherings as a way of developing more
network and relationships which in turn enlarge their market as well as generating more exposure for their businesses.

Table 4.3: Social forums attended in the last five years

<table>
<thead>
<tr>
<th>Range</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>15</td>
<td>4.8</td>
</tr>
<tr>
<td>1-2</td>
<td>64</td>
<td>20.5</td>
</tr>
<tr>
<td>3-5</td>
<td>104</td>
<td>33.3</td>
</tr>
<tr>
<td>6-10</td>
<td>110</td>
<td>35.3</td>
</tr>
<tr>
<td>Above 10</td>
<td>19</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>312</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.3 Participation of promotion forums

Participating in promotional forums is an effective low-cost marketing method for developing sales opportunities and contacts. The study sought to find out the promotion forums that the entrepreneurs participated in as a way of enhancing their network. The respondents were required to choose from the list and give the one which they mainly participated in. As the findings in table 4.3 depict, a majority of the respondents attended business seminars, workshops, exhibitions and focus group discussions as was shown by 37%, 29%, and 14% respectively. On the other hand, 5% of the total respondents indicated that they never attended any promotion forum. The findings imply that participation in the social forums by the entrepreneurs is majorly overlooked despite it being a key strategy to enhance the network creation by the SME owners (Taneja & Toombs, 2014).

Table 4.4: Participation in Promotion Forums

<table>
<thead>
<tr>
<th>Forums</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibitions</td>
<td>46</td>
<td>14.7</td>
</tr>
<tr>
<td>Business Seminars</td>
<td>114</td>
<td>36.5</td>
</tr>
<tr>
<td>Workshops</td>
<td>91</td>
<td>29.2</td>
</tr>
<tr>
<td>Focus group discussions</td>
<td>46</td>
<td>14.7</td>
</tr>
<tr>
<td>None</td>
<td>15</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>312</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.4 New Networking Groups

The study sought to establish the new networking groups that the respondents’ belonged to as a way of establishing and enhancing their business network. The findings as shown in table 4.4 indicate that 9% of the respondents did not belong to any networking group, 34% belonged to 1 to 2 groups, 32% belonged to 3 to 5 groups, 19% belonged to 6 to 10 groups whereas 6% belonged to more than 10 groups. The findings compare with the argument by Rathwell and Peterson (2012) who contend that as part of networking, it is equally important for an organizational manager (entrepreneur) to join networking groups as a way of establishing additional networks for the business.

Table 4.5: Networking Groups

<table>
<thead>
<tr>
<th>Option</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
</table>
4.2.5 Extent into which networking avenues affects the survival of a business
There are always lots of opportunities that come from networking. Networking allows an entrepreneur to create new avenues for your business that your original model might not have considered or allowed for. The study therefore sought to find out the extent to which networking channels affects the business survival. The respondents were required to give their views based on a five Likert’s scale of 1 to 5 where 1 is the lowest and 5 the highest. The findings as shown in table 4.5 revealed that the bigger portion of the respondents agreed to a great extent that sharing resources, sharing market information and transaction costs and making strategic alliances affects the survival of a business as was shown by 30%, 27% and 26% respectively. Further, 33% were uncertain that creating new contacts and relationships affects the survival of a business. The findings compare with the arguments by Martinez and Aldrich (2011) that networking competencies enhance firm survival through enhancement of the exposure by the business operators as well as increase in customer base as a result of marketing through the networks.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Very extent</th>
<th>Low extent</th>
<th>Uncertain</th>
<th>Great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating new contacts and relationships</td>
<td>9%</td>
<td>25%</td>
<td>33%</td>
<td>25%</td>
<td>8%</td>
</tr>
<tr>
<td>Making strategic alliances</td>
<td>10%</td>
<td>23%</td>
<td>28%</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>Sharing resources</td>
<td>10%</td>
<td>20%</td>
<td>28%</td>
<td>30%</td>
<td>11%</td>
</tr>
<tr>
<td>Sharing market information and transaction costs</td>
<td>10%</td>
<td>23%</td>
<td>25%</td>
<td>27%</td>
<td>15%</td>
</tr>
</tbody>
</table>

4.3 Survival of SMEs
4.3.1 Plan to close business in near future
Based on the turn of events, entrepreneurs might decide to close their businesses but will not do it immediately opting to wait until things are too hot to handle then quit the enterprise. In this regard therefore, the study sought to find out the views of the respondents on their possibility to close their businesses. The responses presented in table 4.6 revealed that 53% of the respondents had plans to close their businesses in the near future whilst 47% did not have plans to close their businesses in the near future. The respondents were asked to state the reasons as to why they were planning to close their enterprises. They cited reasons such as declining profit margins, lack of capacity to continue doing the business, commitment to do other things and focus on other business.
Table 4.7: Plans to close the Enterprise

<table>
<thead>
<tr>
<th>Select</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>165</td>
<td>52.9</td>
</tr>
<tr>
<td>No</td>
<td>147</td>
<td>47.1</td>
</tr>
<tr>
<td>Total</td>
<td>312</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.2 Survival Tactics Applied

The study sought to find out the tactics that the entrepreneurs put in place to sustain their businesses and prolong their existence. The respondents were asked to agree or disagree with the given options which included diversification, merging and acquisition, investment of the profits, as well as offering more time to the businesses. The findings as presented in table 4.7 revealed that the bigger portion of the respondents indicated that they used diversification, merging and acquisition, giving much of the time to the business and strategizing for its growth and investing back the profits to the business as survival tactics as was shown by 80%, 74% and 73% respectively. The findings imply that majority of the SMEs are geared towards adopting tactics that are meant to enhance their performance and lengthen their operations in the market. As argued by Sohl (2012), the tactics used by businesses to enhance their growth and performance need to be well strategized as a way of making them fruitful and effective.

Table 4.8: Survival Tactics Applied

<table>
<thead>
<tr>
<th>Tactic</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Diversification</td>
<td>250</td>
<td>80</td>
</tr>
<tr>
<td>Merging and acquisition</td>
<td>232</td>
<td>74</td>
</tr>
<tr>
<td>Investing back the profits to the business</td>
<td>230</td>
<td>73</td>
</tr>
<tr>
<td>Giving much of the time to the business and strategizing for its growth</td>
<td>230</td>
<td>73</td>
</tr>
</tbody>
</table>

4.4 Inferential Analysis of Networking Competency and Survival of SMEs in Kenya

Ha: Networking competency has effect on the survival of SMEs in Kenya

To find out the relationship between networking competency and survival of SMEs in Kenya, inferential analysis was carried out. Table 4.8 presents summary of regression model result between the two variables. The R value of 0.599 represents the strong positive correlation between networking competency and survival of SMEs in Kenya. The $R^2$ indicates that explanatory power of the independent variable is 36%. These findings concur with that of Peprah (2013) who found that networking competency through aspects such as resource sharing and strategic alliances has a major factor on the growth and survival of SMEs. It can therefore be inferred that entrepreneurs should have better relationships with customers and other entrepreneurs as a way of enhancing their firms’ growth and survival.

Table 4.9: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the</th>
</tr>
</thead>
</table>
Table 4.9 shows the results of ANOVA test which revealed that networking competency have significant effect on survival of SMEs since the P-value is actual 0.000 which is less than 5% level of significance.

**Table 4.10: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>15.660</td>
<td>1</td>
<td>15.660</td>
<td>172.524</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>28.048</td>
<td>309</td>
<td>.091</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>43.708</td>
<td>310</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SURVIVAL  
b. Predictors: (Constant), NETWORKING

The model for the variable was \( Y_s = \beta_0 + \beta_1 X_1 \) which now becomes \( Y_s = 0.711 + 0.524X_1 \). This implies that a unit change in networking competency can explain up to 52.4% of SME survival. This is shown in table 4.10.
### Table 4.11: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.711</td>
<td>.106</td>
<td>6.722</td>
<td>.000</td>
</tr>
<tr>
<td>Networking Competency</td>
<td>.524</td>
<td>.040</td>
<td>.599</td>
<td>13.135</td>
</tr>
</tbody>
</table>

a. Dependent Variable: SURVIVAL

### 5.0 CONCLUSIONS

Although the study was based on sample data, it achieved its objective of explaining how networking competency contributes to SMEs survival. The study concluded that networking competency has an important role in enhancing survival of SMEs in Kenya. Networking in form of clusters, strategic alliances and business collaborations has become widespread among SMEs as a competitive tool and so facilitate repeated business interactions. More importantly networking can be a source of information gathering, idea generation and sharing and seeking advice for the betterment of the enterprise which is a recipe for survival.

### 6.0 RECOMMENDATIONS

The study established that networking competency is a major factor in SME survival. The study therefore recommended that entrepreneurs should ensure they embrace networking as a way of gaining competitive advantage and widening their customer base as a result of marketing through the networks. Through strategic alliances with other entrepreneurs, market transactions as well as resource sharing with other enterprises enables entrepreneurs to exploit or explore new entrepreneurial opportunities. These as portrayed in the findings keep the firm stable and enhances the survival since networking is generally considered as a competitive tool.
REFERENCES


