

**THE RELATIONSHIP BETWEEN SOCIAL NETWORKS AND
GROWTH OF SMALL AND MICRO ENTERPRISES IN KISII TOWN**

BY

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DECLARATION

This Research project is my original work and has not been presented for a degree in any other university or for any other award.

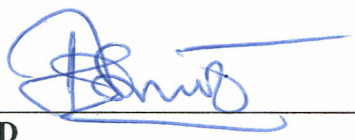
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OPERATIONAL DEFINITIONS OF TERMS

ENTREPRENEURSHIP The capacity and willingness to undertake conception, organization, and management of a productive venture with all attendant risks, while seeking profit as a reward.

FSAs Financial Service Associations

GDP Cross Domestic Product

GS Guarantee scheme

ICDC Industrial & Commercial Development Corporation

ICSB International Council of Small Business

IDB Industrial Development Bank

ILO International Labour Office

KEPSA Kenya Private Sector Alliance

MFI Micro-finance Institutions

MSE Medium and small enterprises

NGOs Non governmental organizations

SMEs Small and medium enterprises

SOCIAL NETWORK A social network is a social structure made of individuals (or organizations) called "nodes," which are tied (connected) by one or more specific types of interdependency, such as friendship, kinship, financial exchange, dislike, sexual relationships, or relationships of beliefs, knowledge or prestige (Berkowitz 1982).

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ABSTRACT

This sought to establish the relationship between social networks and growth of SMEs in Kenya. The study tested the fundamental assumption that social networks are important to SME growth. This assumption underpins most social network research conducted in the field of entrepreneurship and is seldom questioned. This research sought to establish the relationship between social networks and the growth small and medium enterprises in Kenya. It is noted that while a lot of work in this area has been done in Western Industrialized countries, little by way of serious research has been undertaken in African countries. The role of networks in enterprise development and growth in these countries remains unexplored and therefore unclear. It is argued here that research on networks needs to be contextualized if it is to gain currency. This research employed descriptive research design and multiple regression analysis to establish the relationship between the independent variable (social networks) and the dependent variable(SME growth). This research report found out that there was a strong relationship between SME growth and social networks. The report therefore recommends the building of social networks by entrepreneur since development of social network is an activity of increasing social, personal and business contacts of an entrepreneur. The report identified that social network can be physical or virtual resources and that the main aim of building social structure is to fulfill the needs of entrepreneurs. Entrepreneurs build these relations by contacting the people they know or by contacting the people who are known by his contacts. Further, the research report recommends social networking as a necessary skills that entrepreneurs needs to embrace and through which an entrepreneur actually benefits in terms of Moral support and feedback, increasing efficiency of business operations and linking their business to the global markets in order to reap the benefits of global markets.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

In the entrepreneurship literature networks have been identified as one of the solutions to problems faced by SMEs, especially at the start-up stage. A research focus on this line of enquiry at the SME level in a developing country such as Kenya is important and relevant for various reasons. First, the literature has pointed out that many problems small businesses face are related to their liabilities of smallness, newness and therefore isolation (K'Obonyo, 1999). It is posited that there is an inverse relationship between firm size and age and failure, with smaller and newer firms facing higher risks. This research was therefore timely, since most of SME challenges can be solved if there is strong ties between entrepreneurs and support groups.

1.1.1 Definition of Small and Micro Enterprises

The definitions used to describe the MSE sector in Kenya are based on employment size (and include both paid and unpaid workers). A micro-enterprise is defined as having no more than 10 employees; a small enterprise with 11-50 employees; and a medium/large enterprise with more than 50 employees. Farm holdings are excluded from the definition of MSEs, except those farm-based enterprises that involve some sort of processing before.

Marketing, for example, a farmer who goes to market to sell roasted maize at the Marketplace or at the roadside is seen as operating an MSE. Thus, the term micro and small enterprise covers the range of establishments, including informal economy activities that

include one or more persons and enterprises in the formal economy employing up to 50 persons. The Ministry of Labor and Human Resource Development (MLHRD), which is the lead government agency for the MSE sector, makes provision for both formal and informal enterprises, classified into on-farm and non-farm categories, employing 1-50 employees.

1.1.2 Small and Mirco Enterprises in Kisii Town

Kisii town is a bustling town and a home to several SME businesses, organizations, educational institutions and government agencies. Kisii municipality sits right at the Centre of the Western Kenya tourist circuit that includes the Tabaka Soapstone Carvings, Maasai Mara Game Reserve, Lambwe Valley Game Reserve and the entire Lake Victoria basin. The town continues to serve these former districts, the larger South Nyanza County and the Trans Mara area of western Narok County in terms of commerce.

The economy of Kisii town today is derived from commerce and agriculture. Kisii town is dotted with tall commercial buildings and is ever bustling with activities. Smaller components are in food processing, health care, education. Although it has are few industrial activities, it has potential for larger agro-based industries due to its location in a rich agricultural area. Soapstone quarrying also takes place near the town around Tabaka, south west of the town and a few miles off the Kisii-Isebania Road. Coca-Cola has a bottling and distribution plant in Kisii municipality. Also, the town hosts large supermarket chain stores e.g. Uchumi, Nakumatt and Tusky's. Besides, the town currently hosts 17 commercial banking and financial institutions' branches. These include the long existing Kenya Commercial Bank (KCB), Barclay's Bank, National Bank and Co-operative Bank. Newer entrants in the banking sector such as Equity Bank, Eco-Bank, Diamond Trust Bank, K-Rep

Bank and others have also launched new branches in the town taking advantage of the large population and the positioning of Kisii as an increasing commercial hub town. Moreover, like many of Kenya's major urban centers, there is an influx of numerous other business ventures such as the hospitality sector with hotels, bars, restaurants, sports pubs, among other commercial activities. According to the county council records for the year 2012 the town has approximately 560 registered small and micro Enterprises.

1.1.3 Forms of Social Networks

A social network is a social structure made of individuals (or organizations) called "nodes," which are tied (connected) by one or more specific types of interdependency, such as friendship, kinship, financial exchange, dislike, sexual relationships, or relationships of beliefs, knowledge or prestige (Berkowitz 1982). There are several forms of networks that may characterize the work of SMEs. This research will however focus on three types of networks. These networks include professional networks, informal networks and inter-organizational networks. Informal network includes relatives and friends with whom the entrepreneur interacts primarily at social level, while professional network consists of all those individual relationships that are primarily concerned with business. Inter-organizational network includes supporting agencies (such as government agencies, NGOs, banks, etc) and other business firms. This study will look at each of this network with an aim of measuring their relationship on SME growth in Kisii town.

1.1.4 Social Networks and SME Growth

Entrepreneurs are embedded in informal social and professional networks from which they seek opportunities and resources to start businesses. Social network resources, networking

activities and network support are important to establishing new venture. These network relations in terms of people may include contacts and links from family (Krackhardt, 1992), friends, colleges and other professional networks. Social networks are the key to unlocking and gaining access to other resources. These networks facilitate communication between people with network ties (Anderson et al., 2007). Granovetter (1973) classified network ties as either weak or strong based on the frequency of contact, which was itself associated with reciprocity.

Relationships with friends and family are categorized as strong ties because of frequent contact and emotional closeness. In contrast, ties between business associates, consultants, and other such contacts are classified as weak ties because of less frequent contact. Granovetter also argues that “the strength of weak ties” was related to diversity in sources of knowledge and advice in that “individuals with few weak ties will be deprived of information from distant parts of the social system and will be confined to the provincial news and views of their close friends” (1973, p. 106).

However, frequency of contact is not necessarily sufficient as the sole measure of network quality because the exchange of useful information is not guaranteed - there is only the opportunity for exchange (Frenzen & Nakamoto, 1993, p. 369; Zhao & Aram, 1995). For example, a strong tie with a friend or family member with whom one interacts frequently is not necessarily useful in a business setting, whereas a weak tie with a business consultant would be expected to yield more useful information. Nebus (2006) contends that the most favorable situation is one in which social contacts also happen to be experts because social contacts are easier to access and more likely to willingly communicate. In contrast, experts

are more likely to have valuable information, but are more difficult to access. Informal socializing can be important to building social capital and eventually business growth (Bowey & Easton, 2007). A business owner might need to an “exploration” strategy in order to discover and contact experts with whom he or she does not already have. Social networks and communication are considered to be most essential element in entrepreneurial activity (Martin, G. and Staines, H., 1994). The ability of developing networks rests with the efforts of entrepreneur/owner towards fulfillment of the strategic vision of reaching global markets. This demands deep commitment and nurturing effort from the entrepreneur and allows the firm to exploit opportunities of internationalization (Hayes et al., 1996).

To achieve this, the study draws much from value network analysis theory. Value network analysis addresses both financial and non-financial value. Every business relationship includes contractual or mandated activities between participants-and also informal exchanges of knowledge, favors, and benefits. The analysis begins with a visual map or diagram that first shows the essential contractual, tangible revenue- or funding-related business transactions and exchanges that occur between each node of the networks. Nodes represent real people, typically individuals, and groups of individuals such as a business unit or aggregates of groups such as a type of business in an industry network. During analysis when adopting a reflective, double loop or generative learning mode, it is beneficial to regard nodes as role plays (shortened to roles). Practitioners have found that conversation between participants about role plays within a larger whole invariably results in transforming individual behavior and gaining commitment to implementing needed change as elaborated below.

Along with the more traditional business transactions the critical intangible exchanges are also mapped. Intangible exchanges are those mostly informal knowledge exchanges and benefits or support that build relationships and keep things running smoothly. These informal exchanges are actually the key to creating trust and opening pathways for innovation and new ideas. Traditional business practices ignore these important intangible exchanges, but they are made visible with a value network analysis. The visualizations and diagrams link to a variety of assessments, usually handled in Excel type spreadsheets-to increase value outputs, to leverage knowledge and intangibles for improving financial and organizational performance, and to find new value opportunities. When the analysis is complete people gain insights into what is actually happening now, where more value can be realized, and what is required to achieve maximum value benefit across the entire business activity that is the focus of the analysis.

Among the challenges in the Kenyan Environment that limit SMEs growth includes the lack of access to credit, management skills, communication and infrastructure. Lack of managerial accounting skills for decision making and lack of technical skills are as much obstacles to developing a small business as is the inability to access credit. Studies have shown that small firms may lack types of knowledge necessary to innovate and compete successfully. The study will address some of the social network analysis claims which include but not limited to: (1) that social network analysis is an essential skill for a successful enterprise dependent on knowledge exchanges and collaborative relationships, which are seen as critical in almost every industry, (2) that this type of analysis helps individuals and work groups better manage their interactions and address operational issues, such as balancing workflows or improving communication, (3) that the approach also scales up to the business level to help forge

stronger value-creating linkages with strategic partners and improve stakeholder relationships, (4) that it also connects with other modeling tools such as Lean Manufacturing, Six Sigma, workflow tools, business process reengineering, business process management, social network analysis tools and system dynamics.

1.1.5 SME Social Network Situation in Kenya

It is no doubt that the role of Small and micro enterprises (SME) in the emerging economies such as Kenya cannot be undermined as a number of research in this field has pointed out (G.o.K) 1999, McCormick 2009, McPherson 1996). In Kenya, MSE's play a crucial role in the process of development as findings from the 2006. National SME Baseline Survey show that SME's activities are contributing to at least 18.4 percent of country's Gross Domestic Product (GDP) and 25 percent of non-agricultural GDP; employing approximately 17 percent of the total labor force from which 64 percent were in the urban employment in 2002. In terms of income contribution, workers in the MSE sector earn an average income per month, which is two and a half times more than the minimum statutory wages in the formal sector. Employment creation in the formal private sector decelerated by 67.7 percent (- from 74.0 thousand new jobs in 2007 to 23.8 thousand new jobs in 2008-) but employment in the informal private sector is estimated to have expanded from 7.5 million in 2007 to 7.9 million in 2008. New jobs created generally in the whole country declined from 485.5 thousand in 2007 to 467.3 thousand in 2008 (G.o.K 2008).

Despite all these benefits many challenges face small entrepreneurs Kenya. The challenges include: competition from well-established enterprises, lack of accurate information, support, finance for expansion, risk-taking propensity, domestic commitments, and lack of

networking skills. Policy recommendations of the government of Kenya as contained in its 7th National Development Plan on Divestiture and subsequently in Sessional paper No. 2 of 2005, advocate for the government to take the leading role by providing an enabling environment for MSE's market operations. This will require the establishment of infrastructure for access to markets, provision of work site structures, dissemination of market information through networks and innovation amongst other well-known strategies.

Kenya, as most Third World countries is still searching for viable ways of developing enterprises, most policy makers, planners and academics in Kenya have now acknowledged that the future of their countries competitiveness and economic growth will heavily depend on the private sector in which SMEs play a major role. In the same vein, small businesses have been recognized as "seedbeds for indigenous entrepreneurship", which may lead to economic prosperity in Kenya. According to ILO estimates about 70% of the people in Sub Saharan Africa (SSA) rely on small and informal establishments for their livelihood. Similarly, employment data from eight selected SSA countries revealed that, by 1997, the share of small firms in total wage employment ranged between 48% and 85% (Bendera, O.M, 1997). It is quite clear therefore that the sector also plays a catalytic role in poverty alleviation in Kenya. The question then remains of how to stimulate growth in small as well as medium enterprises (SMEs) in these countries. The role of finance in stimulating growth in the SME sector has, for example, received a great deal of attention in policy and development programming. In the literature, however, this emphasis on finance has been met with some criticisms. The weak financial position in most small businesses could be a manifestation of serious management problems, which may include their weak capacity to build networks.

1.2 Statement of the Problem

Montealegre (2002) believes that building networks is a process that is established over time. Key to be a successful entrepreneur in any field lies in the secret of social networking. Developing social network is an activity of increasing social, personal and business contacts of an entrepreneur. (Castilla, Hokyu, Granovetter, & Granovetter, 2000). Researchers identified that social network can be physical or virtual resources. Their main aim of building social structure is to fulfill the needs of entrepreneurs (Gabbay & Leenders, 1999). Entrepreneurs build these relations by contacting the people they know or by contacting the people who are known by his contacts (Portes, 1999; Lin, 1999).

One of the major gap in the theory of entrepreneurship is the little knowledge about how entrepreneurial firms discriminate between and use networks, and which aspects of a chosen network lead to superior (or alternatively poorer) performance (Mwangi, 2005). SMEs and micro - sized firms cannot, normally, access all the resources they need in - house and because of their small size they often have to source these externally. These resources include both physical goods and intangible resources such as knowledge. A research focus on the relationship between SME growth and Social Networks in developing country such as Kenya is important and relevant to addressing some of the challenges faced by SMEs.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to establish the relationship between social networks and growth of small and micro enterprises in Kisii town.

1.3.2 Specific Objectives

This study sought to achieve the following specific objectives:

1. To determine the relationship between professional networks and SME growth.
2. To determine the relationship between informal networks and growth of SME.
3. To determine the relationship between Inter-organizational network and SME growth.

1.4 Research Questions

The research answered the following questions:

1. What is the relationship between professional networks and SME growth ?
2. What is the relationship between informal networks and growth of SME growth ?
3. What is the relationship between Inter-organizational networks and SME growth?

1.5 Significance

Theoretically, this study will contribute to the advancement of knowledge about the role of social networks in SME growth. It will therefore assist the SME development planners to refocus their attention to the issue of social networks in relation to SME growth. The study will also assist the policy makers in understanding how Social networks and SME growth relate and necessary policies guidelines that can be put in place to ensure mutual complementarity between SME and social networks. Further, most of empirical studies have been conducted in developed countries, only a few engagements were carried out in developing countries, which were significantly low in countries like Kenya. The focus of this research was on the social network relationships and the growth of SMEs in Kisii town.

1.6 Assumptions of the Study

The research sought information of issues that are considered confidential such as business profits and social groupings that the entrepreneur may tend not to disclose. The survey therefore assumed that the respondents were willing to give truthful information.

1.7 Scope and Limitations of the Survey

There are many forms of social networks that can be studied to establish their relationship with growth of SME. But due to financial and time limitations, the study only addressed a few, that is professional, and informal and inter-organizational social networks. The research studied these social networks at a basic level where the use of information technology channels was not part of this survey. This is because collection of data from these channels required a much sophisticated methodology. Further, this study was only limited to SMEs in Kisii town. The town was chosen because of the growing number of SMEs in the town.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction

Studies have shown that the SME sector contribute significantly to the growth of developing economies through employment creation, development of skills, distribution and production of goods and services for the masses (Ondiege,1995, Onyango,1992; Tarbaum 2000; Mwangi, 2005,) The need to find solutions in improving the business environment for SMEs is paramount. This literature review provides a summary of how research on growth of small businesses has spanned beyond the realm of business to include anthropological, psychological, sociological, geographical and historical approaches. Entrepreneurship theories and research remain important to the development of the entrepreneurship field.

These theories include (1) Economic entrepreneurship theory, (2) Psychological entrepreneurship theory (3) Sociological entrepreneurship theory, (4) Anthropological entrepreneurship theory (5) Opportunity-Based entrepreneurship theory, and (6) Resource-Based entrepreneurship theory. These theories offer us a fairly good opportunity to refocus our efforts at integrating the diverse viewpoints. However this review will only be concerned with sociological entrepreneurship theory.

2.1.1 Sociological Entrepreneurship Theory

The sociological theory is the third of the major entrepreneurship theories. Sociological enterprise focuses on the social context .In other words, in the sociological theories the level

of analysis is traditionally the society (Landstrom, 1998). Reynolds (1991) has identified four social contexts that relates to entrepreneurial opportunity.

The first one is social networks. Here, the focus is on building social relationships and bonds that promote trust and not opportunism. In other words, the entrepreneur should not take undue advantage of people to be successful; rather success comes as a result of keeping faith with the people.

The second he called the life course stage context which involves analyzing the life situations and characteristic of individuals who have decided to become entrepreneurs. The experiences of people could influence their thought and action so they want to do something meaningful with their lives.

The third context is ethnic identification. One's sociological background is one of the decisive "push" factors to become an entrepreneur. For example, the social background of a person determines how far he/she can go. Marginalized groups may violate all obstacles and strive for success, spurred on by their disadvantaged background to make life better.

The fourth social context is called population ecology. The idea is that environmental factors play an important role in the survival of businesses. The political system, government legislation, customers, employees and competition are some of the environmental factors that may have an impact on survival of new venture or the success of the entrepreneur.

Sociologists and social scientists have underscored the influence of society and culture in the formation of entrepreneurs. They emphasized the role of cultural values and social networks in promoting or discouraging entrepreneurial activities (Cochran, 1971).

Various dimensions of social networks may be salient, including relatives, friends or community (Djankov et al., 2005). Research by Hofstede (1980) identified four dimensions of culture that can be expected to impact on entrepreneurial behaviours within a country as illustrated in table 2.1. McGrath, Macmillan, and Scheinberg (1992) undertook a multi-country comparison which indicated significant differences between entrepreneurs and career professionals. In their analysis, the work of Hofstede was looked at in the context of entrepreneurship.

Brass et al. (2004) identified a number of reasons why networks evolve: First, changes can be explained by rules of attachment that affect subsequent network evolution. Second, entrepreneurs differ in their individual propensity and capability to form networks (Brass et al. 2004, Burt et al. 1998, Hite & Hesterly 2001). Third, given the different nature of the industry in which the entrepreneurial venture was founded resource needs may be higher. Fourth, outside pressures may impact upon the network and force it to change. Fifth, clearly not all ties are created equal. In fact, the compositional quality of a tie, as argued by Borgatti et al. (1998), may influence firm outcomes. Sixth, the tension between the hope of acquiring new capabilities and the fear of losing control over one's own resources may explain network reproduction and change (Burt 1992, Das & Teng 2000, Rond & Bouchikhi 2004). Seventh, Burton et al. (1998) and Hite & Hesterly (2001) suggested that networks evolve as

entrepreneurs leverage prior firm affiliations and previous career experiences to bring broader functional networks to their new venture and influence the emerging firm's success.

It is very common for small entrepreneurs in Kenya to follow evolutionary network model to meet different needs of different phases of entrepreneurship as other writers suggest. At the Entrepreneurial stage or phase, the entrepreneurs discuss with friends, relatives and formal co-workers before they practically start their businesses. Besides, these networks also encourage new entrepreneurs. This is the stage where businesses are developed and social support is sought (Butler and Hansen 1991; Bridge et al. 1998; Larson and Starr 1993). Professional and organizational actors play a very small role in the case of Kenya's MSE's when compared to other phases as at the second stage they never engage professionals but make use of friends and relatives to do the professional work for them if any.

2.1.2 Entrepreneurship Research and Social Network Approach (SNA)

Sociological approach to the study of entrepreneurship describe entrepreneurship as influenced by membership in certain ethnic, religious, political, or occupational groups (Shapiro and Sokol1982). Common weaknesses of these traditional approaches mainly include impractical assumption that resources, including information, are freely available. This assumption, which has been guided by researchers in recent years to develop a thought for the study of entrepreneurship, focused on mechanisms through which entrepreneurs obtain necessary resources, which is known as Social Network Approach (SNA). The logic of SNA on studying entrepreneurship starts at the point where two people establish a relation or transaction.

Sociologists, anthropologists, social psychologists, and organizational theorists have used this approach to study the relationship between people and organizations. The SNA has been suggested (Aldrich and Zimmer 1985; Birley 1985; Johannisson 1986) to explain as to why some people are more successful in initiating and maintaining businesses, discounting personal, economic and socio-cultural factors.

Furthermore, this approach will be more appropriate to explaining entrepreneurship in Kenya since Kenyans are known to be collectivists and group-dominated. In such a collective society, it is natural to use the SNA to study entrepreneurship. People might, sometimes, have ideas and skills, but to start a new business they also need influence and encouragement. In other words, an individual usually does not have all the necessary resources to start his/her own business. According to the SNA, most resources have to be obtained from outside or his/her external environment through the entrepreneur's personal networks. In this regard, entrepreneurial process involves gathering of scarce resources from external environment. Entrepreneurs usually obtain these resources through their personal networks (Birley and Cromie 1988; Carter and Jones-Evans 2006; Curran *et al.* 1993, Ostgaard and Birley 1996).

Existing literature suggests that personal networks of entrepreneurs is really an opportunity set, which helps new entrepreneurs to access both tangible and intangible resources (Butler and Hansen 1991, Falemo 1989). By its nature, firms face different problems and requirements in different phases of their development. Firms, therefore, need different resources and support in different phases. Before starting a new business that is entrepreneurial phase, according to Butler and Hansen (1991), entrepreneurs develop their ideas. At the real start-up

stage of a firm, an entrepreneur starts planning the business in detail, which includes financing the business, setting up of business deals and agreements (Bridge, O'Neill, and Cromie 1998, Gibb and Ritchie 1982).

At the business start-up stage, start-up tasks such as finding initial capital and suitable site for new firm as well as selecting suppliers and buyers must be completed. Once the business starts its operation, firms not only seek raw material, markets and various other supports, but also try to minimize transaction costs as well as risks of failure. In this regard, Butler and Hansen (1991) identified a model to evaluate different types of networks, their role and impact on different phases of a firm development. According to their model, three phases of business development have been identified: namely (1) entrepreneurial phase, (2) business start-up phase, and (3) ongoing business phase.

Three different types of networks are shown to run parallel to the three phases of a firm development. They are social networks, business-focused networks, and inter-firm strategic networks, respectively. Relatively similar identification has been made by Birley and Cromie in 1988. According to Birley and Cromie (1988), entrepreneurial network development moves from start-up networks, where social network relationships predominate, to a growing network, where professional network relationships predominate.

Social network includes relatives and friends with whom the entrepreneur interacts primarily at social level, while professional network consists of all those individual relationships that are primarily concerned with business. Inter-organizational network includes supporting agencies (such as government agencies, NGOs, banks, etc) and other business firms. The

main research question of this study is, 'how do small entrepreneurs develop and utilize these social networks at different entrepreneurial stages. Applying the SNA to study and explain entrepreneurship in less developed countries is relatively new. Only have limited studies (Chu 1991, Premaratne 2001, 2002, Wong 1992) been based on this approach in the context of less developed countries.

2.2 Social Networks and SME growth

Social networks are of great importance in growth of SMEs (Aldrich & Zimmer 1986, Birley 1985, Johannisson 2000, Larson & Starr 1993, Nicolaou & Birley 2002). Networks have long been recognized as being important for SMEs, whether as sources of new product development (Lipparini & Sobrero, 1994) or as a means of accessing customers and distribution channels (Lee, Park, Yoon, & Park, 2010) for new products and services.

Some authors have indeed claimed that the availability and development of personal networks may explain why some individuals start firms and other fail. (Aldrich and Zimmer 1986, Johannisson 1987). Indeed as Hansen & Allen (1992) and Aldrich et al. (1987) argue, the body of entrepreneurial network literature seems to indicate that entrepreneurs who lack extensive interpersonal networks are less likely to survive and if they survive they are more likely to persist as no-growth or low-growth lifestyle or income substitution small businesses. Arguably the information needed to start a business is passed to the small business owner through an existing social network of friends and acquaintances (Johannisson 1987b). This seems to suggest that entrepreneurial networks are key to the entrepreneur.

There is therefore a link between the life cycle of an enterprise and social network development of an entrepreneur. Early work in the 1980s highlighted a link between changes in the network of an entrepreneur and the different phases of the entrepreneurial venture (Birley & Cromie 1988).

However, to date there is little information available as to show how social networks affect growth of SME in a given sector and why these networks change when the business grows and why networks evolve (Johannisson & Nilson 1989).

2.2.1 Indicators of SME growth

Growth can be defined as a net increase whether numerical or size of a given phenomenon. Growth of SME can be measured either by examining the increase of its size, increase in number of employees, increase in capital outlay, sustainability of the enterprise, new innovation in the enterprise's products or services, acquisition of new methods of production or equipment, increase in enterprise's assets or increase in enterprise's profit.

2.3 Summary and research gaps

One of the major gap in the theory of entrepreneurship is the little knowledge about how entrepreneurial firms discriminate between and use networks, and which aspects of a chosen network lead to superior (or alternatively poorer) performance (Mwangi, 2005). SMEs and micro - sized firms cannot, normally, access all the resources they need in - house and because of their small size they often have to source these externally. These resources include both physical goods and intangible resources such as knowledge. There are skills and capabilities involved in both learning about these resources and obtaining them at an

advantage, for example gaining privileged access to low prices or favourable distribution channels, or to knowledge that others cannot obtain (Ruzzier, Hisrich, & Antoncic, 2006). Ruzzier notes that there is need to study how social networks are formed and their role in determining the success of small and micro enterprises.

Anderson & Jack (2002) in their study to establish the role of social capital in the success of entrepreneurship noted that there is a research gap on establishing the relationship between entrepreneurship growth and social networks. They suggest that research should be undertaken to establish whether social networks are a source of growth for firms within them, or blockages to innovation? In their research they found out that tightly - knit relationships can constrain innovation by restricting access to new knowledge but at the same time can enable it through constructing an efficient channel for new ideas to be processed. An important question is whether there are specific sectors in which social networks have much benefits that outweigh any disadvantages; and vice versa. We also still know little about how entrepreneurial partners engage with networks to draw entrepreneurship characteristics that shape their ambitions and motives in business.

There are other rather surprising gaps in knowledge. For example, little attention has been paid to the network development and networking activities of female and ethnic entrepreneurs, and even to whether they participate in certain sectors, and to what effect, for example in agri - businesses or technology - based SMEs. Other personal attributes likely to be relevant in the forming of network relationships and which are currently not well understood, include class (Anderson and Miller, 2003), and educational level (Ibarra, 1993).

From this brief overview of the literature number of potentially fruitful questions for investigation can be identified, including (but not limited to): The role of professional social networks in growth of SMEs, the role of family, friendship and relatives in SME success, networks and family businesses, capabilities, competences and tools that might be needed for small firms to use networks effectively, the role of social capital in entrepreneurial success, the process and effect/s of SMEs' networks in the new product development process, the influence of network participation in design outcomes and the extent to which government agencies may create effective entrepreneurial networks

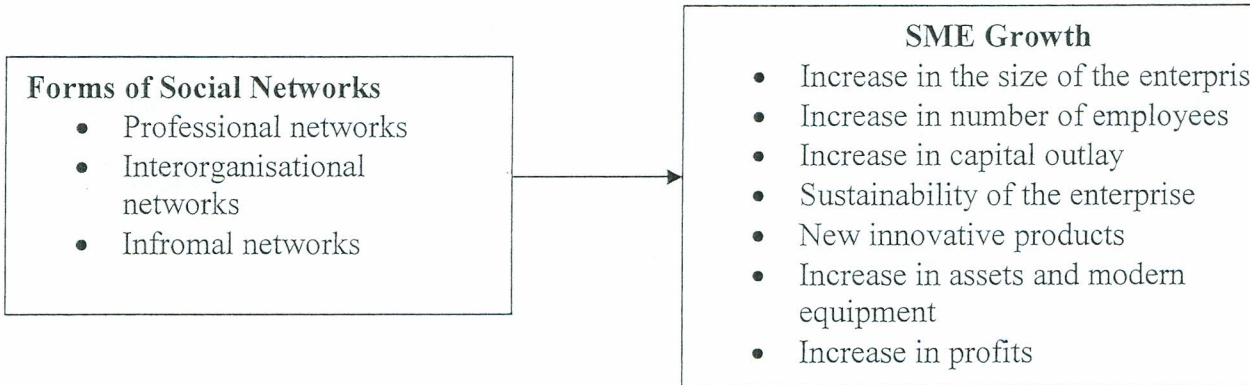
2.4 Conceptual framework

Independent variable

(SOCIAL NETWORKS)

Dependent variable

(SME GROWTH)



The diagram illustrates how small and micro enterprises benefit from engaging in the three types of social networks. As shown above the research hypothesizes that the three types of social networks are important to SME growth since through them an enterprise will increase in size, increase in terms of employees, increase in capital outlay, sustain itself, innovate new products and services, increase its assets and modernize its equipment, and on the bottom line increase its profits.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research method and design that was used, population of the study, sampling and data collection procedures and analysis.

3.2 Research Design

The research used descriptive survey to collect information from the population through questionnaire. Descriptive survey, describes data and characteristics about the population or phenomenon being studied. Descriptive survey answers the questions *who, what, where, when, and how*. The identification of various social and organizational networks was significant for analyzing the relationship between these networks and SME growth. This represented the descriptive content of the study. The explanatory part of this study was inferential, that is to establish the relationship between social networks and SME growth. The use of questionnaires was to ensure high rate of response and consistency of data, ability to exercise control over context of the questions answering, high accuracy and completeness of response to questions.

3.3 Population

A population is defined as the set of all individuals, items, or data of interest. This is the group about which scientists will generalize. The population of study was 2000 small and micro enterprises operating their businesses in Kisii town. Concentration on entire country was to be very costly and therefore, a representative sample of SMEs was used.

3.3 Sampling Methods

Large samples give more reliable results than smaller samples. However, it is not necessary to sample the entire target population or even a substantial portion to achieve reliable results. Samples of less than 10 percent of the population with credible sampling procedure can often provide good reliability. When a population is highly homogeneous, a small sample size will do, say 10%. SMEs in Kisii town to a large extent are homogeneous and in such a case a small sample was chosen. 10 % of 2000 translate to 200 respondents. (Mugenda, 2003; Gay, 1981; Kotler, 2003)

Stratified and systematic sampling was used. The entrepreneurs were first divided into five groups that represent types of businesses: these included service providers, manufacturing businesses, agricultural, food and beverages and handcraft businesses.

Table 3.1 Sampling frame

Type of business	Population size	Sample size
Hotels and restaurants	600	60
Wholesale and retail businesses	550	55
Agricultural	900	90
Transport	200	10
Handicraft	250	25
Total	2000	200

3.4 Data Collection Methods

This study used a structured questionnaire method to collect data. This was a preferred method since it offered an opportunity for explanation and more information from the questionnaire. All the questionnaires administered were made of a set of pre-designed questions with a set of answers from which the respondents were to choose from. In adopting this approach, respondents were restricted to a set of answers to ensure that consistent responses were obtained from all respondents. Other advantages of adopting this

approach included the ease it which it provided in making statistical inferences and generalization of the collected data.

3.5 Data Analysis

The main purpose of the analysis was to find out if the independent variable (social networks) had any relationship with the dependent variable (SME growth). This study used both descriptive and inferential statistics to draw conclusions of the data collected. Descriptive statistics are procedures used to summarize, organize, and make sense of a set of scores or observations. Descriptive statistics are typically presented graphically, in tabular form (in tables), or as summary statistics (single values). The study used inferential statistics to draw conclusions based on the research findings. Each entrepreneur's responses were put into categories and around major themes so as to answer each research questions. Through that, an attempt was made to find out whether there is a relationship between the social networks and SME growth.

Multiple regression analysis of the form:

$$\gamma = \mu + \beta_1\chi_1 + \dots + \beta_3\chi_3 + \epsilon_1$$

γ = sme growth

μ = constant

β_1, \dots, β_3 = coefficients of the independent variables

χ_1 = professional networks

χ_2 = interorganisational networks

χ_3 = informal networks

ϵ_1 = error term

The strength of the relationship was measured through the value of r^2 which ranges between 0-1, such that values of :-

$r^2 = 0-0.4$, represents low relationship,

$r^2 = 0.5-0.6$, represents moderate relationship,

$r^2 = 0.7$ above, represents strong relationship,

The significance of the estimation model was tested through the value of F in the Anova table at $P < 0.05$.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The study was carried out to establish the relationship between social networks and growth of small and micro enterprises in Kisii town. A total of 200 employees from different type of businesses in Kisii town answered and returned the questionnaires. In this chapter, data relating to the relationship between social network and growth of SMEs has been analyzed and interpreted. The data analysis was done using a computer package, SPSS (Statistical Package for Social Science, version 19) to find the relationship in the various factors of social network effects to small and micro-enterprises. The computed questionnaires were edited and coded before being uploaded into the SPSS. The results were based on the model developed in chapter three and findings were based on actual data as illustrated in the conceptual framework in figure 2.4 in the same chapter above. Frequencies, mean scores and standard deviations were computed where appropriate. The Likert scale was applied to questions that asked for opinions e.g. strongly disagree, disagree, neutral, agree and strongly agree.

The first section of this chapter gives a report of the respondents' general information, in terms of age, gender, marital status, academic level, job designation, department, working experience and professional background. The second section gives the descriptive statistics on respondents' responses on factors that the researcher thinks are in social network that affect SMEs in Kisii. The third part reports the findings from the regression model that was applied in the analysis.

The presentation of the information will be in the form of tables, pie charts and bar graphs. Percentages and models will be used in the analysis of the data. The source of all the tables and figures in this report is the research data collected from the field.

4.2 Reliability

Out of the 200 questionnaires distributed, a total of 150 questionnaires were responded to. This represents approximately 75% response rate. Reliability of the instrument was measured using 52 items in the questionnaire that were structured on a likert type scale.

Table 4.1 Reliability

Cronbach's Alpha	N of Items
0.891	52

Source: survey (2012)

The table above is a reliability table that reports reliability of the research. For the study to be reliable, it has to be above 0.6. Since the above scale is 0.891 this means the research study is reliable and the findings can be used for decision making with a reasonable degree of reliability. The table also shows the number of items that were used to measure reliability which according to table 4.11 were forty.

4.3 General Information of Respondents

The researcher got responses from the 150 respondents as explained in chapter three of this report. A total of 6 services, 5 manufacturing, 106 Agriculture, 13 handicraft and 20 food and beverages, 13 handicrafts were identified from the collected back questionnaires

The table below is comprised of employees' population in the organization category that ranged from 10 to 35 employees and above. It represents the employees' population of the respondents' from who the data was collected from.

Table 4.2 Employees' Population

Population		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less 10	13	8.0	8.0	8.0
d	10-15	23	15.0	15.0	23.0
	15-20	17	11.0	11.0	34.0
	20-25	40	26.0	26.0	60.0
	25-30	35	23.0	23.0	83.0
	30-35	20	13.0	13.0	96.0
	35 and above	7	4.0	4.0	100.0
Aggregated Total		150	100.0	100.0	

Source: Survey (2012)

Table 4.12 above illustrates the population category that filled the questionnaire. The least employees' population was 10 and below that contributed 8% of the total respondent who answered the questionnaire. The highest population number was 35 and above and contributed 4.7% of the total respondent meaning it had the lowest number of respondent. The majority of respondents 26% are in SMEs with employees' population of 20–25. The above graph shows the following too; 25 – 30, 23%; 10 – 15, 15%; 15 – 20, 11%; and 30 – 35, 13%.

The sample comprised of both male and females. The distribution is shown in the pie chart below.

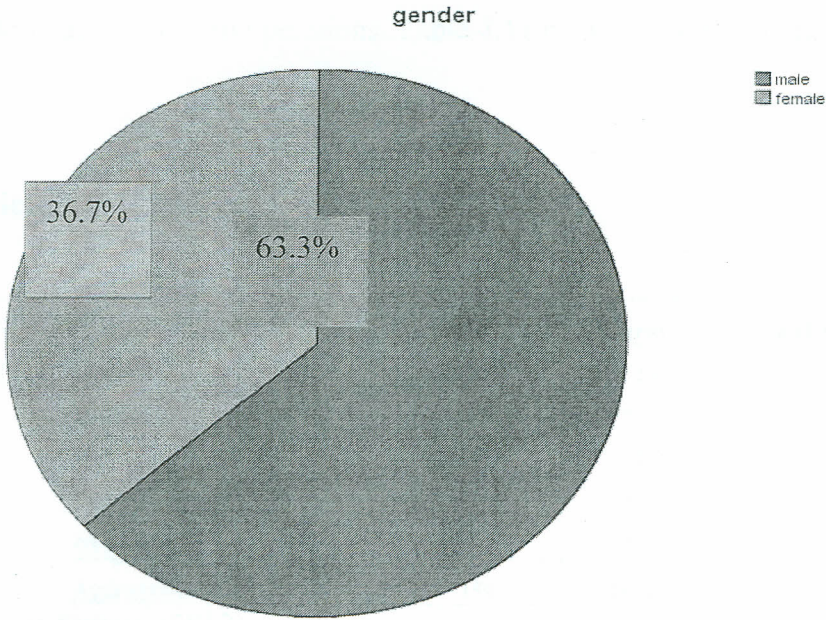


Figure 4.1

Source: Survey (2012)

Figure 4.1 above shows there a difference in gender of the sample that works at SMEs. According to the findings male had the highest contribution to this research and were 63.3% of the total population while the female contributed to 36.7% of the total population of respondent who participated in the research

The respondents were required to give the duration in which the organization they are working at has been in operations. Table 4.13 below show the findings.

Table 4.3 SME's operations in Years

Years in Organization		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less 10 years	14	1.0	1.0	1.0
	10-20 years	43	30.0	30.0	31.0
	20-30 years	28	21.0	21.0	52.0
	30-40 years	37	27.0	27.0	79.0
	40-50 years	28	21.0	21.0	100.0
Aggregated Total		150	100.0	100.0	

Source: Survey (2012)

From the above it is evident that most of the SMEs are not more than forty years in operations. Starting with the new SMEs to the oldest ones in operations are as follows. Less than 10 years 1%, (n=14); 20-30 and 40-50 each, 21% (n=28); 30-40, 27% (n=37) while 10-20, 30% (n=43).

The respondents were required to say if in the SMEs they are in if there are any social networks present. The above figure 4.2 shows that 75% were positive while the rest 25% said they were not in any social network.

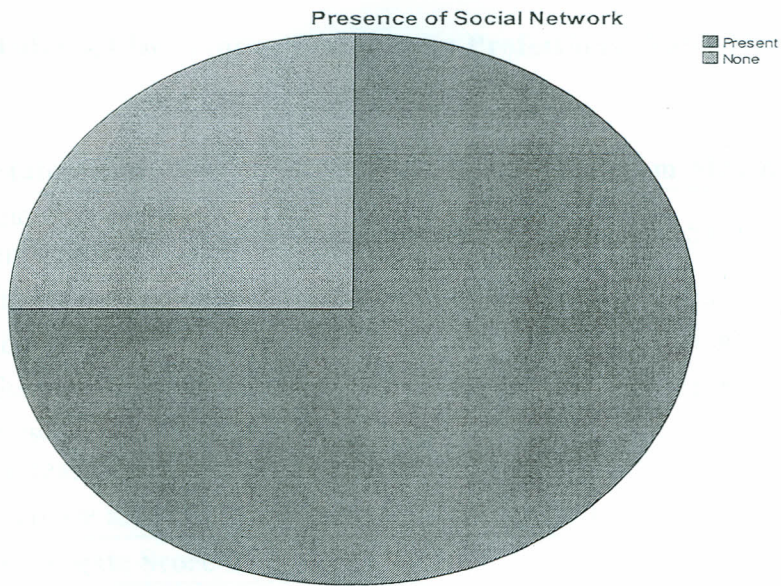


Fig 4.2

4.4 Descriptive Statistics

In this part of this chapter, it is where the researcher presented the analysis in mean and standard deviations of the factors that make up the social networks that affect the growth of the SMEs in Kisii.

4.5 Professional Network

Here the respondent was required to answer six questions on professional networks. The contributions from the responses are shown in the table below. The statements were on enterprise size increase, number of employees increase, capital outlay increase, enterprise sustainability, products innovation, asset and modern equipment increase and profit increase due to interactions with social networks.

Table 4.4 Descriptive Statistics on Professional Network

Statements	N	Minimum	Maximum	Mean	Std. Deviation
Increase in the size of the enterprise	60	1.00	5.00	4.1167	1.13633
Increase in number of employees	60	1.00	5.00	4.1667	.92364
Increase in Capital outlay	60	1.00	5.00	4.1500	1.11728
Sustainability of the enterprise	60	1.00	5.00	4.2167	.88474
New innovative products and Increase in assets and equipment's	60	1.00	5.00	4.2667	.98921
Increase in Profit	60	1.00	5.00	4.1333	1.04908
Aggregate Score				4.1750	1.0167

Source: Survey (2012)

The scale used is likert 5-point scale where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. The respondents were 150 all statement was fully filled. The aggregate mean score for the price stand at 4.1750 while standard deviation was 1.0167. On the basis of scale that was used, the respondents' response generally was agree on to the findings on professional network as determinant that had contributed to growth of SMEs. The standard deviations indicate that there is a low variation in the individual response on the questions of professional networks. This is clear from individual statement scores where statement 1 mean is 3.1167, standard deviation was 1.13633, statement 2, 3.1667; and standard deviation of 0.92364, statement 3 mean was 3.1500 and standard deviation was 1.11728, statement 4 mean was 3.2167 and standard deviation of 0.8847, statement 5 had a mean of 3.2667 and a standard deviation of 0.98921 and the last statement had a mean of 3.1333 and standard deviation of 1.04908.

4.5.1 Inter-organizational Networks

To establish the understanding on how inter-organizational network has contributed towards the growth of SMEs in Kisii, the respondent was supposed to answer six questions. The statements were on enterprise size increase, number of employees increase, capital outlay increase, enterprise sustainability, products innovation, asset and modern equipment increase and profit increase. The scope is shown in the table below.

Table 4.5 Descriptive Statistics on Inter-organizational Networks

Statements	N	Minimum	Maximum	Mean	Std. Deviation
Increase in the size of the enterprise	60	1.00	5.00	4.4667	.98233
Increase in number of employees	60	1.00	5.00	3.3500	.98849
Increase in Capital outlay	60	1.00	5.00	4.3833	.99305
Sustainability of the enterprise	60	1.00	5.00	4.4500	.98161
New innovative products and increase in assets and equipments	60	1.00	5.00	4.7667	1.03115
Increase in Profit	60	1.00	5.00	3.5500	1.12634
Aggregate Score				4.49445	1.017

Source: Survey (2012)

The table used likert scale that had five points. The scale ranged from 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. According to the scale used a mean of 4.49445 means that inter-organizational networks have a great effect on SMEs growth. The standard deviation was 1.017 meaning there was a low variation on responses on inter-organizational networks.

4.5.2 Informal Networks

Here in table the respondents were supposed to answer five questions. The questions measured how informal networks have contributed to growth of SMEs in Kisii. Through enterprise size increase, number of employees increase, capital outlay increase, enterprise

sustainability, products innovation, asset and modern equipment increase and profit increase.

The scope is shown in table 4.8 below.

Table 4.6 Descriptive Statistics on Informal Networks

Statements	N	Minimum	Maximum	Mean	Std. Deviation
Increase in the size of the enterprise and employees	60	1.00	5.00	3.3167	1.06551
Increase in Capital outlay	60	1.00	5.00	3.2500	1.05163
Sustainability of the enterprise	60	1.00	5.00	3.4167	1.10916
New innovative products and increase in assets and equipments	60	1.00	5.00	3.4500	.99873
Increase in Profit	60	1.00	5.00	3.3667	1.02456
Aggregate score				3.36002	1.0499

Source: Survey (2012)

The table above uses 5-point likert scale where 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. From table 4.8 above, it is okay to say that the respondents are moderate on the questions asked on informal networks since the aggregate mean is 3.36. The variation between the statements is seen to have minimal variation. This is supported by a standard deviation of 1.0499.

4.5.3 SMEs Growth

To investigate the relationship between social network and growth of small and micro enterprises in Kisii town all findings were acquired through the responses they gave from statements that are shown in the table below.

Table 4.7 Descriptive Statistics on SMEs Growth

Statements	N	Minimum	Maximum	Mean	Std. Deviation
Social networks increase the size of enterprises	60	1.00	5.00	4.4667	1.17122
Social networks increases employees' number	60	1.00	5.00	4.6333	1.19273
Social network increases in capital outlay	60	1.00	5.00	4.6833	1.21421
Social network ensures sustainability of the enterprises	60	1.00	5.00	4.5833	1.23908
Social network helps in new innovative products	60	1.00	5.00	4.5500	1.12634
Social network increases asset and modern equipment	60	1.00	5.00	4.4333	1.15519
Social network helps in increasing profits	60	1.00	5.00	4.4667	.99943
Aggregate score				4.55	1.0549

Source: survey (2012)

The descriptive statistics from table 4.10 above shows that the mean was 4.55 meaning respondents strongly agree that SMEs growth is affected by social networks; professional, inter-organizational and informal network. The standard deviation was 1.0549 meaning there was a minimum variation between respondent responses.

4.5.4 Regression Analysis

Linear regression was used since it estimates the coefficients of the linear equation, involving professional, inter-organizational and informal networks that affect SMEs growth in Kisii.

Table 4.8 Model Summary

Model	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Sig. F Change	
				R Square Change	F Change	df1		df2
1	.727 ^a	.531	.85102	.531	8.912	4	55	.000

a. Predictors: (Constant), SMEs growth, Professional network, Inter-organizational network, Informal network

Source: Survey Data (2012)

From the table above, the model explained a significant proportion of variance in SMEs growth. $R^2 = 0.531$, $F(4, 55) = 8.912$, $p < 0.001$. Indicating that, the model produced 53.1% of the variance in SMEs growth.

Table 4.9 ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.817	4	6.454	8.912	.000 ^a
	Residual	39.833	55	.724		
Total		65.650	59			

a. Predictors: (Constant), Professional networks, Inter-organizational network, Informal networks

b. Dependent Variable: SMEs growth

Source: Survey (2012)

The ANOVA table above reports a significant F statistic, indicating that using the model is better one. From the model it is evident that the model is significant since the significance column show the significance to be 0.001.

Table 4.10 Regression Coefficients^a for Professional networks, Inter-organizational networks, Informal network

Model		Unstandardized		Standardized		Correlations			Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Zero order	Partial	Part	Tolerance	VIF
1	(Constant)	1.602	.688		2.330	.024					
	Professional network	.601	.194	.493	3.096	.003	.586	.385	.325	.436	2.295
	Inter-organizational network	.031	.192	.027	.163	.871	.426	.022	.017	.403	2.482
	Informal network	.186	.186	.177	.997	.323	.482	.133	.105	.351	2.851

a. Dependent Variable: SMEs growth

Source: Survey (2012)

The table above points out that informal network significantly predicted SMEs growth, $b = 0.186$, $t(60) = 0.997$, $p < 0.323$; Informal network contributed 1.1% to R^2 ; Inter-organizational predicted SMEs growth, $b = 0.031$, $t(60) = 0.163$, $p < .871$ and contributes 0.03%; Professional network predicted SMEs growth, $b = 0.601$, $t(60) = 3.096$, $p < .003$ and contributes 10.6%.

The regression model of the form $\gamma = \mu + \beta_1\chi_1 + \dots + \beta_3\chi_3 + \epsilon_i$, where:

- γ = sme growth
- μ = constant
- β_1, \dots, β_3 = coefficients of the independent variables
 - χ_1 = professional networks
 - χ_2 = interorganisational networks
 - χ_3 = informal networks
- ϵ_i = error term

was expressed as:

$$\gamma = 1.602 + 0.186I + 0.031 + 0.601$$

The strength of the relationship was measured through the value of r^2 which ranges between 0-1, such that values of :-

- $r^2 = 0-0.4$, represents low relationship,
- $r^2 = 0.5-0.6$, represents moderate relationship,
- $r^2 = 0.7$ above, represents strong relationship. The significance of the estimation model was tested through the value of F in the Anova table at $P < 0.05$.

CHAPTER 5

RESEARCH FINDINGS AND RECOMMENDATIONS

5.1 Introduction

This research sought to establish the relationship between social networks and growth of SMEs. Specifically, the study examined whether there is a relationship between professional, informal, and interorganisational social networks and SME growth by sampling 200 Small and Micro Enterprises from Kisii Town through a stratified method. The data collected was coded and analysed using SPSS computer Package and data was presented in different forms as shown in chapter Four of this study. Various analysis were done so as to validate the relationship and all the correlations coefficients were positive. The general research finding was that there is a positive relationship between growth of SMEs and Social networks. This therefore answered the problem of my research questions. This chapter summarizes the study findings of the research report.

5.1.1 The Relationship Between Professional Networks and SME Growth

The research data analysis of the six questions on the relationship between social networks and SME growth revealed that professional social networks were a significant predictor of SME Growth. The relationship is therefore strong with majority of the respondents agreeing that there was a significant change in their enterprise growth at different levels due to their interaction with professional social network actors. Some of the reason for this phenomenon can be attributed to the tendency use professional acquaintances as a source of advice. The advice ranges from accounting, legal, market information and in some cases professionals are used as bridge to win tenders and favors in government offices and institutions. Most respondents agreed strongly

that there was an increment in capital outlay, profits, and number of employees attributed to strong social ties with professional peoples from different fields. The research findings shows that the professional services sought after by entrepreneurs were easily accessed without fees at social gatherings, churches, clubs and informal meetings. However some respondents agreed to have used 'kick backs' or rather tokens to some professionals in order to access credit, win tenders or access of crucial and confidential information.

5.1.2 The Relationship Between Informal Networks and Growth Of SME Growth

Data analysed shows a strong relationship between SME growth and informal social networks . This can be attributed to the support the entrepreneurs get from the family members in terms of emotional support, financial support and to some extent favors from offices that the entrepreneur's family is represented. Informal social network was seen as a strong factor in SME growth in Kisumu town . This is partially due to clanism that has been embraced over time. This research noted that Majority of the Asian businesses sampled in this research attributed their success to the strong ties with their family. Most respondents attributed their growth in term of capital outlay to their informal networks partially because of financial support and inheritance of capital assets from their kinsmen. The research established a strong connection between business growth and social family ties that determined a number of factors in terms of access to capital assets that includes but not limited to land, business premises and financial support.

5.1.3 The relationship between Inter-organizational social networks and SME growth

There was a significant number of entrepreneurs who strongly agreed that there was a significant change in their business's growth and due to their interaction with other organisations such as business groups, NGOs, Welfare groups and other business entities. The major reason for engagement with other organisations at a social level was to seek

advice, market information, favors and in some most cases to seek for social capital. Interorganisational social networks were seen as a vehicle through which fusion of technology and information takes place. Most respondents attributed their growth in term of modernisation to the ideas that they got from other organisations that facilitated their trainings or referred them to the suppliers. The respondents agreed strongly that for any enterprise to grow in terms of number of employees then sharing of information about recruits was doen in their social gatherings.

5.2 Recommendations for Future Research

Strengths of the current study include the use of representative sampling, the inclusion of participants in almost all the sectors in SME. However, the study is characterized by two major limitations, which are described in detail below. The first limitation is that the study did not show how social networks relate to growth of enterprise at different phases of growth. In addition, there are several other aspects of social network structure which may influence SME growth, including size, density, and structural holes. Future studies will need to consider the potential moderating effect of gender and technology in the relationship between these aspects of social network structure and SME growth. In regard to social networks, it may be useful to examine whether personally knowing a ‘successful’ entrepreneur versus personally knowing an ‘unsuccessful’ entrepreneur has the same impact on SME growth.

The second problem is that (in the absence of a longitudinal design) it is impossible to rule out a reversed causation explanation for some of our findings. In addition to conducting longitudinal research, it will be important to consider alternative models in future research

for example a moderated effect model (with gender moderating the relationship between social networks and SME growth), or a mediated effect model might be more appropriate in light of the significant relationship between social networks and SME growth. That is, it is possible that the relationship between social networks and SME growth is mediated by entrepreneurial networking such that being female is associated with a reduced likelihood of personally being a member of a social network.

In Kenya, the government is now working towards improvements and is appreciating entrepreneurs to start ventures. However, considering Kenya is a culturally and nationality diverse society, the government should introduce flexibility and should also support non local entrepreneurs to establish business networks that will as well go a long way to overcome the problems and issues that face SMEs. Thus, the government should establish more centres for business incubation and encourage entrepreneurs to maximise benefits out of their social circles, family and friends. This research recommends social networking as a necessary skills that entrepreneurs needs to embrace and through this an entrepreneur actually benefits in terms of Moral support and feedback, increasing efficiency of business operations and linking their business to the global markets in order to reap the benefits of global markets.

Furthermore, for future study on this topic, the study suggests that in order to achieve higher validity, the questionnaire development and peer group review should be given prime importance. The sample size should be increased so that better results are generated. Another direction for future research is that social network of entrepreneurs can impact the entrepreneurs in many other different ways not only in terms of the enterprise growth but in efficiency, development of interpersonal skills, networking skills and risk taking ability.

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APPENDICES

APPENDIX I QUESTIONNAIRE

Introduction

This questionnaire seeks to collect data on relationship between social networks and growth of small and micro enterprises in Kisii town. Kindly you are requested to provide answers to the questions as honestly and precisely as possible. Responses to these questions will be treated as confidential. Do not write your name anywhere in the questionnaire.

Section A: Bio Data

1. Which is the size of the employees' number?

Less 10 10 – 20 20 – 30 30 – 40 40 – 50 Above 50

2. How many years has the business been running?

Less 2 2 – 5 6 – 10 More than 10

3. Which industry category is the business in?

Service Category Manufacturing Agriculture Food and
beverages Handcraft

4. Are there social networks in your business?

Yes No

5. Which social network is present?

Professional Network Inter-organization network Informal Social Network

Section B:

Professional Network

6. On a scale of 1 to 5, indicate whether or not you agree with the professional networks contribution in relation to growth of Small and Medium enterprises.

(S.D-Strongly Disagree, D.A- Disagree, N-Neutral, A-Agree and S.A-Strongly Agree.)

	SD	D.A	N	A	S.A
a. Professional networks increases the sizes of enterprises					
b. Professional networks increases the number of employees					
c. Professional networks increases in Capital outlay					
d. Professional networks ensures sustainability of the enterprises					
e. Professional network helps in new innovation products					
f. Professional network increases assets and modern equipment increase					
g. Professional network increases in profit					

Inter-organization Network

7. On a scale of 1 to 5, indicate whether or not you agree with the total outlay networks contribution in relation to growth of Small and Medium enterprises.

(S.D-Strongly Disagree, D.A- Disagree, N-Neutral, A-Agree and S.A-Strongly Agree.)

	S.D	D.A	N	A	S.A
a. Inter-organization networks increases the sizes of enterprises					
b. Inter-organization networks increases the number of employees					
c. Inter-organization networks increases in Capital outlay					
d. Inter-organization networks ensures sustainability of the enterprises					
e. Inter-organization network helps in new innovation products					
f. Inter-organization network increases assets and modern equipment increase					
g. Inter-organization network increases in profit					

Informal Network

8. On a scale of 1 to 5, indicate whether or not you agree with the informal networks contribution in relation to growth of Small and Medium enterprises.

(S.D-Strongly Disagree, D.A- Disagree, N-Neutral, A-Agree and S.A-Strongly Agree)

	SD	DA	N	A	S.A
a. Informal networks increases the sizes of enterprises					
b. Informal networks increases the number of employees					
c. Informal networks increases in Capital outlay					
d. Informal networks ensures sustainability of the enterprises					
e. Informal network helps in new innovation products					
f. Informal network increases assets and modern equipment increase					
g. Informal network increases in profit					

Small Media Enterprises Growth

9. On a scale of 1 to 5, indicate whether or not you agree with the forms of social networks (professional, inter-organization and informal network) contribution in relation to growth of Small and Medium enterprises.

(S.D-Strongly Disagree, D.A- Disagree, N-Neutral, A-Agree and S.A-Strongly Agree)

	S.D	D.A	N	A	S.A
a. Increases the sizes of enterprises					
b. Increases the number of employees					
c. Increases in Capital outlay					
d. Ensures sustainability of the enterprises					
e. Helps in new innovation products					
f. Increases assets and modern equipment increase					
g. Increases in profit					

RECORD RESPONDENT’S PHONE

NUMBER.....

That completes our interview. Thank you very much for your time and cooperation.

THE END

List of SMEs In Kisii Town

Hotels and Restaurants

Kisii Hotel,
Zonic Hotel,
Storm Hotel,
Nile Restaurant,
Bluu Nile Hotel,
Ufanisi Resort,
Bridge Camp Hotel,
Mash Park Hotel,
St. Vincent's Hotel, Everest Hotel,
Mwalimu Hotel,
Jazz Pub,
Serengeti
Dallas restaurant
Kisii club
Garisa Hotel
St Jude guest rooms

Nyakoe Guest Resort
Flamingo hotel
Nyabeta Hotel
Lucy's cafe
Mosomi Hotel
Food for You Hotel
Kisii Hotel
Jadero Bar
Getiru Joint
Moringo restaurant
Ramogi club
Mobisa Restaurant
Salient Hotel
Newyork Hotel
Boros Choma Hotel
Jomo's Bar

Wholesale and retail businesses

Ouru super stores
Ramji hardware
Ciku's Boutique
Muchemi's Boutique
Kisii Pharmaceuticals
Gikenyi Chemist
Ratandi Chemist
Corner Chemist
Felistus's Investment
Bosongo wholesalers
Nyakongo pharmaceuticals
Meroka hardwares
Shivling supermarket
Nyarangi hardware
St Jude Supermarket
Patel hardware
Osoro &Co. Superstores
Greenland stores
Meetmegha super stores
Jagero electronics
Shamji Wholesalers
Bosongo Supermarket
Raitigo general hardware
Meridian chemist

Omoremi Agrovet
Novet chemist
Safari hardware
Monyocho distributors
Sengera Distributos
Tengeya suppliers
Okenye Supplies
Mokoro Investments
Keroka Investments
Teteko Gas suppliers
Suneka General Store
Geroge Investments
Mosocho Enterprises
Kerage Investments
Borema Bookshop
Okero Bookshop
Tusome Bookshop
Wema Bookshop
Tena investment
Bermuda Hardwares
Koroso Hardwares
Juma Boutique
Lucy's Boutique
One Stop Investment

Keroka Investment
Francis Electronics
Rajesh Investments
Patel Hardware
Berikuti Enterprises
Ondieki Enterprises
Teresa's shop

Ouru hardware
Mogambi's Petrol Station
Toyota Enterprises
Oriri Supermarket
Neema Supermarket
George Mali mali Shop

Agricultural

Mitema tea farm
Ontomwa sugarcane farm
Nyamache banana farm
Rogito tea farming farm
Geroge Moseti maize and beans stores
Nyarangi bananas Kiosk
Daraja Mbili Greens
Otwori Maize farming Farm
Moreka Greens Shop
Tengeya sugarcane Farm
Orori Bea Keeping Farm
Momanyi rabbit rearing Farm
Otochi Tea farming Farm
Okenye Fish rearing Farm
Kerongo Chiken Farming Farm
Maneno Pig Farming Farm
Oyondi Tea farm
Kiage Sugarcane Farm
Rebecca Vegetable Farm
Ondigi Maize Farming Farm
Kimori Tea Farming Farm
Nyabuti Tea Farm
Omete Maize Farm
Kimori Sugarcane Farm
Migiro Tea Farm
Tengeya Fish Farm
Francis Pig Farm
Nyaundi Tea Farm
Gori Chicken Farm
Getiro Sugarcane Farm
Oyondi Mushroom Farm
Gianchere Banana Farm
Monyenye Tea farm
Borema Vegetable Farm
Geteko Tea Farm
Geteri Fish Farm
Mocheche Fruits Farm

Friends Self Help Group Mushroom Farm
Motondi Family Investments Farm
Morendi Banana Farming Farm
Moseti Greenhouse Farm
Okero Fish Farming Farm
Kimori Banana Farming Farm
Mote Onyoni Tea Farming Farm
Monyore Kiaye Farm
Kerongo Vegetable Farming Farm
Mama Mboga Vegetable Farm
Ragira Tea Farm
Ontomwa Vegetable farm
Bosiango Tea Farming Farm
Henry's Poeltry farm
Getiro's Fish Farming Farm
Siocha Maize Farming Farm
Boraya Sugarcane Farming Farm
Matonda's Sugarcane Farm
Moranga's Tea Farm
Francis's Banana Farm
Omwoyo Sugercane Farm
Nyagero Cereals stores
Montine Cereals shop
Nyabate Cereals shop
Flora Cereals shop
Peninah Cereals shop
Bilia Cereals shop
Moreka Tea farm
Jack's Vegetable Farm
Borome Fish Farming Farm

Nyangeya Fruits Farm
Oteko Friuts Farm
Moses Flower Farm
Morris Tea Farm
Nyanchama Vegetable Farm
Gekonge Banana Farm

Transport services

Otange enterprises
Obuya transport services
Meroka transport services
Njoroge shoe
Transline co. Ltd
Nyanza Shuttles
Kisii Classic
Kilgoris Express
Mosocho Transproters
Kisii Express
God's power transport co.
Yesu Ni Bwana Transport Co
Nyabeta Baba Matatus co.
Fagilia Matatu Co.
Sun City Co.
Linear Transport services
Bendesha Transport co.
Carlos Transport co.

Berimonya Investments
Mitema Transpoters
Baba Mokeira Investments
Ogero Investments
Keroka Investments
Oyugis Express
Kisumu Express
Openda Investment
Monari Transporters
Jazo Transportes
Moanri enterprises
Berkut investment
Moronge Investment
Jarango Transproters
Ondigi Investments
Ngoge Transporters
Ngugi transporters
Tekalu Transproters

Handicraft

Ochoke's curior shop
Nyamache curior shop
Motema carvings
Rerema curior shop
Nderema jua Kali Shop
Kerema Jua kali centre
Daraja Jua kali
Tetema Jua kali
Saringi Workshop
Mogaka's workshop
George's bookshop
Francis's Workshop
Poland Workshop
Nyamache Jua Kali Artists

Julius Jua Kali
Bendeka workshop
Kerema investment
Boaz general stores
Totiga Enterprises
Kiamarega curior shop
Tetema jua kali
Mitema's workshop
Nyaringo's workshop
Otondi shop
Meroka Jua Kali
Kerandi Jua Kali
Tendesha's Best Workshop
Suneka Jua kali