



## ABSTRACT

The objective of this research work was to examine the level of entrepreneurial networking and the survival of small and medium scale enterprises in Nigeria. Given this minimal survival rate, it becomes vital to research on the factors. The study focused on SMEs in Nigeria. The study therefore opted to adopt a descriptive research design. The target population was 1,427 registered SMEs where a stratified random sampling was applied to identify 223 SMEs. Data analysis was by way of descriptive statistics (frequencies and percentages), tables and graphical presentations, and

# ENTREPRENEURIAL NETWORKING AND THE SURVIVAL OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA

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## Introduction

Networking can be viewed as the process of building long term contacts with the motive to have access towards information and resources. Chetty and Wilson (2016) argue that inter-firm network provide firms access to a variety of important resources and complementary skills which leads to the building of specialized knowledge and achievement of economies of scale in operations and collaboration to acquire greater knowledge and capabilities. Though there are accrued benefits in regard to networking, SMEs are not motivated to seize the opportunities to networking. There is evidence from literature that network relationships play a role in the SMEs performance. Distinct characteristics in network relationships such as structure, content and governance significantly affect the performance of small and medium enterprises. Entrepreneurial 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, 2018). Ideally, any member of this network would answer an e-mail 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, 2017). 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



*multiple linear regression model where survival was regressed against the variables of risk taking competencies to make statistical reference. The findings revealed that entrepreneurial networking have a positive and significant effect on the survival of SMEs in Nigeria thereby increasing their chances of survival. The study therefore recommends that SMEs through the management should embrace networking competency as a means of enhancing their survival, which is a key aspect in firm survival and performance, also ensure that they embrace networking as a way of gaining competitive advantage and widening their customer base.*

**Keywords;** *Entrepreneurial networkig, SME firm performance, competencies*

different problems, get support, increase revenues, find new ideas and utilize external knowledge.

Also 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). For instance, in Nigeria, entrepreneurial networking competencies have not only direct impact, but also indirect impact on SME firm performance via the mediating effect of organizational capabilities (Sanchez, 2017). In Tanzania, Madatta (2011) found out that entrepreneurial networking competencies are directly associated to business success. Entrepreneur's networking is intrinsically related to their social capital. Ellison, Steinfield and Lampe (2014) 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., 2018). 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 (Praszkie, 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 sharing 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).

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.

#### **Statement of the problem**

The Micro, Small and Medium Establishments report (RoK, 2018) indicates that there is high mortality rate of SMEs in Nigeria with a total of 2.2 million businesses having closed from 2012 to 2016. Small and Medium enterprises in Nigeria have been experiencing setbacks which led poor performances after the collapse of manufacturing companies between 2000-2008 whereby 20 companies shut down or suspended production due to economic recession (Ayodeji, 2017) It is argued that in Bauchi, just like in many state, the survival rate of SMEs is only 10-20%.

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, 2019).

For instance, in Spain entrepreneurial networking have not only direct impact, but also indirect impact on SME firm performance via the mediating effect of organizational capabilities (Sanchez, 2017). In Tanzania, Madatta (2019) found out that entrepreneurial networking are directly associated to business success.

Since each market and economy has its own features that provide a unique environment for SMEs to develop and operate, the Nigeria scenario requires its own analysis. In Nigeria, most studies relating to SMEs failure rate have mainly concentrated on the growth aspect (Abdul & Ngugi, 2017; Bernadette, 2019);. There has been little attempt to explore survival prospects and more specifically examining the impact of entrepreneurial networking on the survival of Small and Medium Enterprises in Nigeria as in this case. This study, therefore, seeks to address this knowledge gap.

#### **Specific objectives**

1. To establish the effect of entrepreneurial networking on the survival of Small and Medium Enterprises in Nigeria



2. To examine the effect of leadership competency on the survival of Small and Medium Enterprises in Nigeria
3. To explore the effect of ICT networking on the survival of Small and Medium Enterprises in Nigeria

#### **Research hypotheses**

**H01:** Entrepreneurial networking has no significant effect on the survival of Small and Medium Enterprises in Nigeria

**H02:** Leadership competency has no significant effect on the survival of Small and Medium Enterprises in Nigeria

**H03:** ICT networking has no significant effect on the survival of Small and Medium Enterprises in Nigeria

#### **Scope of study**

The research will be carry in 5362 registered SMEs in Nigeria. This will give adequate information of the performance data that will be collected, taking into consideration the operational period beyond start-up.

#### **REVIEW OF RELATED LITERATURE**

##### **The concept of entrepreneurial Networking**

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, but only formal networks are associated with growth. Networks can be divided into two groups based on their types of ties. Networks that primarily consist of arm's-length relations are diverse and lack social cohesion, whereas networks that consist of embedded relations are cohesive and facilitate repeated social and business interactions (Martinez & Aldrich, 2011). In addition, a cohesive network comprises members who are strongly and nearly exclusively connected to one another. Kalm (2012) argued that network relationships can provide emotional support for entrepreneurs who assume risks and thus increase the desires of entrepreneurs to continue conducting business. Entrepreneurs can also use networks to gather information, ideas, or advice. More importantly, small business owners can gain access to research and development (R & D), out-sourced by major firms; establish joint R&D ventures; and establish other relationships, such as marketing or manufacturing relationships (Maina, Marwa & Waiguchu, 2016).

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). Potential partners are often very reluctant to put their reputation, capital, or other resources at risk in a start-up, whose financial prospects, if not its longevity, are uncertain.

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 (Sytych, 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).

## **THEORETICAL REVIEW**

### **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 e-mail 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).

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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 sharing 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.

### **Empirical literature review**

#### **Networking competency and the survival of SMEs**

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 data richness. 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 respondents were entrepreneurs in Ota, Nigeria. The study had specific objectives as; (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 was on the effect of social networking on SME performance and survival. 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 (2019) 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 previous 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. Questionnaires were used to gather data concerning company owners. The study found out that the cooperation with different partners is of utmost importance for SMEs.

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 the role of networking on sustainable entrepreneurship. 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 Mfantseman district of Ghana. The study adopted two stage multinomial 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 Mfantseman 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.

Caliendo, Fossen and Kritikos (2010) conducted a research in Germany to investigate the impact of risk attitudes on entrepreneurial survival. To test the hypotheses, they empirically analyzed



whether the risk attitudes of active entrepreneurs have an influence on their survival prospects. They based their analysis on the German Socio-Economic Panel (SOEP), an established, representative panel survey that contains detailed information about the socio-economic situation of approximately 22,000 persons living in 12,000 households in Germany. Key to their analysis was new measures of risk attitudes that were added to the SOEP in the 2004 survey wave.

## **METHODOLOGY**

### **Research Design**

The study will use a descriptive survey research. According to Creswell (2009), a descriptive research is one where data is collected without changing the data collection environment and seeks to answer questions of what, when, where, why and who. Kothari (2011), added that a descriptive research presents accurate characteristics of people, situations or events and offers a description of how the research strategy connects key objectives of the study and whether the issues under research policy or theoretical oriented. The research design will be appropriate for this study because of the observational nature of data that will be collected from target respondents in Nigeria. The study will apply the research design in acquiring responses on various formulated statements from respondents.

### **Data Collection Instruments**

The study will use primary source of data collection. The researcher will use questionnaire as the research instrument. The study will use a Likert-scale consisting of closed ended and open-ended questions for a specific variables of the study. The questionnaire will be divided into two parts covering demographic of respondents and study variables.

### **Population of the Study**

The population of a research study is defined as the census of all items or objects that possess the characteristic or that have the knowledge of the phenomenon being studied (Aminu, 1999). To reduce the laborious process of distributing questionnaires with the entire population in the various institutions, a stratified random selection of selected sample population was carried out in the various guidance and counseling organizations. The population of the study consist of Bauchi metropolitan.

### **Target Population**

The Population and Sector/Category SMEs 5362 comprises wholesale and retail trade; repair of motor vehicles and motorcycles Accommodation and food service Total 874

### **Data Collection Instruments**

Data collection instruments are means by which primary data are collected in social research. There are several ways of collecting data which differ considerably in terms of money costs, time and other resources at the disposal of the researcher (Mackey & Gass, 2017). These include questionnaires, observations, interviews and focus groups. This study used a self-administered, closed and open-ended questionnaire to obtain primary data. Secondary data on the performance



of the SMEs was also collected guided by a range. This range was calculated by the researcher based on the information provided by the respondents. The choice of a questionnaire to collect data for this study is informed by its practicability, ability to collect information from a lot of people within a short period and it can also be analyzed more scientifically and objectively than other forms of research. With the use of a questionnaire, the research can be carried out by the researcher or by any number of people with limited affect to its validity and reliability.

#### Entrepreneurial networking Descriptive Results

Statements	SD	D	N	A	SA	Mean	Std Dev	Statements
Networking enhance business activity	5.7%	4.3%	22.9%	35.7%	31.4%	3.83	1.10	5.7%
We enhance creativity through the use of entrepreneurial networking	5.7%	10.0%	28.6%	35.7%	20.0%	3.54	1.10	5.7%
Countries world wide has embrace entrepreneurial networking to solved problems by using entrepreneurial mind set	2.9%	4.3%	37.1%	34.3%	21.4%	3.67	0.96	2.9%
Companies has invested a lot in entrepreneurial networking through the use of technology	7.1%	4.3%	24.3%	32.9%	31.4%	3.77	1.16	7.1%
Creativity and entrepreneurial mind set has enable companies to gain more market share	5.7%	4.3%	30.0%	30.0%	30.0%	3.74	1.11	5.7%
entrepreneurial ability plays a crucial role in economic development by advancing technological	7.1%	7.1%	38.6%	15.7%	31.4%	3.57	1.21	7.1%

The results showed that 35.7% and 31.4% of the respondents agreed and strongly agreed respectively. The findings further showed that the statement in respect to networking had a mean of 3.83 and a standard deviation of 1.10. The study also intended to establish whether the percentage of networking operations in SMEs had significantly improved business activities. The results in showed that 35.7% and 20.0% of the respondents agreed and strongly agreed respectively.



The findings further showed that the statement had a mean of 3.54 and a standard deviation of 1.10.

#### DATA ANALYSIS RESULTS

		<b>entrepreneurial networking</b>	<b>SMEs Survival</b>
<b>entrepreneurial networking</b>	Pearson Correlation	1	.287**
	Sig. (2-tailed)		.000
	N	170	170
<b>SMEs Survival</b>	Pearson Correlation	.287**	1
	Sig. (2-tailed)	.000	
	N	170	170
<b>Correlation is significant at the 0.01 level (2-tailed).</b>			

From the above table it showed that entrepreneurial networking had a Pearson correlation value of 0.287 and significance value of 0.000. The finding implied that networking had a significant association with SMEs Survival. The results implied that when networking competency goes up, SMEs Survival is likely to increase.

#### Conclusion

Specifically, the study sought to determine the relationship between entrepreneurial networking and SMEs survival Nigeria. Based on the finding of the study, the study concludes that entrepreneurial networking is important in SMEs survival.

#### Recommendations

The study therefore recommends that SMEs through the management should embrace networking competency as a means of enhancing their survival, which is a key aspect in firm survival and performance, also ensure that they embrace networking as a way of gaining competitive advantage and widening their customer base.

This therefore helps in boosting the economic growth of the country and also reducing the level of unemployment. The entrepreneurial mindset of students should be expanded by enabling them to think outside the box and use their creative mind. This therefore can be done by ensuring that the right facilities must be in place and the teachers must be qualified and equipped with adequate knowledge and skills. Management of SMEs should be mindful of the content of their networks since the network content has significant effect on the performance of SMEs.

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