ASSESSMENT OF THE IMPACT OF NETWORKING ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN GABORONE, BOTSWANA

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Abstract

The purpose of this study was to investigate and present empirical evidence on the impact of networking on performance of Small and medium enterprises (SMEs) in Gaborone, Botswana. For this quantitative methods were used for hypotheses testing. The results of this study showed that the level of education of the SME owner is positively correlated with networking. Today's market and economic conditions are forcing companies to adapt to changes in order to survive, grow and be competitive. Such changes include intercompany cooperation and networks, which allow for competition and innovation in a dynamic environment. Today, almost all industries in Gaborone are affected by the evolution of networking relationships within and between firms; however, previous studies have revealed that companies differ in their competitive strategies, strategic and technological orientation, and methods of networking. This paper provides framework for networking in SMEs and its contribution to the companies' performance in terms of cost efficiency, productivity, financial strength and effectiveness and social role.

Keywords: Networking, SMEs, Competition, Innovation, Financial performance

INTRODUCTION

Defining SMEs is not an easy matter. The step in writing about small to medium enterprises (SMEs) is to define the scope of the term. Business with less than ten employees as Micro Enterprise, between ten and fifty as Small Enterprises , and between fifty to two hundred and fifty employees as medium sized enterprises. The (Bolton Report , 1971) recognizes that the size of the company be interpreted flexibly according to industrial sector and other market environment factors. The measure of size could be e.g. employees, turnover or market share (Heather, 2001). According to Bank of Baroda defines a business entity can be deemed to be at micro level if it has less than 6 employees and generate up to P100, 000 annual turnover. Once such a business has had its staff compliment growing beyond 6 , employees but less than 25 and able to generating between P100,001 and P150,000 it would then qualify to be deemed to have reached a status where it deserve the label small enterprise. Business enterprises that has between 25 and 100 employees generating P1500,001 to P5,000,000 as turnover is classified as medium enterprise (Bank of Baroda, 2010).

Today, most industries in Gaborone remain unaffected by the evolution of networking-like relationships within and between firms. Researchers, economist have enlightened failures of SMEs all the over the world. Most SMEs in Botswana are in their early stages, with more emphasis focusing on short-term survival issues than on growth and long-term competitiveness (Temtime & Pansiri, 2004b). (The Government of Botswana, 1999), estimates the general failure rate for SMEs in Botswana to be over 80 percent, with 70 percent of start-up firms failing in their first 18 months and less than 2 percent of them expanding their business. This has been attributed to several financial managerial, organizational, environment and entrepreneurial problems. The general purpose of this research paper is to investigate the impact of networking on the performance of SME in Gaborone.

LITERATURE REVIEW

According to a (Watson, 2007) lot of definitions are used to define the concept of networking. These may include social capital, business networks, formal networks, informal networks and social networks. Generally, networking involves sustained relationships between individuals and business enterprises, which are mutually beneficial to all parties involved (Hallèn & Johanson, 2004). Networking may also be defined as a set of sustained relationships, which entail cooperation and collation and mutually beneficial to all the parties involved (Chipika & Wilson, 2006).

On the hand, (Scalera & Zazzaro, 2009) define networking as a set of stable links developed for cost effective economic transactions among the network members founded on

informal and formal links with mutual goals. Numerous fields of study have linked SMEs problems to entrepreneur/owner characteristics. (Keats & Bracker, 1988) identified the dynamic relationship between SME and its operating environment and entrepreneurial characteristics suggesting a conceptual mock-up of SME performance where performance result are perceived as functions of many variables. The premise behind the model is that SME are small versions of large business and there viewed as unique entities. (Weitzel & Jonsson, 1989), discovered that various characteristics of SMEs are directly linked to personal decision-based characteristics of owner (e.g. lack of insight, focusing on technical skills) and managerial deficiencies (e.g. lack of managerial skills and pervious managerial experience). (Klyver & Grant, 2010), suggest that the age of an entrepreneur significantly affects the social networking and generation participating in general networks. There is a significant relationship between education of the entrepreneur and networking of the firm. As such, for small businesses to do well in Botswana, entrepreneurs need to be well informed in terms of skills and management. SMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications.

(Brush, Carter, Gatewood, & Hart, 2004) argue that gender has a major impact on the type of networks persons and business engage in, with female firm owners rely on social networks business networks as compared to male firm owners. According to the Kenya Rural Enterprise Programme and Central Bureau of Statistics (CBS) Baseline Survey conducted in 1999, the number of men and women owning micro-enterprises in Kenya was almost equal, at 670,727. Enterprises owned by men compared to 612,848 owned by women accounting for 47.4 per cent of all those in SMEs (National Micro and Small Enterprise Baseline Survey, 1999). The results indicated that women tended to practice businesses associated with traditional women's roles, such as hairstyling, restaurants, hotels, retail shops and wholesale outlets. The survey also indicated that women tended to operate smaller SMEs than men did and hence made less income than they make. (Callaghan & Lenihan, 2008), noticed that firm size is directly related to networking. Younger business companies tend to rely on social networks of family and friends.

According to (Chung, 2006) relations with government agencies are essential in most developing countries. Therefore, a firm's owner who has ties with government officials or the ruling party will derive benefits from that tie. This is because ties to government agencies provide firms with government guarantees on the legitimacy and legality of the firm. In addition, government agencies such as the Citizen Enterprise Development Agency (CEDA) provide financial and technical support for business development with a view to the promotion of viable and sustainable citizen owned business enterprises.

Rationale of the Study

The objective of this paper is to investigate the impact of networking on the performance of SME in Gaborone. It is observed that there is shortage of adequate studies on the subject matter thus making this study very significant as an addition to the existing body of knowledge SMME networking. The purpose of this paper is to give an overview on how SME companies conduct their networking activities in relation to the firm's performance and compare these results to other findings in academic literature. This small-scale research could act as a stimulus study for a more extensive research in this field.

RESEARCH METHODOLOGY

Research Design

Researchers opted to use a quantitative qualitative approach because it attempts to maximize objectivity, reliability, and generalizability of findings and thus typically interested in prediction. Fundamental to this approach is the assumption that a researcher will set aside his or her experiences, perceptions, and biases to ensure objectivity in the performance of the study and the conclusions. Key characteristics of many quantitative writings are the use of instruments such as tests or surveys to collect data, and dependence on probability theory to test statistical hypotheses that agree with research questions of interest. (Lincoln & Guba, 1985) ,argue that quantitative methods are also commonly featured as assuming that an individual "truth" exists, independent of human perception.

Sampling Scheme

A sample is a portion or subset of a larger group called a population (Fink, 1995). The population of study is SMEs located in Gaborone because of the highest concentration of SMEs in the country due to the fact that it is the capital as well as the major business hub thus it is possible to generalise the results for the country.

The sample consists mainly of SME located at Finance Park and Fairgrounds complex. The population frame refers to the total group of units or elements from which the sample will be selected (Bryman & Bell, 2003). The Yellow Pages of 2013 Directory were used as secondary source to find appropriate firms for the survey; a population of 80 SMEs and sample size of 50 SMEs where identified mainly consisting of advertising agency, learning institutions, IT companies and courier companies.

The researchers used stratified sample for the study because stratified samples tend to be more representative of a population as it makes it possible to include elements from each stratum in the population are represented in the sample. Stratified samples yield smaller random

sampling errors than those obtained with a simple random sample of the same sample size, especially if optimum allocation is used.

Procedure of Data Collection

This study used the self-administered questionnaire to collect primary data from the respondents. A self-administered questionnaire is a research questionnaire personally delivered to the respondent by the interviewer but completed by the interviewee with no interviewer involvement (Cooper & Schindler, Business Research Methods, 2003). The self-administered questionnaire was used for data collection.

Processing

The aim of this section in the research methodology is to show how the data collected is analysed. Responses obtained from questionnaires were analysed and evaluated using the Statistical Package for Social Sciences (SPSS). SPSS was used because it offers more control with regards to the data organization which in turn makes data analysis quicker because the program knows the location of the cases and variables. Statistical analyses included descriptive statistics, the T-test and logistic and linear regression analyses..

ANALYSIS AND FINDINGS

Response Rate

The response rate refers to the ratio of the number of people who answered the survey to the total number of the sample. Table presents the information on the response rate.

Table 1: Sample Size and Extent of Non-response Rate

	Number of Firms	Percentage %
Population/Sample	50	100
Total responses	38	76
Unavailable	12	24
Refusals	2	4
Incomplete	4	8
Discarded	2	4
Companies no longer at address given	2	4
Total Usable Responses	30	60

From Table 1, it can be noted that 12 respondents were unavailable for the survey and this left 38 respondents available. However, out of the 38 respondents that were left two did not respond or discarded the questionnaire. The researcher made some efforts to contact these respondents

through several telephone calls; however, the respondents did not seem interested or were busy with other affairs. Therefore, 30 respondents representing 60% percent of the respondents were available for the survey.

Entrepreneurial and Firm characteristics

This section of research questionnaire presents the entrepreneurial characteristics of SME owners or employees.

**Section A of Questionnaire**

Entrepreneurial characteristics

This section of research questionnaire presents the entrepreneurial characteristics of SME owners or employees. Hence, results of questions such as the gender of the respondent, age of the respondent and the educational qualifications and lastly how long they been part of their current organization were discussed as part of the entrepreneurial characteristics.

Question 1: Gender

This question investigates the gender of the respondent. The addition of this question was necessary to enable the researcher to gather information as regards to whether the respondents were male and female. In addition, this question assisted in investigating whether there was any correlation between networking and gender of the SME owner or employees.

Table 2: Gender of respondents
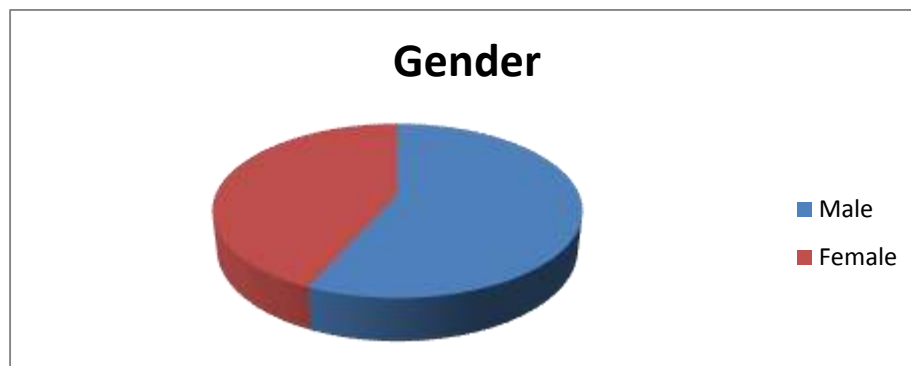
Of the respondents interviewed, 17(57%) of the respondents were males while 13 (43%) were females. This result is agreeable with studies on gender and small business ownership. A study conducted by (Weber & Schaper, 2003) found that in Australia there are more male SME

owners than female ones. A research of SMEs in South Africa also found that most (80%) SMEs were owned or managed by males while (20%) by females only (Sha, 2006).

Question 2: Age of Respondent

This question relate to the age of the respondent. By understanding the age of the respondent, the researcher will be able to investigate if the age of the SME owner/employee relates to the ownership and performance of the SME. Furthermore, it will also assist in finding out whether age has an effect on the networking of the SME owner.

Table 3: Age of respondents
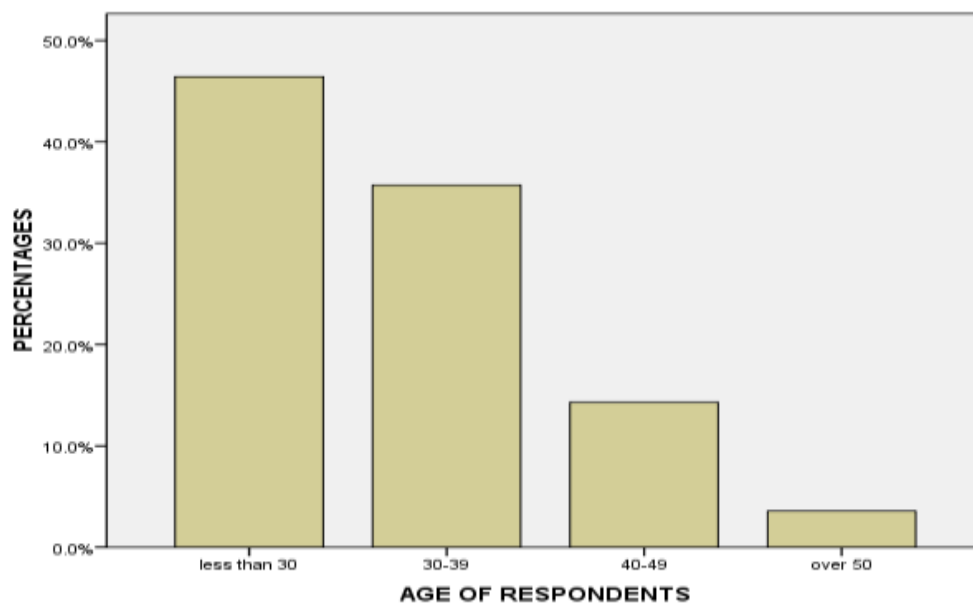
Comment: Of the 28 respondents who participated in the research, 13 (46%) of the respondents were aged below 30 years. 10 (36%) of the respondents were between the age of 30 to 39 and 4(14%) were aged from 40-49 while one (4%) of the remaining of the respondents were over the age of 50. From the data, the majority of the SME owners/employees were aged below the age of 30 years.

The results obtained in this study are consistent with studies conducted by (Kristiansen, Furuholt, & Wahid, 2003) identified that individuals between the ages of 25 and 44 years were the most entrepreneurially involved and, hence, small business owners. In a survey of SMEs in South Africa, (Rungani, 2009) also found that (47%) of most SME owners/managers in South Africa where between the ages of 31 - 45 years.

Question 3: Level of Education

This question in particular required respondents to provide the maximum level of their education. The purpose of asking this question is to establish the level of education of small to medium enterprises in Gaborone.

Table 4: Level of Education
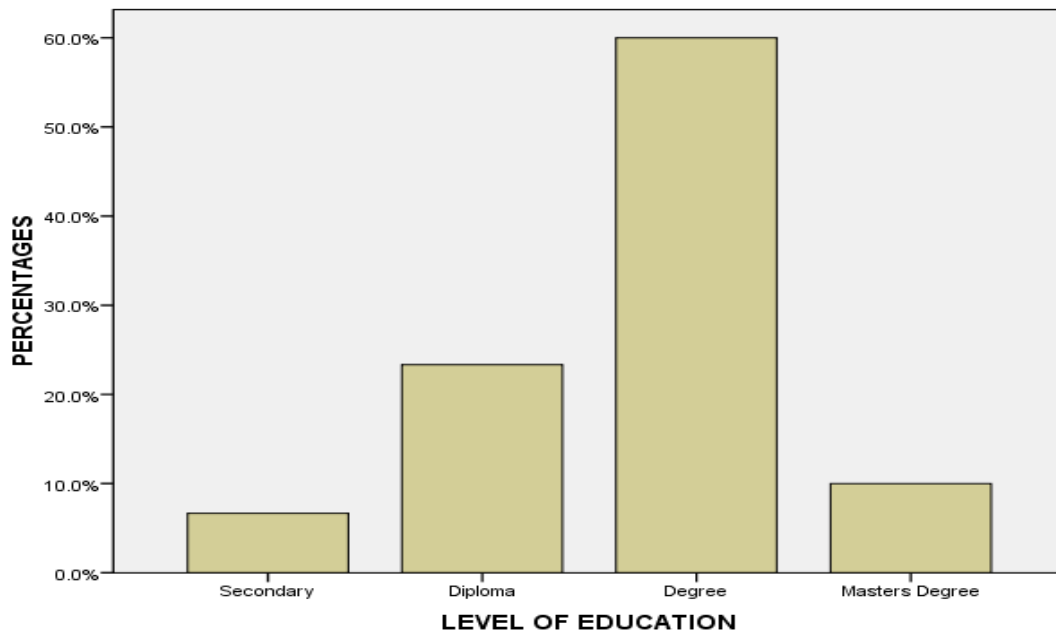
From the results it can be observed that, 2 (7%) of the respondents had secondary education. The number of respondents who had diploma is 7 (25%) 16(57%) had graduated from university with an undergraduate degree while the remaining 3 (11%) respondents had masters degree.

Question 4: Position in Current Workplace

From the results it can be observed that, 10(36%) are occupying the position as Managers. While, 5 (18%) are Directors, 6(21%) are Sales representatives and the remaining 7(25%) are classified under the category of other.

Table 5: Position in Current Workplace
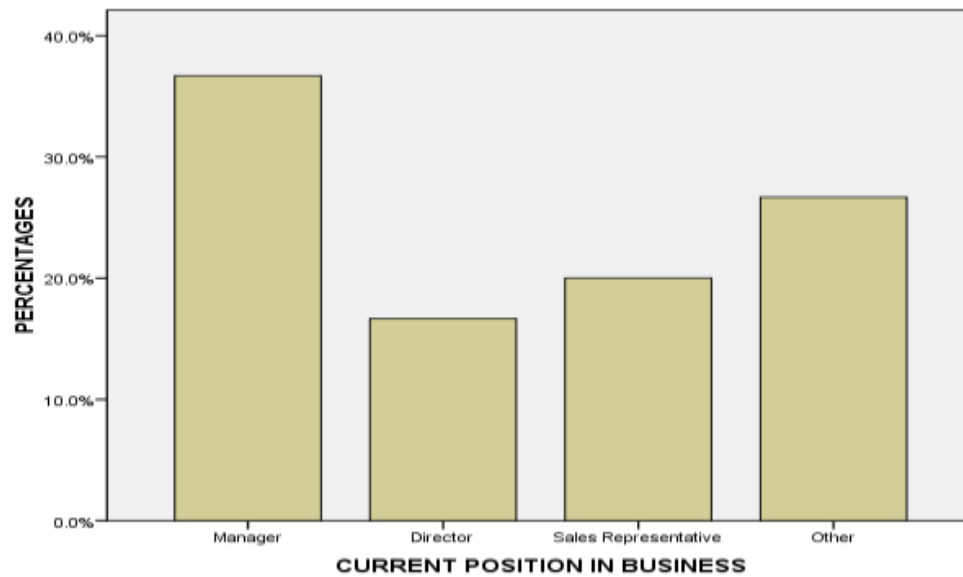
Question 5: Length of time with current organization

The researcher asked this question in order to obtain information with regard to the period, which the employee has been employed by the business. This question also allowed the researcher to determine the sustainability and consistency of the SMEs in Gaborone.

Table 6: Length of time with organization
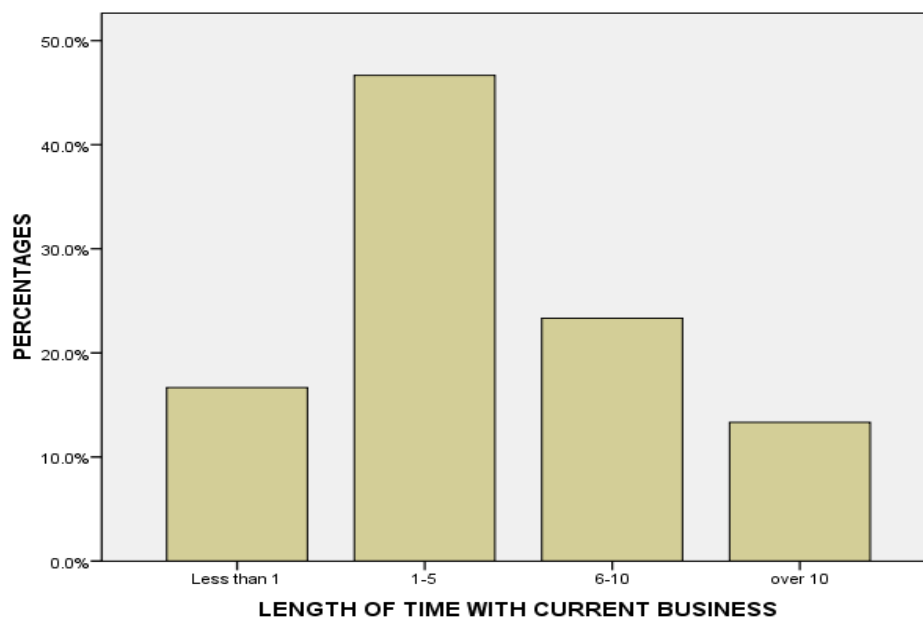
The results from table 6 above showed that about 14.3% of the respondents had worked for less than 1 year, 46.4% had worked for 1-5 years whereas 25% had worked for over 6-10 years and lastly 14.3% respondents that had worked for over 10 years. The results indicates that the majority of the SMEs had not been in existence for more than 10 years which implies that the majority of the SMEs were still in the growth stage much as there were those which had existed for more than 10 years.

(Barton & Gordon, 1987), also conclude that because most SMEs face various challenges, they face weak performance, financial constraints and an inability to grow. With the high failure rate of SMEs, an SME established today will most likely not be around after 4 years. (Rungani, 2009), also found that in South Africa, most SMEs (70%) are between the ages of zero - 5 years.

Firm Characteristics

This section of the questionnaire concerned the firm characteristics of the SME. Particularly, questions, which include size of the SME, legal status of the SME and the industry the SME operates.

Question 6: What is the size of your business

The rationale of asking this question was to provide information about the size of the SME and classify businesses as either small or medium in terms of the SME definition provided by the (National Small Business Act, 2003).

Table 7: Size of your Business
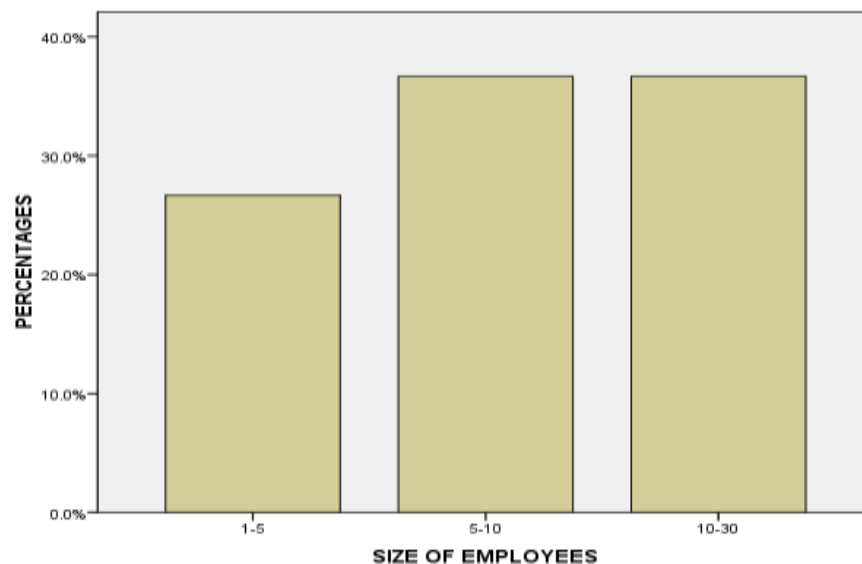
Amongst the SMEs who participated in the research, 7(25%) of the businesses had employees within the range of 1-5, 11(39%) of the SMEs employed between 5-10 employees .Only 10 (36%) of the SMEs had employees in the range of 10 - 30. The results showed that, in terms of the definition borrowed from (Ministry of Commerce and Industry, 1999) of SMEs, approximately 72 (45%) of the SMEs were small while 89 (55%) were medium firms. (Barton & Gordon, 1987), found that most SMEs employ only a small number of employees because their businesses are still growing and they lack the financial resources to grow. Small firms are more dependent on the social networks of their owners and employees and rely less on formal business networks whereas larger firms benefit from formal business relationships. Similarly, (Rungani, 2009) identified that most SMEs (54%) are medium enterprises while only (46%) are small in accordance with the definition of SMEs provided by the (Government Gazette of the republic of South Africa, 2003).

Question 7: What is the legal status of your business?

The importance of asking this question was to obtain information on the legal status of the SME. It allowed the researcher to understand whether the legal status of a business would have an effect on the SME's network structure.

Table 8: Legal Status of your Business
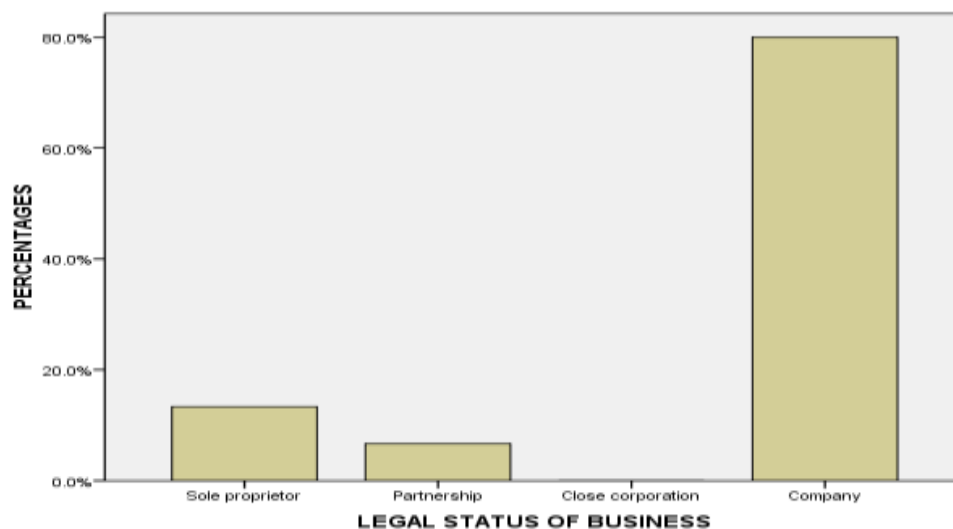
Comment: The results indicate that most SMEs (79%) are registered company. Partnership businesses constitute 7% and only 14% are sole proprietor business enterprises, while close corporation businesses accounted for zero percent. The reason why there are more company

businesses among SMEs may be the due to the concept separate legal entity, attracting investors and lenders, protection of personal assets (Keshav Lal, 2005).

Question 8: In what industry do you operate in?

The question required the respondents to state in which industry their business as operated in. This question would enable the researcher to deduce whether the type of industry the SME operates in would have an impact on its networking capability.

Table 9: Nature of Business
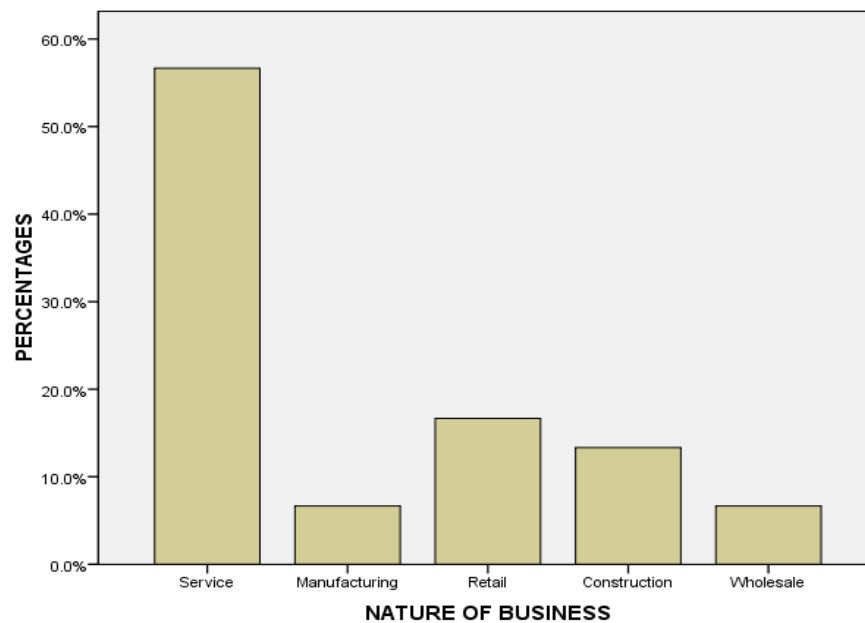
Comment: The results from table 9 above showed that more than 46% of the SMEs, which comprised of the survey were dealing in offering Services, Manufacturing (7.2%) and Retail (21.4%) whereas, less than (14.3%) were dealing in Construction and Wholesale (11.1%). The results imply that the most lucrative businesses in division were in Services, Retail.

A reason why most SMEs are engaged in offering services may be that most SMEs face challenge in acquiring finance and credit. Industries such as construction and wholesale require significant cash outlets; therefore, most SMEs will engage in offering services and retail.

Section B: Networking

Section B is primarily focused on the networking of SMEs. Specifically, the questions in this section seek to develop the type of networks SMEs are engaged in from general, managerial

and social networks. (Li, Serra, & AD Ferreira, 2010), argue that those SMEs participating in different networks will have access to superior information, resources and finance than those that are not engaged in networking activities. Respondents were asked to state the networks they are engaged in from general networks, managerial networks and social networks. The results of questions are shown in table 10

Table 10: Networking of SMEs

Range of Networks	Yes	No
Managerial networks		
Competitors	90%	6.7%
Suppliers	96.7%	-
Customers	96.7%	-
Average for managerial networks	94.5%	2.2%
Social networks		
Friends	60%	36.7%
Social associations or clubs	46.7%	50%
Average for social networks	53.4%	43.4%
General networks		
Trade fair and business seminars	60%	36.7%
Government agencies	63.3%	33.3%
Average for general networks	61.7%	35%
Average for overall networking	70%	27%

In terms of managerial networks, results indicate that the majority SMEs (93%, 100% and 100%) sustain relationships with competitors, suppliers and customers respectively. Therefore indicates that SMEs are more participative in managerial networks than other networks. This is in line with a research conducted by (Ngoc & Nguyen, 2009) who found that managerial networks are strong among SMEs. This is credit to the fact that the more an SME's manager creates a network with managers of other enterprises, the higher the chance the SME will attain legitimacy and business alliances. In addition, through networking, the SME learns appropriate business behaviour from other managers, suppliers and customers

In terms of general networks, (Peng & Lao, 2000) found that a significant proportion of SMEs in china are members in various professional and industry association. (Anderson & Park, 2007), concluded that through social relations, social interaction and social networks that most SMEs obtain information and resources. While, (Ngoc & Nguyen, 2009) establish in Vietnam, only private SMEs look for, or are members of government agencies.

Impact of Networking on Cost Efficiency

These following questions in section C will coded with the following symbols with question 1 coded as C1 etc.

Table 11: Summery of Responses on Networking

Statement	1	2	3	4	5
C1	-	10%	33.3%	23.3%	33.3%
C2	-	16.7%	13.3%	43.3%	26.7%
C3	-	6.7%	23.3%	43.3%	26.7%
C4	-	20%	23.3%	33.3%	23.3%
C5	3.3%	-	16.7%	40%	40%

Statistics

		C1	C2	C3	C4	C5
N	Valid	30	30	30	30	30
	Missing	0	0	0	0	0
Mean		3.8000	3.8000	3.9000	3.6000	4.1333
Std. Deviation		1.03057	1.03057	.88474	1.06997	.93710

Variable	Mean	Standard Deviation
Impact of Networking on cost efficiency	3.8466	0.99059

Comment: The mean and standard deviation indicated that SME owners are satisfied with level cost efficiency that networking has produced. These is consistent with the studies, that long-term network interactions are expected to improve control on critical resources (Hillman, Withers, & Collins, 2009), and to reduce risks and costs, by making inter-organizational flows of information, money, decisions, etc., smoother and more rationally structured (Naylor, Naim, & Berry, 1999).

Section D: Impact of Networking on SME Productivity

These following questions in section D will coded with the following symbols with question 1 coded as D1 etc.

Table 12: Impact of Networking on SME Productivity

Statement	1	2	3	4	5
D1	-	-	36.7%	30%	33.3%
D2	-	6.7%	10%	46.7%	36.7%
D3	-	10%	26.7	23.3%	40%
D4	-	-	16.7%	40%	43.3%
D5	-	3.3%	10%	50%	36.7%

Statistics		D1	D2	D3	D4	D5
N	Valid	30	30	30	30	30
	Missing	0	0	0	0	0
Mean		3.9667	4.1333	3.9333	4.2667	4.2000
Std. Deviation		.85029	.86037	1.04826	.73968	.76112

Variable	Mean	Standard Deviation
Impact of Networking on SME Productivity	4.1000	.851944

Comment: The mean result of SME productivity shows that SME are moderately satisfied with the level of networking on SME productivity. This is due the fact that networking allows rational division of labour, specialization, risk sharing, cultural exchange and cross-fertilization: all factors that are expected to positively influence the organization's productivity. According to previous studies, business networking allows access to valuable resources (information, competences, skills, patents, experiences, etc.) external to the individual organization's boundaries (Combs & Ketchen, 1999).

Section E: Impact of Networking on Financial Strength

These following questions in section E will coded with the following symbols with question 1 coded as E1 etc.

Table 13: Impact of Networking on Financial Strength

Statement	1	2	3	4	5
E1	-	10%	40%	30%	20%
E2	-	3.3%	30%	46.7%	20%
E3	-	6.7%	16.7%	50%	26.7%
E4	-	-	20%	56.7%	23.3%
E5	-	10%	26.7	33.3%	30%

Statistics		E1	E2	E3	E4	E5
N	Valid	30	30	30	30	30
	Missing	0	0	0	0	0
Mean		3.6000	3.8333	3.9667	4.0333	3.8333
Std. Deviation		.93218	.79148	.85029	.66868	.98553

Variable	Mean	Standard Deviation
Impact of Networking on SME Financial Strength	3.85332	0.845556

Comment: With a mean 3.85332 and standard deviation of 0.845556, SMEs are content with the effect level of networking on financial strength. These is because one of the main reasons of organizations entering a business networks is to have better business credit scores on the part of banks, which may take into consideration the enhanced value of an business with well-established and promising business relationships. Moreover, long-term network partners often can rely on more foreseeable and dependable payment behaviours and, in exceptional cases, on direct financial help on the part of partners.

Section F: Impact of Networking on SME Effectiveness and Social Role

These following questions in section F will coded with the following symbols with question 1 coded as F1 etc.

Table 14: Impact of Networking on SME Effectiveness and Social Role

Statistics

		F1	F2	F3	F4	F5
N	Valid	30	30	30	30	30
	Missing	0	0	0	0	0
Mean		4.2667	4.0000	4.1667	4.0667	4.3333
Std. Deviation		.82768	.78784	1.01992	.82768	.75810

Statement	1	2	3	4	5
F1	-	3.3%	13.3%	36.7%	46.7%
F2	-	6.7%	10%	60%	23.3%
F3	-	10%	13.3%	26.7%	50%
F4	-	3.3%	20%	43.3%	33.3%
F5	-	-	16.7%	33.3%	50%

Variable	Mean	Standard Deviation
Impact of Networking on SME Effectiveness and Social role	4.16668	.844244

Comment: The mean result of SME effectiveness and social role shows that SME managers are satisfied with the level of networking. These is consistent with studies by (Ford, Håkansson, Gadde, & Snehota, 2003), networking allows access to valuable market understanding, and the joint resources of network partners can be usefully leveraged to achieve higher customer satisfaction, higher service quality, higher reactivity and flexibility. Furthermore, some authors note that networking provides organizations with a more protected and predictable environment

(Powell, Koput, & Smith-Doerr, 1996) makes more resources available for long-term investments and market effectiveness.

In terms of networking on a social role, some authors (for example, those referring to Institutional Theory) say that networking enhances the organization's attitude to cooperation, social awareness and reputation care (Mayer & Rowan, 1977) therefore, networked organizations are more likely to be engaged in socially responsible behaviours (Suchman, 1995).

Interpretation of Regression analysis and Hypotheses Testing

Regression analysis

Regression analysis is study of the nature of relationship between the variables so that one may be able to predict the unknown value of one variable for a known value of another variable. When conducting regression analysis, one variable is considered as an independent variable and another variable is taken as dependent variable.

Hypotheses Testing

Hypothesis testing is the formal statistical technique of collecting data to answer questions using a statistical model. Hypothesis Testing refers to examination of whether the hypothesis is rejected or accepted and therefore this section will test hypothesis of this study.

The effect of managerial networks on SME performance in terms of cost efficiency, productivity, financial strength, effectiveness, and social role

To test the impact managerial networking on performance by SMEs, the linear regression was used to measure if there was any direct relationship between networking and performance by SMEs. This model was investigated to establish its significance.

Table 15: Significance of model on the relationship between managerial networks
and performance of SMEs

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.268	4	.067	1.009	.422[a]
	Residual	1.594	24	.066		
	Total	1.862	28			

The model was tested whether the model fits and is significant. The model is statistically significant as the p-value is .422, which is more than 0.05. Having established that the model is statistically significant, the results of the regression model are now shown in table 16 below.

Table 16: Regression results - relationship between managerial networks
and performance of SMEs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.701	.292		2.404	.024
	C2	.065	.054	.264	1.209	.238
	D3	.070	.048	.283	1.466	.156
	E1	-.056	.062	-.203	-.894	.380
	F3	.012	.052	.049	.237	.815

The effect of social networks on small companies' performance in terms of cost efficiency, productivity, financial strength, effectiveness, and social role

To test the impact social of networking on performance by SMEs, the linear regression was used to measure if there was any direct relationship between networking and performance by SMEs. This model was investigated to establish its significance

Table 17: Significance of model on the relationship between social networks
and SME performance (ANOVA[b])

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.128	4	.282	1.107	.376[a]
	Residual	6.114	24	.255		
	Total	7.241	28			

The model was tested whether the model fits and is significant. The model is statistically significant as the p-value is .376, which is more than 0.05. Having established that the model is statistically significant, the results of the regression model are now shown in table 18 below.

Table 18: Regression results - relationship between social networks and performance of SMEs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.494	.571		4.365	.000
	C2	-.148	.105	-.306	-1.413	.170
	D3	-.019	.093	-.040	-.209	.836
	E1	.033	.122	.060	.268	.791
	F3	-.110	.102	-.222	-1.082	.290

The effect of general networks on SMEs performance in terms of cost efficiency, productivity, financial strength, effectiveness, and social role

To test the impact General networks on performance by SMEs, the linear regression was used to measure if there was any direct relationship between networking and performance of SMEs. This model was tested to establish its significance.

Table 19: Significance of model on the relationship between general networks and performance of SMEs (ANOVA[b])

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.989	4	.497	2.467	.072[a]
	Residual	4.838	24	.202		
	Total	6.828	28			

The model was tested whether the model fits and is significant. The model is statistically significant as the p-value is .072, which is more than 0.05. Having established that the model is statistically significant, the results of the regression model are now shown in table 20 below.

Table 20: Regression results - relationship between social networks and performance of SMEs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.432	.508		4.787	.000
	C2	.045	.093	.096	.484	.633
	D3	-.047	.083	-.099	-.565	.577
	E1	-.301	.108	-.574	-2.780	.010
	F3	.011	.090	.024	.127	.900

The results of all regression models show that in terms of the managerial networking capability of SMEs, the statistically significant are cost efficiency (p=0.815) and SME productivity (p=0.156), the financial strength (p=0.380) and SMEs effectiveness, social role (p=.238) of SMEs have an impact on the networking of the SME. These results are particularly similar for individual networking of SMEs. For general network engagement, the cost efficiency (p=0.900) the level of SME productivity (p=0.577) financial strength (0.10) and lastly the effectiveness, social role of SMEs (p=0.633) are significant. Hence, the significant cost efficiency, productivity, financial strength, effectiveness, and social role have a significant positive relationship with networking of the SMEs. Therefore, the null hypothesis, which states that performance (cost efficiency, productivity, financial strength, effectiveness, and social role) of the SME does not have an impact on the networking of the SME, is rejected. The results of this research also are consistent with other studies. (Cantner & Joel, 2011), found that the more central the entrepreneur is in the network, the more it will affect business performance.

CONCLUSION

Study found that there is no relationship between Networking and Performance (cost efficiency, productivity, financial strength, effectiveness, and social role) of SMEs.

The information used to investigate the hypothesis came from questions in section B, C, D, E and F of the research apparatus. The findings of the regression analysis used to test the hypothesis showed that there was a positive correlation between networking (managerial, social and general) and the performance (cost efficiency, productivity, financial strength, effectiveness, and social role) of SMEs. Hence, the null hypothesis is rejected.

Another conclusion the researcher manage to deduce is in terms of entrepreneurial characteristics and firm characteristics. There are relatively more male managers/owners than females (male=57 % > female= 43 %) and the length of time employees stay with certain business is relative low (less than 5 year= 60.7%) due to fact that 70% of SMEs in Botswana fail in the first five years. The number of businesses that are registered as partnerships and close corporation is low (they both account for 7 % of the total SMEs in these study) as compared to sole proprietors and companies.

RECOMMENDATIONS

Small to Medium business

SMEs are motivated to network to exchange ideas, information and knowledge as well as resources. This is because networking opens channels and allows SME owners to engage and develop relationships with prominent people who may positively influence their enterprises.

Networking thus provides channels, which not only allows an SME to gain superior information but also to acquire resources, decrease transaction costs, engage with other individuals and improve their performance. In addition, networking enables SMEs to interact in collective bargaining with suppliers and increases the entry of trade credit by SMEs.

➤ Forming ventures and partnerships

One the major challenge faced by SMEs is due to their small size, individually and that is the main cause attributed to why majority of SMEs remain as sole trader enterprises. Hence, inclusion to networking, SMEs may also form partnerships and ventures to increase their capital capacity and other resources. This would grant them the opportunity to access bigger markets and compete with larger established enterprises. In that, way they can hopefully grow, facilitate and increase the economic development of the country such as Botswana.

➤ Level of Education

The results of this research showed that the level of education of the SME owner is positively correlated with networking. Hence, having an educated manager will allow an SME to gain access to superior networks through the prominent contacts of the manager (through social networks) which may offer favourable opportunities for the SMEs. Furthermore, a level informed SME manager may be able to assess the value of a specific network hence reduce the transaction costs of being over submerged in valueless networks as suggested by (Watson, 2007). This allows SMEs to coordinate their resources only on valuable networks and activities.

Government

Because SMEs have been identified as major contributor to employment, economic growth, it is essential to point out what government may do more to improve the performance and sustainability of SMEs in Botswana.

Government has many funding and support agencies (BICA, CEDA, and LEA) to support SMEs. However, most of the SME managers are still unaware of these organizations and even those that are known are still underutilized. This shows the urgency for these institutions to advertise themselves more and organize workshops to inform small business managers and potential entrepreneurs of their existence the services they offer and how to access them and what they can benefit from contacting them.

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