STRATEGIC BUSINESS NETWORKING ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MOMBASA COUNTY

BY

ADAM ABIKAR IBRAHIM

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DECLARATION

Declaration by Candidate

This research is my original work and has not been presented for examination in any program of any institution or university therefore any replication of this work is prohibited without prior permission from the university or/and the owner.

Signature …..Date…...

Adam Abikar Ibrahim

MBA/5681/21

Declaration by the Supervisors

This research project is submitted for examination with my approval as University supervisors.

Signature …..Date…...

Dr. John K. Tarus

Department of Accounting and Finance,

School of Business and Economics,

Moi University

Signature …..Date…...

Dr. Daniel Kirui

Department of Accounting and Finance,

School of Business and Economics,

Moi University

DEDICATION

I dedicate this research project to my wife, Barwoqo Muhamed, my children, Farhan

Adam and Fahmin Adam, and my sister, Fartun Mohamed.

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ABSTRACT

Small and Medium Enterprises (SMEs) play a key role in the economic development of Kenya. In Mombasa County, SMEs contribute significantly to job creation, poverty reduction and the economic vibrancy of the region. However, SMEs face challenges in achieving sustainable growth and maintaining competitive advantage. Strategic networking provides access to critical information, new markets and innovation hence; SMEs can overcome resource limitations, gain credibility and enhance their ability to compete with larger firms. The study seeks to establish the effect of strategic business networking on performance of small and medium enterprises in Mombasa County. The specific objectives of the study are: to establish effects of entrepreneurial networking, social networking, institutional networking and innovative networking on organizational competitive advantage of SMEs in Mombasa County. The study was guided by social network theory, social capital theory, and Survival-based theory. The research employed exploratory research design, a target population of 1994 small and medium enterprises, and a sample of 333 small and medium enterprises was obtained using Yamane's formula. The study relied on primary data that was collected using questionnaires. Data were analysed using descriptive statistics and inferential statistics. The study findings revealed that there was positive linear influence of entrepreneurial networking on performance of small and medium enterprises (β_1=0.192, p=0.000). Social networking within organization has a positive and significant influence on SMEs performance ($\beta2$=0.117, p=0.038). Institutional networking within organization were found to have a positive and significant influence on performance of small and medium enterprises ($\beta3$=0.189, p=0.003). Innovative networking within organization were found to have a positive and significant influence on performance of small and medium enterprises ($\beta4$=0.248, p=0.000). The study concluded that collaboration with competitors is important for innovation and product development. Social media platforms, websites, emails, and informal meetings play a key role in enhancing performance of SMEs. SMEs interact with various stakeholders, highlighting the dynamic nature of their relationships. Innovative networking promotes product innovation and change management. Diverse networks have a positive impact on performance of SMEs, leading to increased market share and reduced market entry costs. The study recommended the SMEs to foster collaboration with competitors to exchange creative ideas, develop new products, and conduct tests. This can promote creativity and product development within organizations. Actively engage in social media platforms for networking. Utilize websites, email networks, informal meetings and report publications to network with other organizations. These methods of networking are significant for performance of SMEs. Maintain strong networks with suppliers, professional bodies, and institutions that provide training for SMEs. However, there is a need to improve networking with government agencies. Diversify networks to increase market share and reduce market entry costs for new businesses. Utilize network platforms for acquiring new businesses through referrals.

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ABBREVIATION AND ACRONYMS

ANOVA:	Analysis of Variance
CEO:	Chief Executive Officer
EBN:	Entrepreneurial Business Networking
GDP:	Gross Domestic Product
ICT:	Information and Communication Technologies
KNBS:	Kenya National Bureau of Statistics
NACOSTI:	National Commission for Science, Technology and Innovation
OECD:	Organization for Economic Co-operation and Development
R & D:	Research and Development
ROI:	Return on Investment
SACCO:	Savings and Credit Cooperatives
SMEs:	Small and Medium Enterprises
SPSS:	Statistical Package for Social Sciences
UNCTAD:	United Nations Conference on Trade and Development
URL:	Uniform Resource Locator
VIF:	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Business networking: Act of maintaining positive relationships with clients and other businesses meet their needs (Anning-Dorson, 2018).

Entrepreneurial Networking: Creating and maintaining social contacts that can help professionals in the industry (Mohamad & Chin, 2018).

Innovative Networking: innovation networking refers to the utilization and development of technology in order to introduce novel systems, policies, programs, products, processes, and services within an organization (Leick and Gretzinger, 2020).

Institutional Networking: Collaboration and interaction between different institutions organization seeks in order to be more profitable than its rivals (Obeng, 2018).

SMEs Performance: refers to how effectively these businesses achieve their goals, which can include financial success, market growth, customer satisfaction and operational efficiency. It is typically measured using various indicators such as profitability, revenue growth, market share, customer retention, and employee productivity and innovation capacity.

Social Networking: The utilization of social media platforms, including Facebook, Instagram, and Twitter, for the purpose of establishing connections with family members, friends, and individuals who possess similar business interests (Obeng, 2018).

Small and Medium Enterprises (SMEs): are businesses that maintain revenues, assets or a number of employees below a certain threshold. The criteria for defining an SME can vary by country and industry, but they are generally characterized by having a smaller scale of operations compared to larger corporations. They are often more flexible and responsive to changes in the market, but they may also face challenges such as limited access to capital, resources, and markets.

CHAPTER ONE

INTRODUCTION

1.0 Overview

The chapter covers; the background of the study, statement of the problem, research objectives, research hypothesis, scope of the study and significance of the study.

1.1 Background of the Study

SME performance is defined as the actual output or results of an organization as measured against its intended outputs (Ferreira, Coelho & Moutinho, 2020). It includes the actions, outputs and achievements of organizations for the different groups they engage with (Jaar, Saqlain, Mohammad, Mohd & Shaher, 2019). The evaluation of an organization's performance can be characterized in seven essential performance criteria: effectiveness, efficiency, quality, productivity, quality of work, innovation and profitability. Hence, an organization evaluates its performance based on internally established and accepted objectives and targets, rather than those imposed by external entities. Additionally, performance is condensed to pertinent and identifiable characteristics (Caseiro & Coelho, 2019; Hodaei, Alvani, Yazdani & Zarei Matin, 2020).

Small and Medium-sized Enterprises (SMEs) are increasingly recognized as key catalysts for the future economy (Beisengaliyev, Khishauyeva, Lesbayeva, Rakisheva, Tasbulatova & Turekulova, 2018). These enterprises are not only key for job creation and wealth generation, but they also play a major role in promoting entrepreneurship, enhancing competition and driving innovation, all of which are essential for sustainable growth and development (Kraja & Osmani, 2013; Varga, 2021; Ndikubwimana, 2016). The importance of SMEs extends beyond economic metrics,

as they are also seen as key to achieving broader development goals, including poverty alleviation, economic development and the promotion of more democratic and pluralistic societies (Rambe & Mosweunyane, 2017; Algan, 2019). According to International Labour Organization (2019), globally, SMEs do more than create employment but they are also engines of economic growth and social development. In most OECD countries, SMEs contribute more than 50% of GDP, and some global estimates put this figure as high as 70%. This contribution varies across sectors, and is particularly high in the service industry, where SMEs account for 60% or more of GDP in nearly all OECD countries.

In the European Union, SMEs are recognized as the backbone of the economy. According to a study by Južnik Kontošić and Bojnec, (2019), SMEs account for 99% of all businesses in the EU and contribute approximately 57% to the GDP, employing about 66% of the workforce. In Japan SMES play a crucial role in the Japanese economy by utilizing cutting-edge technology in their operations (Fairoz & Hirobumi, 2016). Japan has around 4.3 million small and medium enterprises, which make up 99.7 percent of all companies. These enterprises employ around 28 million people, making up 71 percent of the total workforce (Eweje, 2020). Simultaneously, small manufacturers in Japan are facing challenges in adjusting to a period characterized by diminished domestic demand, heightened competition both domestically and internationally, and the transformation of Japan into a high-cost economy due to frequent technological advancements (Kobayashi et al., 2018).

In Africa, SMEs are seen as engines of innovation, economic growth, and employment creation. In Côte d'Ivoire, for instance, SMEs represent 98% of domestic enterprises, contributing 18% to GDP and 20% to modern employment (Koloma,

2021). In Tanzania, SMEs contribute 60% of the GDP and have been instrumental in transforming the economy from a command to a market-based system (Nuwagaba, 2015). In South Africa, SMEs are a vital component of the economy, contributing around 34% to GDP and accounting for 60% of employment, according to a study by the World Bank (2019). In Nigeria, SMEs are responsible for approximately 48% of the GDP and 84% of employment, according to the Nigerian Bureau of Statistics (2017). The study by Eniola and Entebang (2015) highlights that despite their contributions, SMEs in Nigeria face significant challenges, including inadequate access to finance, poor infrastructure, and regulatory bottlenecks, which hinder their growth and performance. In Ghana, SMEs contribute about 70% to GDP and employ around 85% of the workforce, as reported by Abor and Quartey (2010). In Côte d'Ivoire, SMEs make up 98% of domestic enterprises and contribute approximately 18% to GDP, as noted by Hongbo et al. (2018). However, despite their importance, many SMEs face challenges in achieving sustainable growth and maintaining competitive advantage. One of the strategies increasingly recognized as vital for improving the performance of SMEs is strategic business networking.

A strategic business network refers to a deliberately established and controlled collaboration between organizations with the aim of achieving strategic business objectives that are mutually advantageous. Strategic networks are deliberately established, cultivated, sustained, and controlled for the advantage of network members (Jaar, Saqlain, Mohammad, et al. 2019). These networks exist to achieve strategic business objectives and reap advantages. Clear boundaries define a strategic network. The absence of a comprehensive comprehension regarding the affiliations of organizations within the network poses challenges for network members in reaching consensus on common objectives. The effectiveness of a strategic network is

determined by its strategic cohesiveness, which refers to the level of shared comprehension and acceptance of a future vision and plan, as well as the extent to which issues and strategies are framed in a similar manner. For SMEs to operate in a dynamic and often competitive market environment, strategic networking can provide access to critical information, new markets and innovation, as well as reduce costs and risks. Some aspect of strategic networking includes social, institutional and innovative networking. Social networking, a critical aspect of strategic networking, involves building relationships with individuals and organizations that can provide support, advice, and market intelligence.

A study by Acquaah (2007) explored the impact of social and institutional networks on the performance of Ghanaian SMEs. The study found that SMEs with extensive social networks were better able to leverage community resources and customer loyalty, leading to improved business performance. Additionally, SMEs that engaged with institutional networks were more successful in accessing government programs and financial services, which facilitated their growth and expansion. On the other hand, institutional networking, which includes relationships with government agencies, professional bodies, and educational institutions, is also key for SMEs. Lin and Zhang (2005) examined the effects of institutional networking on the performance of Chinese SMEs. Their findings indicated that SMEs with strong ties to government institutions and financial organizations experienced higher growth rates and better market access. The study highlighted the importance of institutional networks in providing SMEs with the necessary support to navigate regulatory environments and secure financing. Innovative networking, which focuses on promoting innovation through collaboration, is essential for the long-term success of SMEs. The study by Borgatti and Foster (2003) revealed that SMEs in the

manufacturing sector that participated in innovation networks were more likely to introduce new products and processes, leading to increased competitiveness. The study also noted that these SMEs benefited from shared knowledge and technology transfer within the network, which significantly reduced the cost and risk associated with innovation.

Business networking in Singapore significantly contributes to the improvement of firm performance for small and medium-sized enterprises (SMEs) (Kheng & Minai, 2016). Small and medium enterprises (SMEs) have made substantial contributions to the generation of employment opportunities, maintenance of social stability, and enhancement of economic well-being within nations (Manzoor et al., 2021). Singapore is recognized as a nation with advanced technological capabilities, which have facilitated the significant impact of small and medium enterprises on the economies of numerous countries. According to Schulze and Kleibert (2021), the presence of small and medium enterprises (SMEs) in Singapore has contributed to the country's economic growth, employment opportunities, and innovation.

The Malaysian government offers assistance to all SMEs in the country through business networking (Mohamad et al., 2022). The economic development of Malaysia has been significantly influenced by the involvement of small and medium enterprises. Strategic business networking can have a positive impact on the performance of SMEs in Malaysia (Surin et al., 2016). By adopting strategies in market and entrepreneurial orientation, building a strong network structure and governance, and leveraging network resources, SMEs can enhance their financial and non-financial performance. International business networking can also be beneficial for SMEs looking to expand their market share and profitability (Nakos et al., 2019).

In Australia, Gilmore, Carson and Rocks (2006) conducted a study that demonstrated how networking activities, including collaboration with suppliers, customers, and other businesses, positively impacted SME innovation and performance. The study revealed that businesses that actively participated in networking events and maintained strong relationships with stakeholders were more likely to introduce new products and services. Despite these findings, the study did not explore the potential drawbacks of networking, such as over-reliance on certain networks, which could lead to reduced innovation due to a lack of diverse perspectives.

Another study in Europe by Kontinen and Ojala (2011) focused on Finnish SMEs and their internationalization efforts through networking. The study found that businesses that leveraged their networks for market entry strategies were more successful in expanding internationally. However, the research primarily examined the internationalization aspect, leaving a gap in understanding how domestic networking influences overall business performance.

Despite the government's extensive efforts and support, small and medium-sized enterprises (SMEs) in Nigeria have not achieved the desired impact on the Nigerian economy (Osmond & Paul, 2016). Folahan and Ayodele (2020) conducted a study which found that SMEs in southern Nigeria face numerous challenges. These challenges include difficulties in managing advertising, insufficient marketing research, lack of awareness of competition, inadequate branding and packaging, limited knowledge of business market analysis, ineffective promotion, ineffective segmentation strategy, poor pricing technique, and unplanned distribution. These issues have a negative impact on the profit margin and sales volume of SMEs (Ebitu, 2016).

In South Africa, strategic business networking can be a valuable tool for SMEs in South Africa (Neneh, 2018). A small manufacturing company in Johannesburg was struggling to find new customers. The company's owner joined a trade association and began attending industry events. Through networking, the company was able to meet new potential customers and land several new contracts (Murray et al., 2023). A software development company in Cape Town was looking to expand into new markets. The company's CEO joined an online business networking community and began connecting with businesses in other countries (Evans & Schmalensee, 2016). Through networking, the company was able to find new partners and customers in several new markets. A tourism company in Durban was looking to improve its online reputation. The company's owner joined a social media networking site and began connecting with potential customers (Ancillai et al., 2019). Through networking, the company was able to build a strong online presence and attract new customers.

A study by Agbola and Ayanbadejo (2015) in Nigeria found that SMEs engaged in strategic networking were more likely to survive and thrive in the competitive business environment. The study noted that networks helped businesses overcome challenges related to capital access, market entry, and operational efficiency. However, the study did not examine the role of technology in enhancing networking activities, a critical aspect in the digital age.

In Ghana, a study by Quaye and Acheampong (2013) revealed that SMEs that formed strategic alliances with larger firms or participated in business associations experienced significant improvements in performance, particularly in terms of market expansion and financial stability. The research highlighted the importance of mentorship and knowledge transfer in these networks. Nevertheless, the study did not

consider the potential barriers SMEs face in accessing such networks, such as membership costs and exclusion from elite networks.

A study by Nuwagaba and Nzewi (2013) in Uganda indicated that SMEs that utilized networking to establish relationships with government agencies and financial institutions had better access to funding and support services, which positively impacted their growth and sustainability. Despite these findings, the study did not explore the role of cultural factors in shaping networking practices and their effectiveness, leaving a gap in understanding how local customs and norms influence business networking in different African countries.

In Tanzania, Small and medium-sized enterprises (SMEs) in Tanzania can benefit from networking in terms of their performance (Ndesaulwa & Kikula, 2016). Networking can increase market coverage for business people, which can lead to wider opportunities. Small and medium-sized enterprises (SMEs) should place significant emphasis on the development, implementation, and enhancement of networking practices (Foghani et al., 2017). Networking strategies encompass the establishment, intensity, and interdependence of networks, with the aim of determining the impact of networking on the performance of small and medium-sized enterprises (Shipilov & Gawer, 2020). Strategic business networking can significantly enhance the performance of small and medium-sized enterprises (SMEs) in Tanzania.

Small and medium enterprises (SMEs) play a significant role in Uganda's economy, accounting for 80% of the country's GDP (Bandara & Rathnasiri, 2016). Networking among SMEs can increase competitiveness and allow for sharing of resources and capabilities. Strategic management practices, including networking, can also positively impact the performance of SMEs in Uganda (Lawal et al., 2018). A

national strategy has been developed by UNCTAD to boost sustainable entrepreneurship and support micro, small, and medium enterprises (MSMEs) in Uganda, in collaboration with the country's ministry of trade, industry, and cooperatives (Onyeje et al., 2022). The strategy aims to promote private sector growth and resilience to economic shocks, which is particularly important in a country where many small businesses are run by women, youth, and refugees. Entrepreneurial strategies can also help SMEs survive in Uganda's nascent private sector. These strategies include developing a strong business plan, networking, and innovation (Kato & Chiloane-Phetla, 2021).

Small and medium enterprises play a significant role creating jobs or employment opportunities to a large proportion of Kenyans more than any other sector (Peprah et al., 2016). SMEs in Kenya contribute roughly 40% to the country's GDP, with the majority operating within the informal sector (Kimathi, 2020). On the one hand, the sector has experienced significant growth, with the number of SMEs increasing by over 50% in the past five years (Njoroge et al., 2022). This growth has been driven by a number of factors, including the expansion of the Kenyan economy, the growth of the internet and mobile money, and the government's support for SMEs. Out of approximately 7.41 million SMEs in Kenya, only 1.56 million are licensed, while 5.85 million operate without formal licenses (Mwiti, 2021). Despite the growth and the huge role that SMEs are playing in driving the growth of our economy, it is estimated that their contribution to production is minimal and many of them specialize in low-value addition. In 2016 a total of 2.2 million SMEs were closed in Kenya in the last five years, 2016 inclusive and on average, businesses were closed at the age of three years and eight months (Kimathi, 2020). Also, studies have reported that in Kenya SMEs face challenges such as limited access to markets, financial constraints

and stiff competition from larger firms (Benedict, Gitongab, Agyemanc & Kyeid, 2021; Kidali, 2020; Murori, 2022; Kiring'a, Ndede & Wekesa, 2021; Kimathi, 2020; Kimathi, 2020).

1.2 Statement of the Problem

Small and Medium Enterprises (SMEs) in Mombasa County are thriving, contributing significantly to the county's economy and providing jobs for a large number of people. SMEs are able to access the resources they need to grow and succeed, including financing, training, and support services. The government and other stakeholders have created a conducive environment for SMEs to operate in. Notwithstanding the economic impact of small and medium enterprises, their business performance has not been commendable. According to the Kenya Economic Survey (2023), there was a decline of 46% in the performance of enterprises during the period from 2020 to 2023. Conversely, industrial economists have suggested that large, small, and medium enterprises experience elevated rates of bankruptcy and a sluggish growth rate compared to publicly traded companies. Large corporations continue to require assistance in enhancing their financial performance due to inadequate management of short-term loans, trade credit, and long-term loans. This phenomenon may arise due to the failure of major corporations to incorporate outstanding debts into their routine operations. If this issue remains unaddressed, it has the potential to perpetuate financial hardship and ultimately lead to the collapse of the business. According to a study by the Kenya National Bureau of Statistics (KNBS), only 3 out of 10 SMEs in Mombasa County survive beyond 5 years. This is a high failure rate and it is indicative of the challenges that SMEs face.

Strategic business networking offers a potential solution by providing SMEs with access to vital resources, new markets, and innovative ideas. Through effective networking, SMEs can collaborate with other businesses, institutions, and individuals to leverage collective strengths. However, the extent to which SMEs in Mombasa County engage in strategic business networking and the impact of such networking on their performance remains underexplored. While some studies have examined the role of networking in SME performance, there is a lack of focused research on how specific types of networks such as social, institutional and innovative networks affect the competitiveness of SMEs in Mombasa County. Further, the existing studies have focused on various aspects such as competitive strategies, firm's equity, taxation, and bank loan financing. However, there may be other factors that have not been adequately explored. Additionally, the number of SMEs in Mombasa County and their performance statistics in recent years are not provided in the search results. This information would be crucial in understanding the current state of SMEs in the county and identifying any emerging trends or challenges.

1.3 Research Objectives

The study was guided by both general and specific objectives

1.3.1 General Objective

The main objective of this study is to determine the effects of strategic business networking on performance of Small and Medium Enterprises in Mombasa County.

1.3.2 Specific Objectives

The specific objectives of the study were:

i.   To establish effects of entrepreneurial networking on performance of Small and Medium Enterprises in Mombasa County.

ii. To determine effects of social networking on performance of Small and Medium Enterprises in Mombasa County.

iii. To evaluate effects of institutional networking on performance of Small and Medium Enterprises in Mombasa County.

iv. To determine effects of innovative networking on performance of Small and Medium Enterprises in Mombasa County.

1.4 Research Hypotheses

H_{o1}: Entrepreneurial networking has no significant effect on performance of Small and Medium Enterprises in Mombasa County.

H_{o2}: Social networking has no significant effect on performance of Small and Medium Enterprises in Mombasa County.

H_{o3}: Institutional networking has no significant effect on performance of Small and Medium Enterprises in Mombasa County.

H_{o4}: Innovative networking has no significant effect on performance of Small and Medium Enterprises in Mombasa County.

1.5 Significance of the Study

The findings of this study would be beneficial to the following:

1.5.1 Policy Makers

The recommendations of the study have helped the government and other key stakeholders develop policies and regulations that can nurture networking among small and medium enterprises. Finally, the study, through its findings, has contributed to the development of network model knowledge in Small and Medium Enterprises.

1.5.2 SME Managers

Companies encounter numerous obstacles when striving to acquire market share and sustain a competitive edge over competitors. Determining the optimal strategies to pursue can pose challenges, particularly when considering a business's industry position and the competitive dynamics within the industry. The SMEs managers can utilize the findings regarding the impact of talent management, core values, networking, and customer relationship on the organization's competitive advantage at the corporate level.

1.5.3 Scholars

The research outcomes pertaining to the impact of networking on an organization's competitive advantage have facilitated the establishment of enduring strategic networking connections. The data has been utilized by researchers and academics to investigate further empirical research on the effectiveness of strategic relational capital initiatives in maintaining a competitive advantage within profit-oriented organizations.

1.6 Justification of the Study

SMEs are recognized globally as engines of economic growth and job creation, particularly in developing countries. This study directly supports SDG 8, which promotes sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Therefore, the study seeks to uncover actionable data that can enhance the competitiveness and sustainability of these enterprises, ultimately contributing to economic resilience and poverty reduction in Kenya.

This study is also aligned with Kenya's Vision 2030, which aims to transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens. SMEs play a key role in achieving this vision, particularly under the economic pillar, which emphasizes the importance of creating a vibrant and globally competitive financial sector that drives high levels of savings and financing for Kenya's investment needs. Therefore, focusing on Mombasa County, a key economic hub, the study not only addresses local economic challenges but also contributes to the broader national agenda of economic diversification, industrialization and the realization of Kenya's long-term development goals.

1.7 Scope of the Study

The study focused on determining the effects of strategic business networking on performance of Small and Medium Enterprises in Mombasa County The study focuses on investigating the impact of strategic business networking on the performance of Small and Medium Enterprises (SMEs) in Mombasa County, Kenya. The study is grounded in social network theory, social capital theory and survival-based theory, which provide the theoretical framework for analyzing the role of networking in enhancing SME performance. The study was limited to Mombasa County and was conducted between August and December 2023 in all Sub-counties of Mombasa. The study targeted a population of 1,994 SMEs in Mombasa County, with a sample size of 333 SMEs selected using Yamane's formula. The research employed a descriptive design and relied on primary data collected through structured questionnaires. To ensure the reliability and validity of the data, research instruments were rigorously tested. The data were analyzed using both descriptive and inferential statistics with the help of a Statistical Package for Social Sciences (SPSS).

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

This chapter covered the concept of performance and business networks; it also covered the study's theoretical review, including social network theory, the capability-based theory, and social capital theory. The chapter also addressed the study's empirical review, research gaps, critical review of existing literature, summary of the literature reviewed, and the conceptual framework.

2.1 Concept Performance of SME

Performance of SMEs refers to the outcomes of firms' business activities and can be measured using various indicators, such as growth in sales, employees, profit, assets, and equity (Ainembabazi, 2022). It can be measured in a variety of ways, including financial performance, growth, innovation, and customer satisfaction. Financial performance is often the most common measure of performance of SMEs, as it is relatively easy to quantify. Financial performance indicators can include profitability, sales growth and return on investment (ROI) (Kopecká, 2018). Growth is another important measure of performance of SMEs. It can be measured in terms of revenue growth, market share growth, or employee growth. According to the study by Aksoy (2017), innovation is essential for SMEs to remain competitive in the marketplace. Innovation can be measured in terms of the number of new products or services launched, the number of patents filed, or the amount of investment in research and development (Nandal et al., 2020). Customer satisfaction is a key measure of performance of SMEs, as it is often a leading indicator of future financial success (Mahmudova & Kovács, 2018). Customer satisfaction can be measured through surveys, customer feedback, and social media engagement. The specific measures of

Performance of SMEs that are most important will vary depending on the industry, the size of the business, and the goals of the business owner. However, all SMEs should track their performance over time in order to identify areas for improvement and to ensure that they are on track to achieve their goals (Dutta et al., 2020).

SMEs are the backbone of many economies, accounting for a significant share of GDP and employment (Laila et al., 2022). As such, their performance is important for the overall health of the economy. SMEs also play a vital role in innovation and job creation. They are more likely to start up new businesses and to develop new products and services than larger businesses. Therefore, improving their performance, SMEs can contribute to economic growth, create jobs, and raise living standards (Ndubisi et al., 2021).

SMEs need to have a clear understanding of what they want to achieve in order to measure their progress and identify areas for improvement (Rubio-Mozos et al., 2019). A business plan can help SMEs to identify their target market, develop a competitive strategy, and set financial goals (Saah, 2022). SMEs need to track their performance over time in order to identify areas for improvement. This can be done by collecting data on financial performance, growth, innovation, and customer satisfaction. Once SMEs have identified areas for improvement, they need to make the necessary adjustments to their business plan and operations (Priyono et al., 2020). This may involve investing in new technologies, hiring new staff, or expanding into new markets.

Organizational performance encompasses the operational and financial outcomes of an organization, contributing to its overall effectiveness. In the 21st century, company performance is defined as the ability of companies to effectively utilize resources in

order to continuously enhance their capabilities and abilities, ultimately leading to the achievement of company objectives (Taouab & Issor, 2019). Organism encompasses all facets pertaining to the operation of an organization. According to MorićMilovanović, Buba, and Mikić (2021), a company's performance refers to the distinctive outcomes derived from economic, marketing, and economic processes, which enable companies to effectively and efficiently compete with various stakeholders and internal components.

Performance is measured by an organization's ability to optimize resources in a manner that is both effective and efficient (Caron-Fasan, Lesca, Perea & Beyrouthy, 2020). The concept of firms' performance is not only generic but also dynamic. The definition of this concept varies over time due to the shifting priorities of firms during different periods, making it challenging to establish a clear definition. During the 1950s, the evaluation of firms' performance was commonly regarded as directly linked to their organizational efficiency. Efficiency refers to the extent to which an organization successfully accomplishes its objectives with minimal labor input and limited resources (Amoako-Gyampah, Boakye, Adaku, & Famiyeh, 2019). The dimensions of performance that are frequently observed encompass profitability, market value, growth, employee satisfaction, customer satisfaction, and environmental outcome.

According to Muriithi's (2017) study, small and medium enterprises (SMEs) play a significant role in stimulating economic growth and serve as a key indicator of a country's economic development. Enhancing the capacity and performance of small and medium-sized enterprises (SMEs) is crucial for boosting the productivity of nations, regions, and urban areas, generating employment opportunities, mitigating

disparities, and other related outcomes (Chege & Wang, 2020). The concept of performance is adaptable, contingent upon the methodology and objective of the observers. The performance of small and medium-sized enterprises (SMEs) can be assessed through both quantitative and qualitative approaches. Quantitative measures include efficiency, financial outcomes, production levels, customer base, market share, profitability, productivity, revenue dynamics, costs, and liquidity (Musa et al., 2016).

In this study, the performance of small and medium enterprises (SMEs) in Mombasa County was measured using a combination of financial and non-financial indicators. Specifically, the study adopted measures such as profitability, sales growth, and market share to capture financial performance, while also considering growth in employee numbers and customer satisfaction as broader indicators of business success. This choice of measurement is justified by the need to provide a comprehensive assessment of SME performance that reflects both economic outcomes and operational effectiveness.

Financial indicators like profitability and sales growth are critical as they directly relate to the sustainability and scalability of SMEs, which are essential for economic development as outlined in Kenya's Vision 2030 and the Sustainable Development Goals (SDGs). Non-financial measures such as employee growth and customer satisfaction offer insights into the long-term viability and market competitiveness of SMEs, aligning with the broader objectives of promoting innovation, job creation, and inclusive growth. Therefore, integrating these performance metrics, the study aims to provide information of how strategic business networking impacts the overall performance and resilience of SMEs in the region.

2.2 Concept of Business Networking

2.2.1 Concept of Entrepreneurial Networking

According to Cooper (2017), entrepreneurial networking is the process of building and maintaining relationships with other individuals and organizations that can help an entrepreneur achieve their business goals. This can include customers, suppliers, partners, mentors, and other entrepreneurs. Networking has a number of positive effects on the performance of Small and Medium Enterprises (SMEs). Networks can provide SMEs with access to a variety of resources, such as capital, information, and expertise (Alzaghal & Mukhtar, 2017). This can be especially helpful for SMEs that are struggling to obtain resources on their own. Networks can help SMEs to reach new markets and customers. This can be done through referrals, joint marketing initiatives, and other forms of collaboration. Networks can foster innovation by exposing SMEs to new ideas and technologies (Mazzei et al., 2016). SMEs can also learn from the experiences of other entrepreneurs in their network.

Networks can help SMEs to improve their productivity and efficiency by providing them with access to best practices and lessons learned (Henriques & Catarino, 2016). Networking can lead to increased sales and profits for SMEs by helping them to reach new customers, develop new products and services, and improve their operations (Taneja et al., 2016). An entrepreneur who is struggling to develop a new product may be able to connect with a potential partner who has the expertise and resources they need. An entrepreneur who is looking to expand into a new market may be able to get referrals from their network (Estrin et al., 2018). An entrepreneur who is struggling with a particular business challenge may be able to get advice and support from other entrepreneurs in their network. An entrepreneur may be able to learn about new business opportunities through their network. SMEs can network in a variety of

ways, including attending industry events, joining online communities, and participating in mentorship programs (Gabrielsson et al., 2018).

Entrepreneurial networking refers to a structured and structured group of entrepreneurs, either formal or informal, that aims to assist its members in enhancing the efficiency of their business endeavors (Jose, 2018). A socioeconomic business activity known as an entrepreneurial business network serves as a platform for business executives and entrepreneurs to convene and engage in conversations regarding the various opportunities within the business network. The entrepreneurial network serves as a platform for business professionals to engage in social networking, facilitating connections and communication among entrepreneurs and managers. Its primary objective is to foster the expansion of business interests through the establishment of mutually advantageous business relationships (Mokhtarzadeh, Mahdiraji, Jafarpanah, Jafari-Sadeghi & Cardinali, 2020). An entrepreneurial business network refers to the strategic utilization of one's business network, personal networks, and relationships to effectively generate a consistent stream of novel business prospects.

Entrepreneurial networks represent an intangible asset that enhances the operational effectiveness of small firms and small and medium-sized enterprises (SMEs). According to Obeng (2018), scholars have posited that entrepreneurial networks can be advantageous for entrepreneurs, as well as for small and medium-sized firms and enterprises. These networks have the potential to yield various business benefits, including the exchange of relationships, access to up-to-date information, and the acquisition of value-added credibility. Nevertheless, it is imperative to acknowledge that business networks are not fixed entities, but rather exhibit a dynamic nature. The

success and survival of a small firm, whether it is a new venture or an existing business operation, are contingent upon the power of its business network. Entrepreneurial networking plays a significant role in promoting and facilitating business expansion. Therefore, in order to effectively navigate a more intense business environment, it is imperative for small enterprises to effectively oversee their business networks to foster expansion and enhance financial performance (Clifton, Huggins, Pickernell, Prokop, Smith & Thompson, 2020).

The study measured SME performance using several key indicators: financial performance, growth, innovation, and productivity. Financial performance was assessed through profitability, sales growth, and return on investment (ROI), reflecting the direct financial benefits of effective networking. Growth metrics included revenue increases and market expansion, capturing the ability of SMEs to leverage networks for scaling their operations. Innovation was measured by the number of new products or services developed, patents filed, and R&D investments, highlighting the role of networking in promoting innovation and technological advancement. Productivity was evaluated through efficiency improvements and best practices adopted from network relationships. These measures were chosen based on the understanding that entrepreneurial networks provide significant benefits such as access to capital, information, expertise, and new markets (Cooper, 2017; Alzaghal & Mukhtar, 2017). Networking facilitates increased sales and profits by connecting SMEs with new customers and partners (Taneja et al., 2016), and it fosters innovation by exposing SMEs to novel ideas and technologies (Mazzei et al., 2016). Additionally, productivity improvements are often realized through the exchange of best practices and lessons learned from network interactions (Henriques & Catarino, 2016).

2.2.2 Concept of Social Networking

Social networking refers to an internet-based platform utilized by individuals to cultivate social connections with others who share similar thoughts, personal interests, backgrounds, real-time connections, or career pursuits (Kr̄elj-āolović & Radić, 2020). Active engagement in these interactions plays a pivotal role in obtaining valuable feedback pertaining to business operations and its products. These interactions can exert an influence on partners or customers who have been well served, prompting them to promote the business to other potential competitors. According to Chu and Yoon (2020), individuals can establish networks with their family members and friends as a means to gain access to business opportunities and knowledge. The level of engagement within a social network significantly impacts the formulation of potential strategies and the exchange of knowledge with the goal of promoting business expansion.

Chatterjee and Kar (2020) explain that social networking can have a number of positive effects on the performance of Small and Medium Enterprises (SMEs). Social media platforms allow SMEs to reach a large audience of potential customers with relatively little effort and cost. By creating and sharing engaging content, SMEs can build relationships with potential customers and increase their brand awareness. Social media can be used to provide customer support and resolve customer issues quickly and efficiently (Chuang, 2020). SMEs can also use social media to gather feedback from customers and improve their products and services. Social media can be used to drive traffic to an SME's website and online store, which can lead to increased sales and revenue. By running social media ads and promotions, SMEs can target specific audiences and reach potential customers who are most likely to be interested in their products or services (Achmad, 2023). Social media can be a very

cost-effective way to market an SME's products or services (Rugova & Prenaj, 2016). Many social media platforms offer free or low-cost advertising options, and businesses can also reach a large audience by simply creating and sharing high-quality content. Social media can be used to improve employee engagement and productivity by providing employees with a platform to communicate and collaborate with each other (Sievert & Scholz, 2017). SMEs can also use social media to recognize and reward employees for their hard work.

According to the study done by Wardati and Mahendrawathi (2019), in addition to these general effects, social networking can also have specific benefits for SMEs in different industries. For example, SMEs in the retail industry can use social media to promote new products and sales, while SMEs in the hospitality industry can use social media to share photos and videos of their facilities and services (Momany & Alshboul, 2016).

Social capital is not a singular entity, but rather a collection of distinct entities that share two typical characteristics. Adomako, Danso, Boso, and Narteh (2018) assert that social capital encompasses various dimensions of social structure and serves as a facilitator for the behaviors of individuals operating within said structure. Companies can achieve collective action and value creation by leveraging their social capital through shared goals among employees. According to Morić Milovanović, Buba, and Mikić (2021), the social capital of organizations can be categorized into three distinct dimensions: structural, relational, and cognitive. The structural dimension pertains to the nonpersonal relationships that exist among individuals or units within an organization. It encompasses the patterns of relationships and interactions among

individuals within the organization, which serve the purpose of facilitating the learning, sharing, and exchange of information, ideas, and knowledge.

Kahle, Risch, Wanke, and Lang (2018) posit that social capital can be classified into two distinct categories: internal social capital and external social capital. Internal social capital refers to the internalization of activities within an organization, which is cultivated through the utilization of various resources owned by the company, such as human resources and organizational structures. This process is facilitated by the company's social complexity and social capacity. External social capital is established by a company's capacity to cultivate diverse social networks and environments, engage in networking activities beyond the confines of the organization, foster trust, adhere to societal norms, and promote social cohesion within the broader community.

The study adopted several key performance indicators, including brand awareness, customer engagement, feedback integration and market reach, all of which are influenced by social networking activities. These measures were chosen to align with the broader goals of leveraging social networks for enhancing SME performance. Therefore, integrating both internal and external dimensions of social capital—such as structural, relational, and cognitive aspects (Adomako et al., 2018; Kahle et al., 2018) the study comprehensively captures the impact of social networking on business outcomes. This approach provides an understanding of how social networks contribute to SME success, enabling targeted strategies for growth and improvement in Mombasa County.

2.2.3 Concept of Institutional Networking

Institutional networking refers to the relationships that Small and Medium Enterprises (SMEs) form with other organizations, such as government agencies, chambers of

commerce, industry associations, and universities (Jordão & Novas, 2022). Institutional networks can provide SMEs with information about government programs and services, market trends, and new technologies. They can also provide SMEs with access to resources such as training and mentoring programs, and research and development facilities (Shah & Syed, 2018). Institutional networks can help SMEs to increase their visibility and credibility in the marketplace (Adomako et al., 2023). This can lead to new business opportunities, partnerships, and investments. Institutional networks can advocate for the interests of SMEs and provide them with support in navigating the regulatory environment.

Institutional networking can have a positive impact on the performance of SMEs. SMEs that are members of business networks are more likely to survive and grow than those that are not (Hernández‑ Carrión et al., 2017). SMEs that are members of business networks are more likely to export their products and services. An SME that is a member of a chamber of commerce may have access to training programs on new technologies or marketing strategies. An SME that is a member of an industry association may be able to participate in trade shows and conferences, which can help them to reach new customers and partners (Radziwon & Bogers, 2019). An SME that is a member of a research university may be able to collaborate on research and development projects, which can help them to develop new products and services.

According to Sanayei, Maghsoodi, and Alam (2021), institutional networks encompass a combination of government support programs and policies, international development agencies, innovation centers, research institutions, and professional support institutions. These networks offer support services that contribute to the process of knowledge transfer and the propensity for internationalization within firms.

Institutional networks, as described by other authors, encompass the network connections that a firm, specifically a small and medium-sized enterprise (SME), may establish with different formal institutions. These institutions include the ministry of foreign trade, export promotion councils, independent export assistant organizations, research and development (R&D) institutions, and export credit unions. These networks play a crucial role in identifying foreign market opportunities and facilitating the successful internationalization process.

Numerous small and medium-sized enterprises (SMEs) predominantly exhibit a dynamic entrepreneurial nature and frequently prioritize innovation, thereby enhancing their appeal to global markets. The aforementioned attributes may exhibit a positive correlation with commercial achievement in international markets. Nevertheless, the confluence of these attributes, coupled with limitations in resources, places small to medium-sized enterprises in a notably precarious predicament (Leick & Gretzinger, 2020). Small and medium-sized enterprises (SMEs) are able to address these constraints by incorporating themselves into external frameworks, such as government intervention programs and institutional associations. These frameworks play a crucial role in enhancing the entrepreneurial capacity of SMEs and promoting their propensity for internationalization.

The advantages of a customer orientation strategy can be enhanced by a company through the utilization of institutional legitimacy. Institutional networking has the potential to grant firms access to valuable market intelligence and bolster their reputation through the acquisition of supporting authority. Grewal and Dharwadkar (2020) have highlighted the pervasive impact of the institutional network in the marketplace. However, it is regrettable that marketing strategy research has

predominantly neglected the significance of the legitimacy-based institutional environment in relation to the execution of customer orientation strategies.

Given the significant impact of institutional networking on SME performance, the current study adopts several key measures: Access to Resources and Support which includes evaluating the availability and utilization of resources like training programs, mentoring, and R&D facilities offered through institutional networks. Metrics such as participation rates in institutional programs and the extent of resource utilization were used. Business opportunities and partnerships measurement involved tracking the number of new business opportunities and partnerships resulting from institutional affiliations. This includes participation in industry events and collaborations with research institutions. The study assessed the impact of institutional networks on expanding market reach and facilitating international trade. Indicators included export volumes and entry into new markets. Metrics such as changes in business reputation, media coverage, and recognition in industry awards were used to measure the influence of institutional networks on SME visibility and credibility. These measures were selected to capture the comprehensive benefits that institutional networking provides, thereby offering a detailed understanding of how such networks influence SME performance in Mombasa County. Therefore, evaluating these dimensions, the study aims to emphazize the strategic value of institutional networks in promoting SME growth and enhancing their competitive edge.

2.2.4 Concept of Innovative Networking

Innovative networking can have a significant positive impact on the performance of Small and Medium Enterprises (SMEs) (Pomegbe et al., 2020). By connecting with other businesses, entrepreneurs, and stakeholders, SMEs can gain access to new

resources, knowledge, and opportunities. This can help them to innovate more effectively, improve their products and services, and expand their markets. Sağ and Güzel (2016) state that SMEs often lack the resources and expertise to innovate on their own. By networking, they can connect with other businesses, universities, and research institutions that can provide them with the support they need. For example, an SME might partner with a larger company to access its R&D facilities or to gain access to new technologies.

Networking can help SMEs to increase their visibility in the market and to reach new customers. For example, an SME might attend industry events or join online communities to connect with potential customers (Sedalo et al., 2022). Networking can lead to opportunities for collaboration with other businesses. This can help SMEs to develop new products and services, to expand into new markets, and to reduce costs. For example, two SMEs might collaborate to develop a new product or to jointly market their products and services (Taneja et al., 2016). SMEs that are embedded in networks tend to have better innovation performance (Pomegbe et al., 2023). Networking activities between firms and their stakeholders have an important impact on innovation success. Networking can accelerate the pace of firm innovation. Innovation practices of SMEs have a significant and positive impact on business performance. Entrepreneurial networking is very important for improving performance.

According to Hilmersson and Hilmersson (2021), firms that engage in active networking have the potential to leverage resources from their external networks in order to address internal deficiencies. Small and medium-sized enterprises (SMEs) can mitigate the challenges posed by their limited size and absence of economies of

scale by leveraging their networks to access resources. The strength of capability construction is enhanced through the integration of entrepreneurs' social networks. The impact of network embeddedness on the innovation performance of SMEs was found to be positive and significant. Furthermore, this impact was influenced by the level of innovation openness. Innovative networking can help SMEs overcome their weaknesses, reduce transaction costs and risks, exchange knowledge and capability, and improve their innovation and business performance (Dogbe et al., 2020).

Innovation networking is involved with cooperation of businesses to find new ideas, practice, and object from individuals (Belso-Martínez, Tomás-Miquel, Expósito-Langa & Mateu-García, 2019). Innovation networking encompasses a wide range of organizational attributes that serve to facilitate and propel innovation strategies, thereby enhancing the capabilities of the organization. Innovation capability refers to the capacity to effectively implement and develop technology that is applied to novel systems, policies, programs, products, processes, and services within an organization. It can also be characterized as the capacity to assimilate and employ external information for the purpose of generating novel knowledge.

According to Caron-Fasan, Lesca, Perea, and Beyrouthy (2020), companies that frequently engage in product innovation and design are more likely to enhance their innovation capability, resulting in the generation of creativity, novel product ideas, innovative processes, and innovative marketing strategies. Sustainable innovation can be achieved through the implementation of new initiatives and breakthroughs by business professionals. Small and medium-sized enterprises (SMEs) that consistently engage in promoting new ideas, novelty, experiments, and creative processes, utilizing existing technology, will foster and expedite innovation and performance,

particularly in the handicraft industry (Morić Milovanović, Buba̧, & Mikić, 2021). Continuous innovation in product design and process has the potential to attract a larger consumer base, thereby positively influencing the sales, profits, and competitive advantage of small and medium-sized enterprises (SMEs).

Effective innovation capability is characterized by the ability to assimilate external information and integrate it into organizational practices, promoting creativity and technological advancements (Caron-Fasan et al., 2020). SMEs that engage in continuous innovation and experimentation are better positioned to attract customers, boost sales, and gain a competitive edge (Morić Milovanović, Buba̧, & Mikić, 2021). This measure evaluates the extent to which SMEs leverage their networks to gain access to external R&D facilities, technologies, and expertise. Metrics include the frequency of collaborative projects and utilization of external resources. The study tracks the number of new products, processes, or services developed by SMEs as a result of networking activities. This includes measuring the introduction of new innovations and improvements in existing offerings. This involves assessing the impact of networking on market reach and visibility. Metrics include participation in industry events, online community engagement, and new customer acquisition. Measurement focuses on the frequency and nature of collaborations between SMEs and their network partners. This includes tracking joint ventures, partnerships, and the exchange of innovative ideas. The study also evaluates the impact of innovation networking on performance metrics such as sales growth, profit margins and competitive advantage.

2.3 Theoretical Framework

The study theoretical framework is made up of; Social network theory, Social capital theory and Survival based theory. The main theory that guided the study was Social Capital Theory because it provides a robust framework for understanding the study. It directly relates to the core aspects of the study, such as applied relationships for resources, knowledge exchange and improved operational effectiveness.

2.3.1 Social Capital Theory

Yasa, Giantari, Setini, and Rahmayanti (2020) assert that the social capital theory seeks to comprehend the concepts of social ties, social interaction, trust, and reciprocity, which have been employed as foundational elements in the field of social media research. Putnam's (2019) influential study on social capital theory emphasizes the significance of social relationships in facilitating collective action. According to Zameer, Wang, and Yasmeen (2020), the theory posits that a social network that generates social capital offers information, influence, and solidarity. These resources are derived from the capabilities of each participant within the network, which can be harnessed through the cultivation of goodwill.

Social capital offers individuals within organizations the chance to establish reciprocal social connections, enabling them to cultivate relationships based on trust, norms, and networks (Ferreira, Coelho & Moutinho, 2020). These opportunities facilitate the development of both bridging and bonding social capital in the context of information seeking. In the realm of business, the term "social network" pertains to the quantity of interpersonal connections and the exchange of resources that enable individuals to attain their desired level of performance. The possession of knowledge

absorptive capability is crucial for firms to effectively utilize the valuable information derived from their customer network and business partners.

The performance of resource management is significantly influenced by individual, interpersonal, and personality variables, as posited by the social capital theory (Caseiro & Coelho, 2019). This emphasizes the acquisition of resources in order to optimize advantages, which pertains to the significance of networks that establish the author's presence within the social framework. Implementing systems that facilitate collaboration between firms with extensive social capital is crucial for creating value.

Social Capital Theory is relevant to the study as it provides a comprehensive framework for understanding how the quality and structure of business networks influence SME performance. This theory highlights how relationships within and between networks enable SMEs to access critical resources, information, and opportunities that can drive innovation, operational efficiency, and market expansion. Therefore, focusing on the value of social connections and trust, Social Capital Theory elucidates how strategic business networking can enhance SMEs' ability to thrive and grow, making it an ideal theoretical lens for analyzing the impact of networking on SME performance in the context of Mombasa County.

2.3.2 Social Network Theory

According to Beby (2019), the social network theory pertains to the examination of relationships and interactions among individuals within a network. In this context, a company has the opportunity to establish connections with external entities, including research and development corporations, governmental bodies, competitors, prospective business collaborators, suppliers, and customers. The connectedness of individuals may be influenced by common or related characteristics. However, the

primary objective underlying the establishment of these relationships is to facilitate the exchange of information and resources, with the aim of achieving reciprocal advantages. Hence, these relationships are maintained through the establishment of norms, reciprocal advantages, shared values, and trust. Trust is established through the exchange of resources and frequent interactions. Trust is widely regarded as a more valuable asset in the realm of business when compared to other assets. Partners are compelled to relinquish their resources in order to achieve mutual advantages.

According to Koffi, Hongbo, and Zaineldeen (2021), social networks serve as a strategic instrument for marketing, monitoring, and analyzing user behavior. The significance of establishing efficient social networks for attaining business success is widely acknowledged. The utilization of social media platforms has led to the creation of various advantages for businesses, including enhancements in employee performance, internal communication, and community engagement. The advent of the internet and social networks has provided companies with the opportunity to acquire resources that would otherwise be inaccessible to them. In addition, they assist companies in enhancing their credibility, broadening their supplier and customer base, generating funding prospects, promoting innovation, and cultivating strategic alliances.

Social events provide access to information and opportunities. Small and medium-sized enterprises (SMEs) participate in these events to gain access to business opportunities and achieve business advantages. According to Anwar (2018), social networks have a significant impact on promoting an entrepreneurial mindset among individuals. SME growth is propelled by networks. The growth observed can be largely attributed to the substantial contribution of informal networks, which play a

crucial role in facilitating access to business opportunities. Informal relationships proved to be more advantageous than formal collaborations in SMEs. Hence, the establishment of social networks can facilitate connections among individuals within the organization and their relatives, acquaintances, associates, clientele, suppliers, and other prospective business associates.

This theory is relevant to the study because it emphasizes the significance of network structures and relationships in facilitating business outcomes. This theory explores how the connections between SMEs, including their interactions with other businesses, customers, and stakeholders, affect their access to resources, information, and support. Hence, analyzing how these networks are structured and how they function, Social Network Theory provides information into how strategic networking efforts can enhance SME performance, drive innovation, and open new market opportunities.

2.3.3 Survival Based Theory

The theory of survival-based analysis investigates the strategies employed by organizations to endure and prosper within competitive contexts (Gupta, Rubalcaba & Pereira, 2022). Herbert Spencer introduced the term 'survival for the fittest' in 1852, drawing inspiration from Malthusian concepts regarding the inescapable growth of a population. The pursuit of survival in the face of limited resources would inevitably result in a phenomenon known as "survival for the fittest." Spencer integrated this concept with the invisible hand theory in order to posit that the progression driven by competition would result in a more favorable state of equilibrium. Organisations must engage in competition in order to ensure their survival. If two companies have the same purpose and target customers, it would be futile and would inevitably lead to the

downfall of one of them (Mohamad & Chin, 2018). Hence, in order to ensure their survival, companies had to establish a distinct identity that sets them apart from their rivals.

Companies utilize various strategies simultaneously, and the optimal strategy for the company to adjust to its surroundings is determined by natural selection (Křelj-āolović & Radić, 2020). According to this theory, it is not possible for two identical firms to survive in a competitive environment. Hence, in a dynamic market environment, small and medium-sized enterprises (SMEs) must implement measures to establish a unique identity that sets them apart from their rivals, thereby ensuring their survival. The theory thus establishes the conceptual structure for examining the strategies implemented by small and medium-sized enterprises (SMEs) to ensure their survival and maintain a competitive edge in a dynamic and competitive market, with the aim of improving overall performance (Chu & Yoon, 2020). If small and medium enterprises fail to adapt, more capable competitors will surpass them and cease operations as a result of subpar performance. This theory is applicable in elucidating the performance of small and medium-sized enterprises (SMEs).

Survival-Based Theory is relevant to the as it focuses on how businesses adapt and sustain themselves amidst challenges and competition. This theory highlights the critical role of strategic networking in ensuring the survival and growth of SMEs by providing access to essential resources, market information, and support systems. For SMEs in Mombasa County, applying strategic business networks can be crucial for navigating economic uncertainties, securing competitive advantages, and achieving long-term viability. The theory underlines the importance of adaptive networking

strategies in helping SMEs not only survive but thrive in a dynamic business environment.

2.4 Empirical Review

The study empirical review covers; entrepreneurial networking, social networking, institutional networking and innovative networking.

2.4.1 Entrepreneurial Networking and Performance of Small and Medium Enterprises

In their study, Jaar, Saqlain, Mohammad, Mohd Sobri Minai and Shaher Bano (2019) examined the correlation between entrepreneurial business networks and the long-term viability of small companies. The present study aimed to investigate the mediating role of dynamic capabilities in the association between entrepreneurial business networks and the sustainable performance of small firms. The data received pertains to small enterprises engaged in the production of surgical instruments. The results of the study revealed a statistically significant and positive correlation between entrepreneurial business networks and dynamic capabilities. Furthermore, these dynamic capabilities were found to have a positive impact on the sustainable performance of small firms.

In three districts of Medan, Beby (2019) conducted a study on the impact of entrepreneurial networking and entrepreneurial marketing on the business performance of competitive advantage small and medium-sized enterprises (SMEs) in the culinary sector. The research design employed in this study was quantitative in nature. The research sample consisted of all small and medium-sized enterprises (SMEs) in the culinary sector within the selected districts. The research employed path analysis with a significance level of 5% to test the hypotheses. The second

submodel's findings indicate that the combined influence of entrepreneurial networking and entrepreneurial marketing has a statistically significant and positive impact on business performance. The findings of this study indicate that entrepreneurial networking exerts a detrimental impact on business performance.

(2020) aimed to determine the impact of business networking on the performance of small and medium-sized enterprises (SMEs). The study specifically examined the bakery industry, which plays a significant role in Tanzania's agriculture sector, which is one of the country's leading sectors. The research employed a concurrent nested design and utilized a multi-stage sampling technique. Data was gathered from a total of 161 bakeries across Tanzania through the administration of questionnaires. Following the principal component analysis, the qualitative content analysis was conducted prior to the moderator analysis. Kivuitu (2021) examined the impact of entrepreneurial orientation on the performance of SMEs in Nairobi County. The study found that the development, implementation, and enhancement of networking practices in Tanzanian bakeries significantly contributed to achieving competitiveness, growth, and sustainability. A cross-sectional descriptive research design was employed, focusing on a population of 2,300 small-scale businesses that are registered to operate in Nairobi City. A proportional sampling method was used to obtain a total of 230 participants, which represents 10% of the targeted population. The data was collected using a semi-structured questionnaire, and its analysis was conducted using both descriptive and inferential statistics. The findings of this study indicate that the adoption of entrepreneurial orientation dimensions significantly influences the business development of small and medium-sized enterprises (SMEs).

In their study, Kosa, Mohammad, and Ajibie (2018) examined the impact of entrepreneurial orientation on the performance of small enterprises across various business sectors and geographical locations. The researchers collected primary data from a sample of 210 small firms located in the central region of Ethiopia. The sample was selected using a two-level multi-stage sampling technique. The findings suggest that entrepreneurial orientation has a positive impact on the performance of ventures. However, this effect is more pronounced when enterprises are located in urban areas and operate within the industry sector.

2.4.2 Social Networking and Performance of Small and Medium Enterprises

Ṕemysl and Andrea Tomáǩová (2020) established the significance of social networks in enhancing the competitiveness and long-term stability of small and medium-sized enterprises (SMEs). The study focused on 359 small and medium-sized enterprises (SMEs) in Europe from 2017 to 2019. Two research questions and seven hypotheses were formulated. The statistical methods employed were Pearson's correlation and stepwise regression, and the resulting findings were validated through experimental testing. The findings of the study indicate that companies that incorporate social media as a primary element of their operations demonstrate a proactive approach in leveraging contemporary technologies and acknowledge the significance of social networks in promoting innovation capabilities.

Aluisius (2018) aimed to construct a structural equation model in order to elucidate the intricate association between social networks and firm performance. This was achieved by incorporating the mediating influence of trust, selling capability, and pricing capability. The research model incorporating hypothesis development was formulated by drawing upon existing literature. This study conducted a survey to

gather empirical evidence. The data was collected through a random survey of 380 small and medium enterprises (SMEs) in the Indonesian context, using a list of questionnaires. The findings of the study suggest that the incorporation of social media into the management process does not have a significant impact on the improvement of firm performance, unless firms establish trust within their social networks. The establishment of a social network based on trust enabled the firms to acquire both pricing and selling capabilities, resulting in a favorable influence on firm performance.

To examine the correlation between social networking and the performance of manufacturing firms, Pratama (2020) conducted an analysis. The study primarily involved a comprehensive examination of both local and international literature. The study confirmed a direct correlation between social networks and the performance of a company. It has been determined that the enhancement of social networking capability can lead to a substantial improvement in the performance of a firm. Engaging in information sharing with partners on social networking platforms can mitigate the uncertainty surrounding demand, inventory levels, and costs associated with matching demand and supply. Furthermore, the implementation of a seamless social networking system streamlines the organizational process, resulting in a reduction in lead-time with suppliers.

The impact of social networking on the performance of Small and Medium Scale Enterprises (SMEs) was investigated by Ojotu (2019). The study specifically examined small and medium-sized enterprises (SMEs) in the Makurdi metropolis. The study employed a survey research design because of its simplicity in implementation and the promptness with which its findings are available. The study's

target population comprises 708 individuals who are owners or senior management staff of small and medium-sized enterprises (SMEs) located in the Makurdi metropolis of Benue State, Nigeria. The questionnaire served as the primary instrument for data collection in this study. The research instrument comprises two 4-point Likert scale respondents. The study's findings indicate that the network structure has a notable impact on the performance of small and medium-sized enterprises (SMEs) in Benue State. Additionally, the study reveals that network governance also has a significant effect on the performance of SMEs in Benue State.

2.4.3 Institutional Networking and Performance of Small and Medium Enterprises

In their study, Gupta, Rubalcaba, Gupta, and Pereira (2022) investigated the impact of institutional networks on the process of foreign market expansion for small and medium-sized enterprises (SMEs). The researchers specifically focused on the influence of SMEs' awareness, access, and utilization of resources provided by institutional networks on their internationalization efforts. The data that was gathered was transcribed and classified to identify distinctions and overlaps. Subsequently, it was examined utilizing four predetermined categories: awareness, access, influence, and results/outcomes. The results indicated that the relationships within institutional networks have a beneficial effect on the process of internationalization for small and medium-sized enterprises (SMEs). The influence of institutional network resources on international operations process activities was consistently observed and interconnected throughout various stages of the internationalization process.

Belso-Martínez (2016) conducted a survey of 285 small and medium-sized enterprises (SMEs) situated in the Valencia region of Spain that are engaged in international

market activities. The author has identified empirical evidence indicating that the intensity and performance of a firm's internationalization process are significantly influenced by factors such as association with industrial districts and institutional networks. In summary, the connection to these institutional frameworks, facilitated by membership in industrial districts, allows small and medium-sized enterprises (SMEs) to easily access and become aware of various business support mechanisms. This provides significant advantages to firms that are expanding internationally.

The study conducted by Avnimelech and Teubal (2018) investigated the impact of institutional support structures resembling Silicon Valley on the Israeli ICT sector. Their study confirmed the fundamental assumption that these innovation clusters promote institutional backing for the innovation and internationalization opportunities of Small and Medium Enterprises. The findings suggest that the provision of government grants, innovation finance networks, venture capital networks, and public-private partnerships for seed funds play a significant role in bolstering the Small and Medium Enterprises sector and enhancing its competitive advantage on the global stage.

In their study, Adomako, Ahsan, Amankwah-Amoah, and Danso (2021) investigated how financial slack influences the connection between perceived corruption and institutional networking. The moderated mediation model was examined in this study, utilizing data obtained from a sample of 212 small and medium enterprises located in Ghana. The study's results indicate a positive correlation between perceived corruption and institutional networking. Furthermore, this correlation is strengthened in the presence of higher levels of financial slack. Additionally, the results indicate that the presence of institutional networking plays a positive role in mediating the

association between perceived corruption and the growth of Small and Medium Enterprises.

2.4.4 Innovative Networking and Performance of Small and Medium Enterprises

The study conducted by Heru and Sri (2019) investigated the impact of entrepreneurial orientation and social capital on the innovation and performance capabilities of small and medium enterprises, with the aim of enhancing their competitive advantage. The study's sample consisted of 254 respondents who were owners of small and medium-sized enterprises (SMEs) specializing in handicrafts in Semarang, Jepara, and Kudus. The sampling was performed on small and medium-sized enterprises (SMEs) that have been in operation for a minimum of five years, employ more than 10 individuals, and continue to exist at present. Data were gathered through the utilization of survey methodology, employing both closed and open questionnaires as well as interviews. The structural equation model was employed for the purpose of data analysis. The findings indicate a notable correlation between entrepreneurial orientation and social capital in relation to innovation and performance capabilities. The influence of innovation capability on performance improvement and competitive advantage of small and medium-sized enterprises (SMEs) was found to be significant.

The impact of innovation on the competitiveness and performance of small and medium-sized enterprises (SMEs) in Cote d'Ivoire was investigated by Koffi, Hongbo, and Zaineldeen (2021). The study collected data from a sample of 250 small and medium-sized enterprises (SMEs) operating in Cote d'Ivoire using a structured questionnaire. The research findings were analyzed using the PLS-SEM as the primary analytical tool, employing Smart PLS-3 and SPSS-22. The study's findings

indicate that marketing innovation, product innovation, organizational innovation, and process innovation are the dimensions of innovation that have a significant impact on the performance and competitiveness of small and medium-sized enterprises (SMEs) in Cote d'Ivoire. The study's findings indicate that in order to maintain competitiveness and profitability, small and medium-sized enterprises (SMEs) operating in developing nations must adopt innovative practices and consistently strive for innovation to ensure their continued relevance within the industry.

The empirical study conducted by Cerchione and Singh (2019) provides evidence supporting the positive impact of leanness and innovativeness on business performance. Based on their research, the combination of leanness and innovation has a notable and beneficial effect on both financial and environmental performance. The study conducted by Ioanid, Deselnicu, and Militaru (2018) aimed to examine the influence of social network marketing on the performance of small and medium-sized enterprises (SMEs) in Romania. The study revealed that the engagement of social media platforms among company proprietors and their customers, suppliers, and communities fosters a climate conducive to innovative thinking. The study unequivocally demonstrates the influence of social networks on a firm's capacity for innovation.

In their study, Ullah and Arshad (2021) conducted an investigation into the impact of internal innovation on firm performance within the textile industry of Pakistan. The research was conducted under the framework of innovation diffusion theory. Data was collected from participants online using a self-administered questionnaire-based survey technique, employing a convenience sampling approach. The study focused on the textile industry in Pakistan. The focal point of examination consisted of

managerial personnel employed within the textile sector of Pakistan. The research conducted revealed that both product innovation and process innovation play pivotal roles in influencing the performance of firms operating within the textile industry of Pakistan.

2.4.5 Small and Medium Enterprise Performance

According to the findings of Wanjunu (2018), there is a positive and significant relationship between management competency and intellectual competency, and the competitive advantage of small and medium-sized enterprises (SMEs) in Nairobi County. Financial competency does not have an impact on the competitive advantage of small and medium-sized enterprises (SMEs) in Nairobi County. The thematic recommendations put forth by the researcher are as follows. SMEs must ensure that their management possesses competence in business skills, communication skills, and resource and organizational knowledge. The inclusion of this requirement in the policy is imperative in order to safeguard investors and start-ups against potential failures. In the context of Intellectual Competency, it is advised that founders, investors, and owners of small and medium-sized enterprises (SMEs) prioritize the establishment of human capital, rational capital, and structural capital as essential components for achieving a competitive advantage.

The study conducted by Irungu and Arasa (2017) aimed to identify the various factors that have an impact on the competitiveness of Small and Medium Enterprises (SMEs) in Nairobi County, Kenya. The study revealed that the management of small and medium-sized enterprises (SMEs) prioritized achieving substantial profits and subsequently enhancing performance, resulting in a competitive edge. Consequently, the managers are implementing a range of strategies with the objective of attaining a

sustainable competitive advantage. The findings of the correlation analysis revealed a statistically significant positive relationship between strategic leadership, adoption of technology, resources availability, and organization culture with organizational competitiveness.

In a study conducted by Akinyi (2018), it was determined that government regulations have a significant impact on the performance of small and medium-sized enterprises (SMEs). The study further confirmed that the availability of financial resources has resulted in enhanced business performance. The researcher's conclusion posits that the performance of small and medium business enterprises in the Gikomba market is significantly influenced by their access to information. Additionally, the researcher asserts that business competitions also exert a substantial impact on the performance of these enterprises. The study additionally determined that the presence of competition from rival businesses has an impact on performance.

In the study conducted by Isaboke (2018), it was observed that the generic strategies of competitive advantage proposed by Michael Porter, namely low cost leadership strategy, differentiation strategy, focus strategy, and combination strategy, had a significant impact on the organizational performance of small and medium-sized enterprises (SMEs) in Nairobi City County, Kenya. 85.11% of the variations in organizational performance of the SMEs were accounted for by the variables. The adoption of a low cost leadership strategy by small and medium-sized enterprises (SMEs) resulted in a 0.655 increase in organizational performance. Similarly, an increase in the adoption of a differentiation strategy led to a 0.876 increase in enterprise performance. Adopting a focus strategy resulted in a 0.945 increase in firm

performance. Lastly, the application of a combination strategy by SMEs led to a 0.860 increment in overall performance.

The influence of competitive strategies on the performance of small and medium enterprises in Kenya was determined by Buul and Omundi (2017). The study revealed that cost leadership, differentiation, market focus, and strategic alliance exerted a favorable and substantial impact on the performance of small and medium-sized enterprises (SMEs). The study suggests that small and medium-sized enterprises (SMEs) should adopt and allocate resources towards cost leadership strategies, particularly by establishing connections with service providers, suppliers, and other supplementary institutions. This approach will enable them to gain a competitive edge. Additionally, SMEs should prioritize and invest in differentiation as it can serve as a significant tool for gaining a competitive advantage over their rivals. SMEs should also determine the criteria for segmenting their products, services, and operations. Lastly, SMEs should embrace strategic alliances to enhance their market share.

2.5 Research Gaps

Research gaps refer to areas or topics within a field of study that have not been fully explored or where existing research is insufficient, inconsistent, or outdated (Carey, Yon, Beadles & Wines, 2012). Table 2.1 below presents research gaps for the study.

Table 2.1: Research Gaps

Author	Title	Gap
Jaar, et al (2019)	Investigation on the relationship between entrepreneurial business networks and sustainable performance of small firms	The study failed to address other networks and their effect on performance
Beby (2019)	Effect of entrepreneurial networking on business performance by competitive advantage SMEs culinary sector in four districts of Medan	The study failed to address other networks and their effect on performance
Kafigi (2020)	Effect of business networking on the performance of SMEs	Study not done in Kenya
Přemysl et al. (2020)	Importance of social networks for SME's competitiveness and long-term stability	Study not done in Kenya
Aluisius (2018)	Structural equation model to explain the complex relationship between social network and firm performance	Study not done in Kenya
Gupta et al (2022)	Role of institutional networks on the foreign market expansion process of SMEs	Study not done in Kenya
Belso-Martínez (2016)	Surveyed 285 SMEs located around the Valencia region of Spain and involved in international market operations	Study not done in Kenya
Avnimelech & Teubal (2018)	Effect of Silicon-Valley type of institutional support structures on the Israeli ICT sector.	Study not done in Kenya
Heru and Sri (2019)	Influence of entrepreneurial orientation and social capital on innovation and performance capabilities in achieving the competitive advantage of small and medium enterprises	Study not done in Kenya
Koffi, Hongbo & Zaineldeen (2021)	Effect of innovation on SMEs competitiveness and performance in Cote d'Ivoire	Study does not address business networks
Cerchione and Singh (2019)	Empirically demonstrated that leanness and innovativeness positively influence business performance	Not done on SMEs
Wanjunu (2018)	Management competency and intellectual Competency positively and significantly affects the competitive advantage of SMEs in Nairobi County	Study does not address business networks
Irungu and Arasa (2017)	Factors influencing organizational competitiveness among the Small and Medium Enterprises in Nairobi County, Kenya	Study does not address business networks
Akinyi (2018)	Concluded that government regulations affect performance of SMEs	Study does not address business networks
Isaboke (2018)	Michael Porter's generic strategies of competitive advantage	Study does not address business networks
Buul and Omundi (2017)	Influence of competitive strategies on the performance of small and medium enterprises in Kenya	Study does not address business networks

2.6 Summary of Reviewed Literature

The chapter covered the concepts of performance and business networks that is entrepreneurial, social, institutional and innovative. The theories that is; Social network theory, Social capital theory and Survival based theory. Furthermore, the chapter covers an empirical review on entrepreneurial, social, institutional and innovative networks. Lastly, critique of the literature, research gap and conceptual framework.

2.7 Conceptual Framework

A conceptual framework in this study depicts a diagram showing the direct relationship between the independent variables and the dependent variable.

Independent Variables   **Dependent Variable**

Entrepreneurial Networking
- Sharing ideas
- Stimulating innovation

H_{01}

Social Networking
- Websites
- Emails
- Social Sites

H_{02}

SMEs Performance
- Market share
- Reduced competition
- Return on Assets

H_{03}

Institutional Networking
- Suppliers
- Professional bodies
- Government agencies

H_{04}

Innovative Networking
- Value dynamics
- Research Skills
- Product review
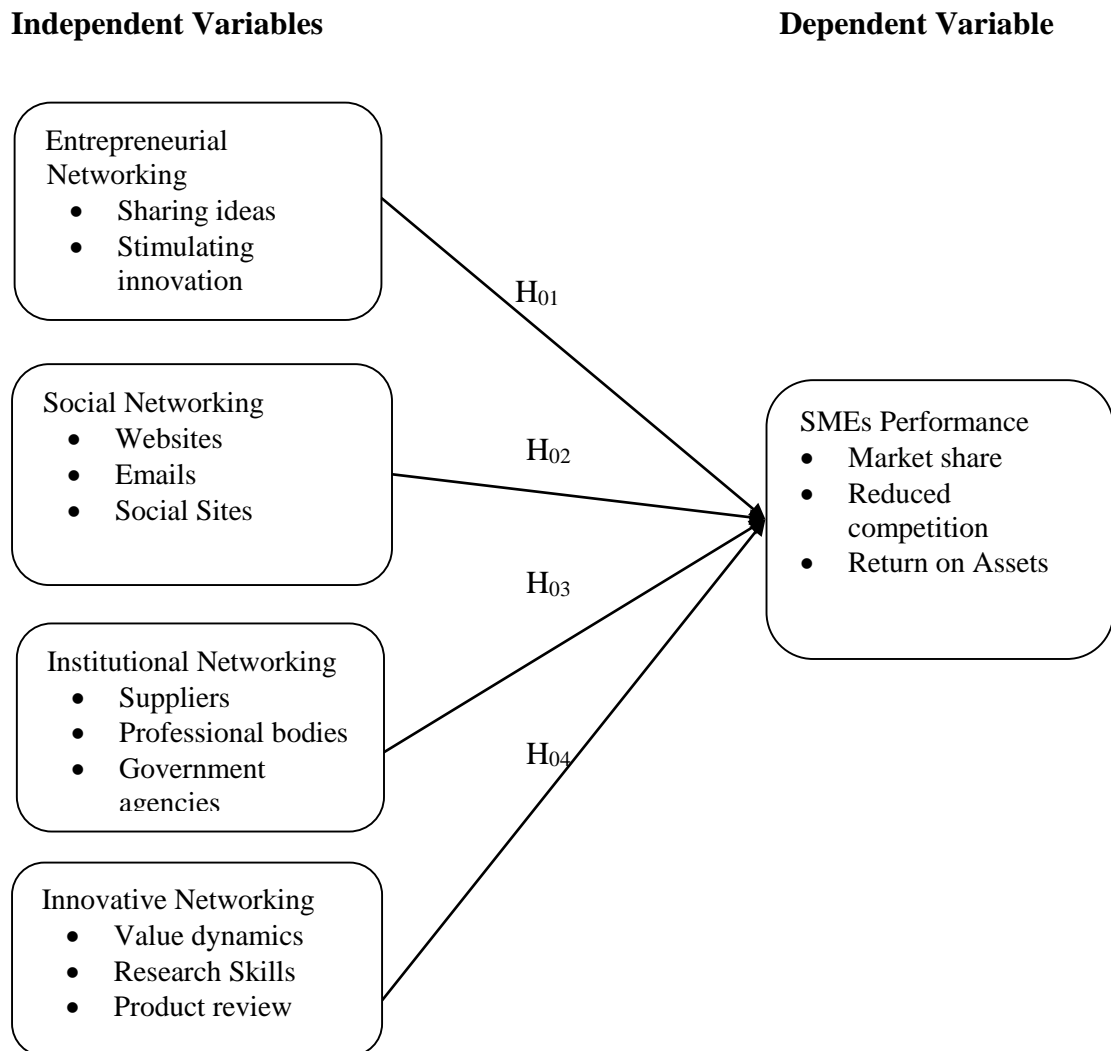
Figure 2. 1: Conceptual Framework

(Source: Researcher 2024)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the study research design, target population, sample and sampling procedure, data types collection and procedures, pilot study that looks into validity and reliability of research instruments and data processing.

3.1 Study Area

The study was conducted in Mombasa County, located between latitudes 3°56' and 4°10' South and longitudes 39°34' and 39°46' East (Mombasa County Integrated Development Plan, 2023). The county, situated in the Coastal lowlands, gradually rises from sea level in the East to about 132 meters above sea level on the mainland. It spans an area of 229.9 km², excluding 65 km² of water mass in the Indian Ocean (Menza & Mange, 2020). Mombasa borders Kilifi County to the North, Kwale County to the Southwest, and the Indian Ocean to the East (Obed, 2017).

According to the Mombasa County Integrated Development Plan (2023), Small and Medium Enterprises (SMEs) contribute about 10% to the county's economy, particularly in retail and wholesale sectors that support both formal and informal economies. However, SMEs in Mombasa face challenges such as fluctuating tourism demand, limited access to market information, competition from larger businesses, and the need for innovation to stay competitive. Despite extensive research on SMEs in Kenya, Mombasa County remains relatively understudied compared to regions like Nairobi. This study seeks to address this gap and provide insights that can help local and national policymakers design targeted interventions for SMEs in the region.

3.2 Research Design

This study employed explanatory research design. Explanatory research design is a type of research methodology that aims to explain the relationship between two or more variables (Rahi, 2017). It is used to investigate a phenomenon that has not been studied or explained properly. The main intention of explanatory research was to provide details about where to find a small amount of information. This type of research design is typically employed in causal research, or causal-comparative research, to establish a cause-and-effect relationship between variables. Explanatory research allows the researcher to become familiar with the topic to be examined and design theories to test them. This study employed an explanatory research design since it explained the cause and-effect relationship between study variables. The explanatory study further helped to ensure a complete description of the situation, making sure that there was a minimum bias in the collection of data and reducing errors in the interpretation of the data.

3.3 Target Population

Saunders, Lewis and Thornhill (2000) define population as a full set of cases from which a sample is taken. Thus, a target population is a complete set of individuals, cases or objects with some common observable characteristics. The study population comprised

SMEs within key sectors such as Information Technology, transport and logistics, Agriculture, entertainment and sports, tourism, and trade. Small enterprises were considered as businesses employing between 10 and 50 employees with an annual turnover ranging from KES 500,000 to KES 5 million. Medium enterprises were considered as those employing between 51 and 100 employees with an annual

turnover between KES 5 million and KES 20 million. Each SME, regardless of its size, was treated as a separate unit for data collection and analysis purposes. A target population of 1994 respondents was involved in the study as indicated in table 3.1.

Table 3. 1:Target Population

SMEs Sectors	Population	Percentage
Information technology	214	10.7
Transport and logistics	352	17.6
Agriculture	456	22.8
Entertainment and sports	315	15.6
Tourism	413	20.4
Trade	244	12.9
Total	**1994**	**100**

Source: Mombasa County Directory (202)

3.4 Sample Size and Sampling Procedure

The precision with which population values can be estimated is determined by the sample size. Hence, it is imperative for experts to stress the necessity of a sufficiently large sample size in order to acquire precise estimations of population parameters. Mugenda and Mugenda (2013). Kothari (2009) defines a sample size as a definite plan for obtaining a sample from the sampling frame. For this study, the researcher applied Yamane's formula to obtain the final sample size for the study. A sample size of 333 respondents was obtained by calculating the target population of 1994 at a 95% confidence level and an error rate of 0.05, as shown below;

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size required

N is the population size =1994

e is the level of precision =0.05

$$n = \frac{1994}{1 + 1994 \; x \; 0.05^2} = 333$$

$$n = \; 333 \; respondents$$

The study used a sample of 333 respondents from the targeted population and distributed as per their functional departments at the organization. This shown in table 3.2

Table 3. 2: Sample size

SMEs Sectors	Population	Sample	Percentage
Information technology	214	36	10
Transport and logistics	352	59	20
Agriculture	456	76	20
Entertainment and sports	315	52	15
Tourism	413	68	20
Trade	244	43	15
Total	**1994**	333	**100**

Source: Researcher (2024)

The study employed a stratified sampling technique to categorize SMEs by sector within Mombasa County. Following this, purposive sampling was utilized to specifically select small and medium enterprises for inclusion in the study. To ensure a representative sample, simple random sampling was then applied to choose individual respondents from both small and medium enterprises.

3.5 Unit of Analysis

A unit of analysis is the person or object from which a researcher collects data, and it answers the questions of what or who is being studied in a business research (Kumar,

2018). It may be individual, groups of individuals, organizations of individuals et cetera that are targeted for investigation. The unit of analysis was individual SMEs working in Mombasa County who were categorized into different sector such as Information Technology, transport and logistics, Agriculture, entertainment and sports, tourism, and trade senior level management staff, middle level staff and junior employees. SMEs who were selected responded to the questionnaires on variables.

3.6 Data Collection Instruments

The study relied on primary data that was be collected through structured questionnaire based on Likert scale. This method is intended to ensure study respondents receive the same set of questions in exactly the same manner. According to Mugenda and Mugenda (2003) structured questions are simple to formulate and flexible. The questionnaire carried part-A consisted of participant's background information and Part-B consisted of information relating to study variables.

3.7 Data Measurements

Research instruments were developed using a 5-point Likert scale with a range of (5) strongly agree to (1) strongly disagree with each variable with four items.

Table 3. 3: Data Measurements

Type	Variable	Measurement	Measurement scale
Independent variable	Entrepreneurial Networking	✓ Sharing ideas ✓ Stimulating innovation ✓ Developing new ideas	5-point Likert scale
Independent variable	Social Networking	✓ Websites ✓ Email ✓ Social sites	5-point Likert scale
Independent variable	Institutional Networking	✓ Suppliers ✓ Professional bodies ✓ Government agencies	5-point Likert scale
Independent variable	Innovative Networking	✓ Value dynamics ✓ Research skills ✓ Product review	5-point Likert scale
Dependent variable	Performance of SMEs	✓ Market share ✓ Reduced competition ✓ Return on Assets	Key performance indicators (KPIs) and metrics

Source: Researcher (2024)

3.8 Data Collection Procedures

The researcher initially obtained approval from the Graduate School at Moi University. Prior to conducting the fieldwork, the researcher was able to obtain a research permit from the National Council of Science, Technology, and Innovation (NACOSTI). Next, the researcher obtained consent from the subject matter experts (SMEs) and scheduled appointments for the purpose of data collection. The researcher personally delivered the questionnaires to the respondents. In order to assess the respondents' progress in completing the questionnaires, daily follow-ups were conducted. The process of collecting data spanned a duration of approximately three months.

3.9 Pilot Study

According to Cooper and Schindler (2010), the purpose of conducting a pilot test is to identify any deficiencies in the design and instrumentation of a study, while Mugenda and Mugenda (2003) argue that a pilot study is conducted when a questionnaire is administered to a limited number of individuals in order to pre-test the questions. A pilot study was conducted in Kwale County, involving 10% of the target population which was 199 respondents.

3.10 Validity Test

The concept of validity refers to the extent to which an instrument accurately assesses the construct it is designed to measure (Kothari, 2010). Kothari (2010) provides additional clarification that validity is predicated upon the assumption that the subject of study can be quantified or captured. It aims to validate the veracity and precision of any findings or conclusions derived from the data, thereby establishing the reliability of the conclusions and demonstrating that the employed methods justify the conclusions.

The research instrument's validity was assessed using face validity by soliciting input from the research supervisors, who possess expertise in the relevant field. The questionnaire items underwent testing during the pilot study, and any instances of ambiguity or lack of clarity were addressed prior to administering the questionnaires in the field for data collection. Exploratory factor analysis was used to establish the validity of the constructs of the research instrument. The requirements for KMO and Bartlett's test being above 0.5 and 0.000 significance were realized. The statistics are presented in the pilot study results in table 4.1.

3.11 Reliability Test

According to Babbie (2002), reliability can be defined as the extent to which an instrument consistently measures the same construct when employed under consistent conditions. The concept of reliability pertains to the extent to which research instruments exhibit consistency in accurately measuring the variables under investigation. The questionnaires' reliability was assessed using Cronbach's alpha based on data collected from the pilot study. To determine the extent to which the content instruments are consistent in eliciting the same responses, the researcher used Spearman rank order correlation coefficient. According to Babbie (2002), a Cronbach alpha value of 0.7 or higher is deemed sufficient for all constructs.

3.12 Data Processing, Analysis and Presentation

3.12.1 Data Processing

Data processing involves the transformation of unprocessed data into meaningful information, which can also be understood by machines. Data processing encompasses the activities of gathering, documenting, arranging, retaining, and modifying raw data to transform it into valuable information (Turkina, 2018). After collecting the data, the researcher screened or clean the data and upload the data into the SPSS in preparation for analysis.

3.12.2 Data Analysis

Data analysis, as described by Cooper and Schindler (2006), encompasses the process of condensing accumulated data into a more manageable form, generating concise summaries, identifying patterns, and employing statistical methods (Mugenda, 2003). Descriptive statistics, such as means, medians, standard deviations, skewness, and kurtosis, were employed to analyze the data. Furthermore, the study employed

inferential statistics, specifically correlation and regression analysis. The Statistical Package for Social Sciences (SPSS) version 25 was utilized to compute measures of central tendencies, measures of dispersion, and F-values.

3.12.3 Correlation Analysis

According to Sekeran (2003), correlation analysis is a statistical method used to assess the extent to which the dependent variable is linearly associated with the independent variables. The study assessed the extent of correlation between two variables. In the conventional approach, correlation analysis was employed alongside regression analysis to assess the extent to which the regression line accounted for the variability observed in the dependent variable. The researchers calculated correlation coefficients in order to determine the magnitude of the association between the dependent and independent variables.

3.12.4 Multiple Regression

Multiple regressions describe and evaluate the relationships between a given dependent variable and one or more independent variables (Cooper & Schindler, 2010). The regression models the study used in explaining the variable relationships is as shown below.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$ …………………………….………Model 1

a = constant

Y = Performance

X_1 = Entrepreneurial Network

X_2 = Social Networks

X_3 = Institutional Networks

X_4 = Innovative Networking

ε = error term

The coefficient of correlation was used to explain the strength of the relationship between the study variables. An ANOVA test was also undertaken to establish the relationship between the study variables.

3.12.5 Assumption of Regression Model

In order to perform a linear regression analysis, it was necessary for the data to satisfy the following assumptions.

Normality

The assumption of normality is a fundamental concept in statistical analysis, particularly when using parametric methods such as multiple regression. This assumption posits that the residuals or errors from the regression model should be normally distributed. The normality of residuals ensures that the results of significance tests, confidence intervals, and parameter estimates are valid and reliable (Garson, 2012). Many statistical methods, including multiple regression, assume that the residuals follow a normal distribution. This assumption is key for the validity of hypothesis tests and confidence intervals. If the residuals are normally distributed, the estimates of regression coefficients are unbiased, and the standard errors are accurate, leading to reliable p-values and confidence intervals (Williams, Grajales & Kurkiewicz, 2019). The normality of residuals affects the predictive accuracy of the model. If residuals are not normally distributed, the model's predictions may be less reliable. Non-normality can lead to incorrect conclusions about the relationships between variables and may affect the overall performance of the regression model. The Kolmogorov-Smirnov and Shapiro-Wilk tests were employed to assess normality, with p-values less than 1.0 indicating non-normal distribution (de Gois et al., 2020).

Linearity

Linearity is a fundamental assumption in multiple regression analysis, which posits that the relationship between the independent variables and the dependent variable is linear. This means that changes in the independent variables are expected to produce proportional changes in the dependent variable, and this relationship should be represented by a straight line when plotted (Alita, Putra & Darwis, 2021). Additionally, it is key to examine for outliers as linear regression is highly susceptible to the influence of outliers. Scatter plots were used to test the assumption of linearity (Habeck & Brickman, 2018). Values that have a linear relationship if the correlation coefficient values fall between +1.00 to -1.00 are thought to have met the threshold, and any values that fall outside or beyond that range shows that the variables are not related. Pearson's Product Moment Coefficient was used in the study to examine the relationship between the strategic business networking on performance of small and medium enterprises variable.

Multicollinearity

The presence of multicollinearity implies the absence of a perfect linear relationship between two or more predictors. Therefore, it is imperative that the predictor variables exhibit a low degree of correlation. The variance inflation factor (VIF) and tolerance are employed for testing purposes. The impact of multicollinearity among the variables in a regression model was assessed using the variance inflation factor (VIF) (Daoud, 2017). Multicollinearity was tested by use of Variance Inflation Factor (VIF) and Tolerance, which helps to ascertain the degree of association between the predictor variables. Where, if VIF will be >4.0, the null hypothesis will not be rejected therefore informing that there is no multi-collinearity among the independent variables (Kendagor, Kemboi & Omboto, 2023).

Autocorrelation

Autocorrelation, as defined by Keraro (2014), refers to the correlation between observations in a series that are ordered in either time or space. In this study, the Durbin-Watson test is employed to identify the existence of autocorrelation among the variables. Chen (2016) reported that the Durbin-Watson statistic exhibited a range of values spanning from 0 to 4. Non-autocorrelation was indicated by a value close to 2, positive correlation was indicated by a value closer to 0, and negative correlation was indicated by a value closer to 4. A test for autocorrelation is conducted on the variables under investigation.

3.13 Ethical Considerations

Ethics are moral principles which guided the researcher to conduct and report in the most appropriate manner without harming the participants of the study whether knowingly or unknowingly. Prior to data collection, the research received approval from National Commission for Science, Technology, and Innovation (NACOSTI), ensuring that the study adhered to established ethical standards. Informed consent was obtained from all participants involved in the study. Each participant was provided with detailed information about the research objectives, procedures, and potential risks. They were assured that their participation was voluntary and that they could withdraw at any time without facing any negative consequences. This process ensured that participants were fully aware of their rights and the nature of their involvement. Further, confidentiality and anonymity were prioritized throughout the research. Personal identifying information was removed from the data to protect participants' identities. The data were securely stored and only accessible to the research team, who were bound by confidentiality agreements. The research also adhered to principles of honesty and integrity in reporting findings. Results were presented

accurately without manipulation or misrepresentation. Any potential conflicts of interest were disclosed, ensuring that the study's conclusions were based solely on the data collected and not influenced by external factors.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology.

4.1 Response Rate

The response rate for the survey was analyzed in this section. Table 4.1 presents the study results.

Table 4. 1: Instrument Response Rate

Categories	Frequency	Percentage
Responded	263	78.97
Not responded	70	21.02
Total	**333**	**100**

Sources: Research Data (2024)

Data collected statistics revealed that out of the anticipated total sample population of 333(100%) respondents, 263(78.97%) responded and their responses analyzed as indicated in table 4.1. This data highlights a relatively high response rate, signifying active engagement from a significant portion of the surveyed SMEs. The 21.02% of the respondents who did not respond was attributed to the fact that many small and medium enterprises operate with limited staff, and key decision-makers often have demanding schedules. The time constraints and high workloads of these individuals may have prevented them from participating in the survey, leading to a lower response rate.

4.2 Pilot Test Results

Reliability of the questionnaire was analyzed using Cronbach's Alpha threshold which measures internal consistency indicates more reliable generated scale. SPSS software was used for reliability analysis. Threshold reliability and the acceptable reliability coefficient is 0.7 (Barati, Taheri-Kharameh, Farghadani & Rásky, 2019). The results of calculated Cronbach's Alpha are presented in table 4.2 below.

Table 4. 2: Pilot Test Results

Variables	Cronbach's Alpha
Entrepreneurial Networking	.942
Social Networking	.834
Institutional Networking	.912
Innovative Networking	.865
Performance of SMEs	0.902

Source: Research Data, 2024

According to Table 4.2 presented above, all the five variables were reliable as their reliability values exceeded the prescribed threshold of 0.7 and above, they show a high reliability and that the theoretical constructs exhibit good psychometric properties (Kibet, 2023). This therefore implies that the questionnaires were reliable for data collection.

4.3 Testing the Assumptions of Multiple Regression

Before executing a regression model, tests were performed to assess the assumptions of the models. Regression is based on several assumptions, including normality, linearity, multicollinearity, and autocorrelations. This is typically conducted to prevent the acquisition of erroneous regression outcomes.

4.3.1 Normality Test

The Kolmogorov-Smirnov test (K-S) one sample test was employed in this study to assess the normality assumption of the population distribution. According to Tabachnic (2001), if the Kolmogorov-Smirnov values exceed 0.05, it can be inferred that the data follows a normal distribution. The tests for normality assumptions are displayed in Table 4.3.

Table 4. 3: Normality Test Results

Variable	Kolmogorov- Smirnov	Sig
Entrepreneurial networking	.983	.196
Social networking	.915	.159
Institutional networking	.895	.192
Innovative networking	.936	.331

Sources: Research Data (2024)

The normality assumption test results in Table 4.3 verified that the data followed a normal distribution, as indicated by the Kolmogorov-Smirnov significance values exceeding 0.05. According to the study's results, the significance value of entrepreneurial networking was determined to be p=.0196, which is greater than the conventional threshold of 0.05. The significance value of social networking was p=.159, which is greater than the threshold of 0.05. The significance value of institutional networking was p=.192, which is greater than the threshold of 0.05. The significance value of innovative networking was p=.331, which is greater than the threshold of 0.05. Given that the p-values exceeded the predetermined significance level of 0.05, it can be inferred that the data exhibited a normal distribution.

4.3.2 Linearity Test

According to Bai and Perron (2008), linearity refers to the property where the magnitude or rate of change between scores on two sets of variables remains consistent across the entire range of scores for the variables. In this study, a

correlation test was employed to examine the hypothesis that a linear relationship exists between the dependent variable, as presented in Table 4.4,

Table 4. 4: Linearity Test Results

Variable	Correlation coefficient
Entrepreneurial networking	.415[**]
Social networking	.431[**]
Institutional networking	.443[**]
Innovative networking	.404[**]

Sources: Research Data (2024)

Table 4.4 shows that correlation coefficients were all different from zero and therefore the data used in this study were linear. Entrepreneurial networking had a correlation value of 0.415. Social networking had a correlation value of 0.431. The institutional networking had a correlation value of 0.443. Innovative networking had a correlation value of 0.404. The correlation test assumes that there is a linear relationship if the correlation coefficient is different from zero.

4.3.3 Multicollinearity Test

Kerlinger (2011) defines multicollinearity as a situation where two or more independent variables exhibit a strong correlation, which can negatively impact the outcomes of multiple regressions. To evaluate multicollinearity, the tolerance and variance inflation factors (VIF) were employed. The findings of the study are displayed in Table 4.5.

Table 4. 5: Multicollinearity Test Results

Variables	Tolerance	VIF
Entrepreneurial networking	.841	1.188
Social networking	.497	2.011
Institutional networking	.501	1.996
Innovative networking	.917	1.091

Sources: Research Data (2024)

The tolerance and variance inflation factor values for entrepreneurial networking (0.841 and VIF=1.188), social networking (0.497 and VIF=2.011), institutional networking (0.501 and VIF=1.996), and innovative networking (0.917 and VIF=1.091) are presented in Table 4.5. The findings of the study suggest that the tolerance values for all four variables examined exceeded 0.10, while the VIF values were all below 10, aligning with the findings of Field (2009). This suggests that the data used did not exhibit multicollinearity.

4.3.4 Autocorrelation Test

Test for autocorrelation was done through the Durbin-Watson test. The autocorrelation assumption test results are presented in Table 4.6.

Table 4. 6: Autocorrelation Test Results

Variables	Durbin-Watson
Entrepreneurial networking	1.912
Social networking	1.814
Institutional networking	1.933
Innovative networking	1.744

Sources: Research Data (2024)

According to the findings presented in Table 4.6, the Durbin-Watson statistic value for entrepreneurial networking was determined to be 1.912. There was a Durbin-Watson statistic value of 1.814 observed for social networking. Moreover, the findings revealed that the Durbin-Watson statistic for institutional networking was assessed to be 1.933, while for innovative networking it was found to be 1.744. This suggests that the study variables exhibited independence of errors, as they satisfy the Durbin-Watson threshold ranging from 0 to 4. According to Field (2009), values that fall outside of this range may give rise to concerns.

4.4 Demographic profile of the Respondents

The analysis of the demographic profile of the respondents provides information on the typical characteristics of the surveyed SMEs and the dynamics of small and medium enterprises (SMEs) in Mombasa County. This information is key for interpreting how different business sizes and workforce scales might influence strategic business networking and overall performance.

4.4.1 Size of the Business

In this section, the size of the businesses surveyed was examined and described. The findings are as stipulated in Table 4.7.

Table 4. 7: Size of the Business

Size of the Business	Frequency	Percentage
Small Enterprise	136	51.7
Medium Enterprise	127	48.3
Total	**263**	**100**

Sources: Research Data (2024)

In Table 4.7, the size distribution of the surveyed businesses was presented, indicating that 136 (51.7%) SMEs fall under the category of Small Enterprises, while 127 (48.3%) SMEs fall under Medium Enterprises. This data reflects a relatively balanced representation of both small and medium-sized enterprises in the sample,

4.4.2 Number of employees

The number of employees within the surveyed businesses was documented and analyzed. The findings are presented in Table 4.8.

Table 4. 8: Number of employees

Number of employees	Frequency	Percentage
10-49	148	56.3
50-99	115	43.7
Total	**263**	**100**

 Sources: Research Data (2024)

Table 4.8 presents the distribution of the number of employees in the surveyed businesses, with 148 (56.3%) SMEs falling into the 10-49 employee range, and 115 (43.7%) SMEs categorized within the 50-99 employee range. This data emphasises that the majority of the surveyed SMEs have a workforce size in the range of 10-49 employees, which is characteristic of small and medium-sized enterprises.

4.5 Discussion on Descriptive Statistics

In this section, the descriptive statistics obtained from the data analysis are discussed, providing an overview of key findings related to the size of businesses and the number of employees in the surveyed SMEs in Mombasa County. These findings lay the foundation for the subsequent examination of how these variables may relate to the effects of strategic business networking on the performance of SMEs in the region.

4.5.1 Descriptive Statistics for Entrepreneurial Networking within Organization

This section analyses the influence of entrepreneurial networking within organization. Table 4.9 presents the study results.

Table 4. 9: Entrepreneurial Networking within Organization

Statements		SA	A	UD	D	SD	Mean	Sd
1. Our firm has built partnership with competitors and share creative ideas quite often.	F	87	117	25	16	18	3.90	1.13
	%	33.1	44.5	9.5	6.1	6.8		
2. Our firm often interacts with competitors to stimulate innovative product ideas.	F	100	111	13	21	18	3.96	1.17
	%	38.8	42.2	4.9	8.0	6.8		
3. Our firm often interacts with competitors to develop new innovative products.	F	23	53	19	70	98	2.36	1.38
	%	8.7	20.2	7.2	26.6	37.3		
4. Our firm often interacts and cooperates with competitors to test new innovative products.	F	107	78	12	29	37	3.71	1.44
	%	40.7	29.7	4.6	11.0	14.1		
Total number of respondents (n=263)								

Sources: Research Data (2024)

The findings presented in Table 4.9 indicate that a significant majority of 204 respondents, accounting for 77.6% of the total, concurred that their company has established partnerships with competitors and frequently exchanges innovative ideas. In contrast, 34 respondents, accounting for 12.9% of the total, expressed disagreement regarding their firm's frequent establishment of partnerships with competitors and sharing of creative ideas. Moreover, the findings of the study also indicated that the participants expressed agreement with the assertion that their organization has established partnerships with competitors and frequently exchanges innovative ideas (Mean=3.90, standard deviation=1.13). In contrast, Satalkina and Steiner, (2020) conducted a study suggesting that although enterprises may express willingness to engage in partnerships with competitors, the extent and frequency of sharing ideas are ultimately restricted, suggesting a more careful view towards the flow of information. The observed variation in results highlights the range of collaborative efforts and effectiveness among competing organizations in the exchange of innovative ideas.

The study findings indicate that 211 respondents, accounting for 80.2% of the total, agreed that their firm frequently engages with competitors to foster innovative

product ideas. Conversely, 39 respondents, representing 14.8%, disagreed with this notion. Moreover, the findings of the study also indicated that the participants expressed agreement with the assertion that their organization frequently engages with competitors to foster the generation of innovative product concepts (Mean=3.96, standard deviation=1.17). In contrast, the research conducted by Ghafar, (2020) presented a more detailed points of view, suggesting that although organizations acknowledge the potential advantages of these engagements, the actual occurrence and level of involvement show substantial differences. This difference emphasizes the diverse levels of engagement and strategies employed by companies in engaging with competitors to foster the generation of innovative product concepts.

The study additionally unveiled that 168 participants, accounting for 63.9% of the total, concurred that their company frequently engages with competitors to foster the creation of novel and inventive products. In contrast, 76 respondents, accounting for 28.9% of the total, expressed disagreement with the notion that their firm frequently engages with competitors to create novel and inventive products. Moreover, the findings of the study also indicated that the participants expressed disagreement with the assertion that their organization frequently engages in interactions with competitors to foster the creation of novel and inventive products (Mean=2.36, standard deviation=1.38). Ritala et al, (2021) found substantial evidence for the idea that firms actively participate in interactions with competitors to stimulate the development of new innovative goods, which reflects a culture of collaboration in the industry.

Ultimately, 185 participants, accounting for 71.4% of the total, concurred that their company frequently engages in interactions and collaborations with competitors to

evaluate novel and inventive products. In contrast, 66 respondents (25.1%) expressed disagreement regarding their firm's frequent engagement and collaboration with competitors for the purpose of testing new innovative products. Moreover, the findings of the study also indicated that the participants expressed agreement with the assertion that their organization frequently engages in interactions and collaborations with rivals to evaluate novel and inventive products (Mean=3.71, standard deviation=1.44). The results of a study conducted by Tajeddini et al. (2020) disagreed with the findings. Their findings revealed that certain groups of innovative products testing collaborative approaches with competitors more carefully, indicating limited or restrained involvement in innovative testing initiatives. The difference emphasises the varied approaches and attitudes of firms toward innovative products with competitors during collaborative testing.

4.5.2 Descriptive Statistics for Social Networking within Organization

The study focuses on Social Networking within organization. Table 4.10 presents the study results.

Table 4. 10: Social Networking within Organization

Statements		SA	A	UD	D	SD	Mean	Sd
1. Our firm networks in social media platforms	F	107	105	21	9	21	4.01	1.16
	%	40.7	39.9	8.0	3.4	8.0		
2. Our firm networks with other organizations through websites	F	100	82	23	33	25	3.75	1.33
	%	38.0	31.2	8.7	12.5	9.5		
3. Our firm networks with other organizations through emails	F	105	81	12	31	34	3.73	1.41
	%	39.9	30.8	4.6	11.8	12.9		
4. Our firm networks with other organizations through other informal meetings	F	112	90	9	24	28	3.88	1.33
	%	42.6	26.1	3.4	9.1	10.6		
5. Our organization networks with other through publications of reports	F	30	53	16	68	96	2.44	1.43
	%	11.4	20.2	6.1	25.9	36.5		
Total number of respondents (n=263)								

Sources: Research Data (2024)

The findings presented in Table 4.10 indicate that a significant majority of 207 respondents, accounting for 56.8% of the total, concurred that their firm maintains social media networks. Contrarily, a total of 30 respondents, accounting for 11.4% of the sample, expressed disagreement with their firm's utilization of social media platforms. Moreover, the findings of the study also indicated that the participants expressed agreement with the assertion that their company's networks on social media platforms (Mean=4.01, standard deviation=1.16). In contrast, Valeri and Baggio, (2021) did a study that presented an alternative perspective. The results of their study revealed a particular group of companies that demonstrate reluctance or restricted engagement in utilizing social media platforms for the purpose of networking. This difference highlights the range of perspectives and behaviors exhibited by organizations regarding the utilization of social media for networking operations.

The study findings indicated that 182 respondents, accounting for 69.2% of the total, agreed, while 58 respondents, representing 22.0%, disagreed, regarding their firm's networking with other organizations through websites. Moreover, the findings of the study also indicated that the participants expressed agreement with the assertion that their company establishes connections with other organizations via websites, as evidenced by the mean and standard deviation values of 3.75 and 1.33, respectively. A study by Nu'man et al (2020) agrees with the findings that a common agreement among firms regarding their use of websites to connect and collaborate with other organizations. This indicates a strong inclination among these firms to actively seek connections and potential partnerships through digital platforms. It reflects a proactive approach to establishing networks that could lead to future collaborations and mutual benefits.

The study further revealed that, 186(70.7%) of the participants agreed that their firm networks with other organizations through emails. On contrary to that ,65(24.7%) of the respondents disagreed that their firm networks with other organizations through emails. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that their firm networks with other organizations through emails (Mean=3.73, standard deviation=1.41). The research conducted by Chen et al. (2020) aligns with the study findings, demonstrating a significant consensus among firms in support of utilizing email as a key means of networking with other organizations. The research conducted by the authors revealed a comparable pattern of active involvement in networking activities facilitated by email communication.

The study nonetheless showed that 202(76.8%) of the participants agreed that their firm networks with other organizations through other informal meetings. On contrary 52(20.7%) of the respondents disagreed that their firm networks with other organizations through other informal meetings. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that their firm networks with other organizations through other informal meetings (Mean=3.88, standard deviation=1.33). The study conducted by Valeri and Baggio (2021) disagrees with the findings. The results of their study indicated that informal meetings are recognized as a valuable networking tool. However, the extent to which organizations rely on or find them effective in establishing connections with other firms vary. This suggests that there is a more cautious or diverse approach in the utilization of informal meetings for networking objectives. The observed difference in focus highlights the diversity in views and practices among firms in relation to the utilization of informal meetings as a means of networking with other organizations.

Finally, 80(31.6%) agreed that their organization networks with other through publications of reports. However, majority of the respondents 164(62.4%) of the respondents disagreed that their organization networks with other through publications of reports. Further, the study results also showed, in terms of mean and standard deviation that the respondents disagreed with the statement that their organization networks with other through publications of reports (Mean=2.44, standard deviation=2.44). In contrast, a study conducted by Block et al. (2020) disagrees with the findings. Their study revealed a greater willingness among companies to utilize reports for the purpose of networking. This distinction highlights the various strategies and viewpoints adopted by organizations on the use of reports as a means of establishing connections with other entities.

4.5.3 Descriptive Statistics for Institutional Networking within organization

The research analyses institutional networking within organization. Table 4.11 presents the study results.

Table 4. 11: Institutional Networking within organization

Statements		SA	A	UD	D	SD	Mean	Sd
1. Our firm is networked with several suppliers	F	60	154	4	10	35	3.73	1.23
	%	22.8	58.6	1.5	3.8	13.3		
2. Our firm is networked with several other professional bodies in Kenya and East Africa.	F	105	83	26	28	21	3.84	1.27
	%	39.9	31.6	9.9	10.6	8.0		
3. We are networked with institutions that train SME	F	104	78	15	36	30	3.72	1.39
	%	39.5	29.7	5.7	13.7	11.4		
4. We have a strong network with government agencies	F	26	43	17	63	114	2.25	1.40
	%	9.9	16.3	6.5	24.0	43.3		
5. We have a strong network with non-government agencies	F	93	109	6	18	37	3.77	1.36
	%	35.4	41.4	2.3	6.8	14.1		
Total number of respondents (n=263)								

Sources: Research Data (2024)

The study results in Table 4.11 showed that majority 214(81.4%) of the respondents agreed that their firm is networked with several suppliers. On contrary, 45(17.1%) of the respondents disagreed that their firm is networked with several suppliers. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that their firm is networked with several suppliers (Mean=3.73, standard deviation=1.23). Research by Satalkina and Steiner, (2020) aligned with the findings emphasizing a strong inclination among firms towards networking with multiple suppliers. The findings suggest a strong inclination among firms to network with multiple suppliers imply a strategic approach within these firms. It indicates a recognition of the benefits derived from diversifying and broadening supplier networks.

Also, the study findings noted that 188(71.5%) of the respondents agreed and 49(18.6%) disagreed that their firm is networked with several other professional bodies in Kenya and East Africa. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that firm is networked with several other professional bodies in Kenya and East Africa (Mean=3.84, standard deviation=1.27). Research conducted by Vargo et al. (2020) resonates with the findings, showcasing a prevalent consensus among firms that emphasize active networking with various professional bodies in Kenya and East Africa. Their study illustrated a similar trend of firms engaging in networks with multiple professional bodies, reflecting a shared approach among various entities in this region.

The study further revealed that, 182(69.2%) of the participants agreed that they are networked with institutions that train SME. On contrary to that ,66(25.1%) of the

respondents disagreed that they are networked with institutions that train SME. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that they are networked with institutions that train SME (Mean=3.72, standard deviation=1.39). Research conducted by Walsh et al. (2019) agrees with the findings. Their study highlights a prevalent inclination among businesses to establish networks with institutions specializing in SME training. This emphasises a consistent effort among businesses to connect and collaborate with entities focusing on the development and training of small and medium enterprises.

The study nonetheless showed that of the participants 69(26.2%) agreed that they have a strong network with government agencies. On contrary 177(67.3%) of the respondents disagreed that they have a strong network with government agencies. Further, the study results also showed, in terms of mean and standard deviation that the respondents disagreed with the statement that they have a strong network with government agencies (Mean=2.25, standard deviation=1.40). Study finding by Casad et al (2021) agrees with the findings. Their study indicated that a significant number of firms were not actively involved in establishing strong connections with government entities. This highlight varying attitudes and approaches among firms in developing robust networks with government agencies.

Finally, 202(76.8%) agreed that they have a strong network with non-government agencies. However, majority of the respondents 55(20.9%) of the respondents disagreed that they have a strong network with non-government agencies. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that they have a strong network with non-

government agencies (Mean=3.77, standard deviation=1.36). Study by Azorín et al (2020) agrees with the findings. Their study found that many companies agree they have a strong network with non-government agencies. This suggests an active and robust engagement with these entities, highlighting the perceived value in these connections.

4.5.4 Descriptive Statistics for Innovative Networking within organization

The study evaluates innovative networking within organization. Table 4.12 presents the study results.

Table 4. 12: Innovative Networking within organization

Statements		SA	A	UD	D	SD	Mean	Sd
1. There exists product innovation for new product development in our organization.	F	127	59	9	52	16	3.87	1.35
	%	48.3	22.4	3.4	19.8	6.1		
2. Individuals have research skills that allow research for new products required by customers	F	46	30	4	135	48	2.58	1.37
	%	17.5	11.4	1.5	51.3	18.3		
3. Firms have maintained holistic value-dynamic where opportunities for change are exploited, and new ideas are raised, translated, and implemented in practice	F	125	72	11	10	45	3.84	1.48
	%	47.5	27.4	4.2	3.8	17.1		
4. Periodically new ideas are adopted and implemented	F	114	77	8	15	49	3.73	1.51
	%	43.3	29.3	3.0	5.7	18.6		
5. Strategy is used to maintain business excellence	F	93	118	72	48	25	3.79	1.41
	%	35.4	44.9	27.4	18.3	9.5		
Total number of respondents (n=263)								

Sources: Research Data (2024)

The study results in Table 4.12 showed that majority 186(70.7%) of the respondents agreed that there exists product innovation for new product development in their organization. On contrary, 68(25.9%) of the respondents disagreed that there exists product innovation for new product development in their organization. Further, the study results also showed, in terms of mean and standard deviation that the

respondents agreed with the statement that there exists product innovation for new product development in their organization. (Mean=3.87, standard deviation=1.35). Research conducted by Chen et al. (2020) aligns with the findings on product innovation for new product development within organizations. Their study emphasized a prevailing culture of product innovation, indicating a proactive approach within organizations toward developing new products.

Also, the study findings noted that 76(29.9%) of the respondents agreed and 183(69.6%) disagreed that individuals have research skills that allow research for new products required by customers. Further, the study results also showed, in terms of mean and standard deviation that the respondents disagreed with the statement that Individuals have research skills that allow research for new products required by customers (Mean=2.58, standard deviation=1.37). Study findings by Bigliardi et al (2021) disagrees with the findings. Their research illustrated a more positive perspective, indicating that individuals within firms demonstrate commendable research skills, enabling them to effectively identify and develop products aligned with customer needs. This disparity in findings highlights varying assessments of individuals' research skills for new product development in catering to customer demands.

The study further revealed that, 197(74.9%) of the participants agreed that change is exploited, and new ideas are raised, translated, and implemented in practice. On contrary to that ,55(20.9%) of the respondents disagreed that change is exploited, and new ideas are raised, translated, and implemented in practice. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that change are exploited, and new ideas are raised,

translated, and implemented in practice (Mean=3.84, standard deviation=1.48). Studies by Vargo et al (2020) agrees with the findings emphasizing a prevalent disposition towards embracing change and implementing new ideas in practice. Their research showcased a strong inclination among firms in recognizing the value of translating new ideas into actionable changes within their operational frameworks.

The study nonetheless showed that of the participants 191(72.6%) agreed that periodically new ideas are adopted and implemented. On contrary 64(24.3%) of the respondents disagreed that periodically new ideas are adopted and implemented. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that periodically new ideas are adopted and implemented (Mean=3.73, standard deviation=1.51). The results agree with findings by research by Thomas and Autio (2019), which shows that most firms agree that new ideas should be adopted and implemented on a regular basis. Their study showcases a similar trend, highlighting the widespread understanding among businesses of the importance of occasionally incorporating new ideas into their operations.

Finally, 190(72.3%) agreed that strategy is used to maintain business excellence. However, majority of the respondents 73(27.8%) of the respondents disagreed that Strategy is used to maintain business excellence. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that Strategy is used to maintain business excellence (Mean=3.79, standard deviation=1.41). The research done by Papanastassiou et al. (2020) supports the idea that using a strategic approach helps keep business excellence high. Their research showed that the effectiveness of utilizing strategic methods to uphold business excellence was widely accepted among firms. This is consistent with the idea that a

strategic approach is necessary for sustaining high business standards sentiment and performance.

4.5.5 Descriptive Statistics for performance of SMEs

The study evaluates the performance of SMEs within organization Table 4.13 presents the study results.

Table 4.13: Descriptive Statistics for performance of SMEs

Statements		SA	A	UD	D	SD	Mean	Sd
1. Diverse networks have increased the market share of our company	F	77	122	10	42	12	3.79	1.15
	%	29.3	46.4	3.8	16.0	4.6		
2. Diverse networks have reduced market entry cost for new business in the market	F	110	72	12	48	21	3.76	1.36
	%	41.8	27.4	4.6	18.3	8.0		
3. Network platforms have increased the number of new business acquisition through referrals	F	121	57	9	54	22	3.76	1.42
	%	46.0	21.7	3.4	20.5	8.4		
4. Network size has increased return on assets of our firm	F	89	91	20	53	10	3.74	1.22
	%	43.3	34.6	7.6	20.2	3.8		
5. Network diversity has improved sales revenue	F	39	49	7	91	77	2.55	1.45
	%	14.8	18.6	2.7	34.6	29.3		
Total number of respondents (n=263)								

Sources: Research Data (2024)

The study results in Table 4.13 showed that majority 199(75.3%) of the respondents agreed that Diverse networks have increased the market share of their company. On contrary, 54(20.6%) of the respondents disagreed that diverse networks have increased the market share of their company. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that Diverse networks have increased the market share of their company (Mean=3.79, standard deviation=1.15). The findings of Fan et al. (2021) are consistent with the findings, highlighting the beneficial impact of diverse networks in facilitating the growth of a company's market share. The study conducted by the researchers

emphasized that organizations who actively participate in diverse networking activities observed significant enhancements in their market share.

Also, the study findings noted that 182(69.2%) of the respondents agreed and 69(26.3%) disagreed that Diverse networks have reduced market entry cost for new business in the market. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that Diverse networks have reduced market entry cost for new business in the market (Mean=3.76, standard deviation=1.36). The findings of Tang et al. (2021) agree with findings of this study. The study conducted by the researchers emphasized the significance of diverse and extensive networks in lowering obstacles for new participants in a market. These networks enable access to valuable resources, knowledge, and opportunities for possible collaboration, ultimately resulting in the reduction of costs associated with entering the market.

The study further revealed that, 178(67.7%) of the participants agreed that Network platforms have increased the number of new business acquisition through referrals. On contrary to that ,76(28.9%) of the respondents disagreed that Network platforms have increased the number of new business acquisition through referrals. Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that Network platforms have increased the number of new business acquisition through referrals (Mean=3.76, standard deviation=1.42). The findings of a study conducted by Partanen (2020) align with the concept that network platforms have a positive impact on the acquisition of new businesses by facilitating referrals. The findings of their research support the idea that network platforms have a significant impact on enhancing the acquisition of new

business through referrals. The study nonetheless showed that of the participants 180(68.4%) agreed that periodically new ideas are adopted and implemented. On contrary 63(24.0%) of the respondents disagreed that Network size has increased return on assets of their firm.

Further, the study results also showed, in terms of mean and standard deviation that the respondents agreed with the statement that Network size has increased return on assets of their firm (Mean=3.74, standard deviation=1.22). The findings of Meekaewkunchorn et al. (2021) agree with the findings. Their findings revealed that there exists a positive relationship between the expansion of a firm's network size and its return on assets. The study placed significant emphasis on the association between a greater network size and enhanced returns on assets within organizations.

Finally, 88(33.4%) agreed that network diversity has improved sales revenue. However, majority of the respondents 168(63.9%) of the respondents disagreed that network diversity has improved sales revenue. Further, the study results also showed, in terms of mean and standard deviation that the respondents disagreed with the statement that network diversity has improved sales revenue (Mean=2.55, standard deviation=1.45). The research conducted by Donbesuur et al. (2020) aligns with the findings. Their analysis indicated that although diversified networks provide several benefits, the direct correlation with increased sales revenue may not be readily apparent.

4.6 Inferential Analysis

Inferential analysis used in this section was correlation and multiple regression models. Correlation and multiple regression analysis showed the relationship between independent variables and the dependent variable.

4.6.1 Correlation Analysis

Pearson correlation analysis was carried out to show the strength and direction of the association between dependent and independent variables. Table 4.14 presents the results.

Table 4. 14: Correlation Analysis Results

		Performance of SMEs	Entrepreneurial networking	Social Networking	Institutional Networking	Innovative networking
Performance of SMEs	Pearson Correlation	1				
	Sig. (2-tailed)					
Entrepreneurial networking	Pearson Correlation	.415**	1			
	Sig. (2-tailed)	.000				
Social Networking	Pearson Correlation	.431**	.334**	1		
	Sig. (2-tailed)	.000	.000			
Institutional Networking	Pearson Correlation	.443**	.334**	.698**	1	
	Sig. (2-tailed)	.000	.000	.000		
Innovative networking	Pearson Correlation	.404**	.243**	.223**	.201**	1
	Sig. (2-tailed)	.000	.000	.000	.001	

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

Sources: Research Data (2024)

The study findings in Table 4.14 indicated that entrepreneurial networking within organisation had a positive moderate and statistically significant correlation with SME Performance (r= 0.415; p<0.01). The findings of the study indicate a positive, and statistically significant correlation between social networking within organization with SMEs performance (r=.431; p< 0.01). The study established that there exists a positive, and statistically correlation between institutional networking within organization and SMEs performance (r=.443; p< 0.01). Also there existed a positive,

and statistically correlation between innovative networking within organization and SMEs performance (r=.404; p< 0.01).

4.6.2 Results for Multiple Regression Analysis

Multiple regression analysis was run to establish the influence of independent variables on dependent variable.

4.6.3 Model Summary

The coefficient of determination (R^2) and correlation coefficient (R) showed the degree of association between dependent and independent variables. The results are presented in Table 4.15.

Table 4. 15: Multiple Regression Model Summary

R	R Square	Adjusted Square	R Std. Error of the Estimate
.601ᵃ	.362	.352	.67142

Sources: Research Data (2024)

The results of the regression in Table 4.15 indicated that R^2 value was 0.362 and R-value was 0.601. R-value of 0.601 gave an indication that there was a strong linear relationship between dependent and independent variables. The R^2 indicates that explanatory power of the independent variables was 0.362. This implied that about 36.2% of the variation in independent variable is explained by the regression model.

4.6.4 Regression Model Fitness Test

Model fitness was run to find out if model best fit for the data. The study results were presented in Table 4.16.

Table 4. 16: Regression Model Fitness Results

	Sum of Squares	df	Mean Square	F	Sig.
Regression	65.910	4	16.478	36.551	.000[b]
Residual	116.309	258	.451		
Total	182.219	262			

Sources: Research Data (2024)

Table 4.16 indicated that the employees' F-statistics yielded a value of 36.551, which was statistically significant at a p-value of 0.000. This confirms model fitness. Therefore, it may be inferred that the multiple regression model accurately represented the data. Therefore, the independent variables have an impact on SMEs performance. The F value signifies the significance of all variables in the equation, indicating that the whole regression is statistically significant.

4.6.5 Regression Model Coefficients

Regression model coefficients were run in order to use in the regression equation. The study results are presented in Table 4.17.

Table 4. 17: Regression Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.967	.216		4.486	.000
Entrepreneurial networking	.192	.045	.229	4.227	.000
Social Networking	.117	.056	.147	2.091	.038
Institutional Networking	.189	.064	.209	2.968	.003
Innovative networking	.248	.047	.274	5.270	.000

Sources: Research Data (2024)

The study results in Table 4.17 revealed that there was positive linear influence of entrepreneurial networking on performance of small and medium enterprises ($\beta_1=0.192$, p=0.000). This reveals that increase in entrepreneurial networking within organisation leads to increase in SMEs performance by 0.229 units. This finding aligns with previous research that underlines the importance of entrepreneurial networks in enhancing business performance. For example, a study by Aldrich and Zimmer (1986) highlights how strong entrepreneurial networks facilitate access to resources and opportunities, thereby positively impacting firm performance. Similarly, a global study by Hoang and Antoncic (2003) supports this view by demonstrating that entrepreneurial networking significantly influences business success by providing critical information and support.

Results further established that Social Networking within organization has a positive and significant influence on SMEs performance ($\beta_2=0.117$, p=0.038). This implies that an increase in social networking within organization leads to increase in performance of small and medium enterprises by 0.147 units. This result is consistent with findings from other research that emphasize the role of social networks in business success. For instance, Burt (1992) discusses how social capital derived from networks enhances business performance by facilitating access to various resources and information. Similarly, a study by Granovetter (1973) emphasizes that social networks provide valuable connections and support that can significantly enhance organizational performance.

Also, institutional networking within organization were found to have a positive and significant influence on performance of small and medium enterprises ($\beta_3=0.189$, p=0.003). This gave an implication that an increase in institutional networking leads

to increase in SMEs performance by 0.209 units. This finding is consistent with research by Uzzi (1997), who found that institutional networks facilitate access to resources and support that enhance organizational performance. Similarly, a global study by Powell, Koput, and Smith-Doerr (1996) emphasizes the positive effect of institutional ties on the performance of organizations by providing valuable connections and resources. Finally, innovative networking within organization were found to have a positive and significant influence on performance of small and medium enterprises (β_4=0.248, p=0.000). This gave an implication that an increase in innovative networking leads to increase in SMEs performance by 0.274 units. This aligns with findings from other studies highlighting the importance of innovation-focused networks. For instance, a study by Vanhaverbeke, Van de Vrande, and Chesbrough (2008) demonstrates that innovative networking contributes significantly to firm performance by promoting new ideas and practices. Likewise, the research by Laursen and Salter (2006) supports this view by showing that networks geared towards innovation can enhance firm performance through improved knowledge acquisition and technological advancements.

Thus, the regression equation becomes;

$Y = .967 + 0.229X_1 + 0.147X_2 + 0.209X_3 + 0.274X_4$…………………. Equation 4.1

Y represent SMEs performance

X_1 represent Entrepreneurial networking within organization

X_2 represent social networking within organization

X_3 represent institutional networking within organization

X_4 represent innovative networking within organization

4.7 Hypotheses Testing using the Multiple Regression Model

The research hypotheses were tested using the significance level of the coefficients derived from the regression model computed in Table 4.18. The objective of the study was to examine the hypothesis in order to determine whether there is a significant relationship between the independent and dependent variables. The study's research hypothesis encompassed;

According to the null hypothesis H_{01}, there is no statistically significant impact of entrepreneurial networking on the performance of Small and Medium Enterprises in Mombasa County. The study's findings indicate that the null hypothesis was rejected, suggesting that entrepreneurial networking has a statistically significant positive impact on the performance of Small and Medium Enterprises in Mombasa County. This conclusion is supported by a beta coefficient of 0.192 and a significance level of p=0.000.

According to the null hypothesis H_{02}, it was posited that there is no statistically significant impact of social networking on the performance of Small and Medium Enterprises (SMEs) in Mombasa County. Nevertheless, the research findings refuted the null hypothesis and determined that social networking exerts a favorable and substantial impact on the performance of Small and Medium Enterprises in Mombasa County. This conclusion is supported by a beta coefficient of 0.117 and a statistically significant p-value of 0.038.

According to the null hypothesis H_{03}, there is no statistically significant impact of institutional networking on the performance of Small and Medium Enterprises in Mombasa County. The findings of the study suggest that institutional networking has a statistically significant and positive impact on the performance of Small and

Medium Enterprises (SMEs) in Mombasa County. This is supported by a beta coefficient of 0.189 and a significance level of p=0.003. Consequently, the study refuted the null hypothesis.

According to the null hypothesis H_{04}, there is no statistically significant impact of innovative networking on the performance of Small and Medium Enterprises in Mombasa County. The findings of the study suggest that there is a notable and statistically significant impact of innovative networking on the performance of Small and Medium Enterprises (SMEs) in Mombasa County. This is supported by a beta coefficient of 0.248 and a significance level of p=0.000. The null hypothesis was rejected based on the findings of the study. The findings of the hypothesis test were also succinctly presented in Table 4.18.

Table 4. 18: Summary of Hypotheses Test Results

Variable	P and β value	Direction	Deduction
H_{01}: Leaders' Entrepreneurial networking has no significant effect on performance of Small and Medium Enterprises in Mombasa County	β_1=0. 192, p=0. 000<0.05	Positive	Rejected the null hypothesis
H_{02}: Social networking has no significant effect on performance of Small and Medium Enterprises in Mombasa County	β_2=0. 117, p=0. 038<0.05	Positive	Rejected the null hypothesis
H_{03}: Institutional networking has no significant effect on performance of Small and Medium Enterprises in Mombasa County	β_3=0. 189, p=0. 003<0.05	Positive	Rejected the null hypothesis
H_{04}: Innovative networking has no significant effect on performance of Small and Medium Enterprises in Mombasa County	β_4=0. 248, p=0.000<0.05	Positive	Rejected the null hypothesis

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The study's summary, conclusions, and recommendations are presented in this section.

5.1 Summary of the Findings

5.1.1 Entrepreneurial networking

The first objective of this study was to establish effects of entrepreneurial networking on performance of Small and Medium Enterprises in Mombasa County. The findings indicated that a significant majority of 204 respondents (77.6%) agreed that their company frequently establishes partnerships with competitors and shares innovative ideas. However, 34 respondents (12.9%) disagreed. The mean score was 3.90 with a standard deviation of 1.13. Also, 211 respondents (80.2%) agreed that their firm often engages with competitors to promote innovative product ideas, while 39 respondents (14.8%) disagreed. The mean score was 3.96 with a standard deviation of 1.17. In addition, 168 participants (63.9%) concurred that their company frequently engages with competitors to create novel products, whereas 76 respondents (28.9%) disagreed. The mean score was 2.36 with a standard deviation of 1.38. Further, 185 participants (71.4%) agreed that their company frequently collaborates with competitors to evaluate new products, while 66 respondents (25.1%) disagreed. The mean score was 3.71 with a standard deviation of 1.44. The study findings also indicated that entrepreneurial networking within organisation had a positive moderate and statistically significant correlation with performance of SME (r= 0.415; p<0.01). Finally, the study further revealed that there was positive linear influence of entrepreneurial networking on performance of small and medium enterprises

(β1=0.192, p=0.000). This reveals that increase in entrepreneurial networking within organisation leads to increase in SMEs performance

5.1.2 Social Networking

The second objective was to determine effects of social networking on performance of Small and Medium Enterprises in Mombasa County. Majority of 207 respondents (56.8%) agreed that their firm maintains social media networks, while 30 respondents (11.4%) disagreed. The mean score for social media utilization was 4.01 with a standard deviation of 1.16. The study found that 182 respondents (69.2%) agreed that their firm networks with other organizations through websites. Conversely, 58 respondents (22.0%) disagreed. The mean score was 3.75 with a standard deviation of 1.33. Also, a total of 186 respondents (70.7%) agreed that their firm networks through emails, while 65 respondents (24.7%) disagreed. The mean score for email networking was 3.73 with a standard deviation of 1.41. Moreover, the study indicated that 202 respondents (76.8%) agreed that their firm networks through informal meetings, whereas 52 respondents (20.7%) disagreed. The mean score was 3.88 with a standard deviation of 1.33. Finally, only 80 respondents (31.6%) agreed that their firm networks through publications of reports, while the majority, 164 respondents (62.4%), disagreed. The mean score was 2.44 with a standard deviation of 2.44. The findings highlight various methods of networking, emphasizing the significance of social media platforms, websites, emails, informal meetings, and report publications in the context of the performance of SME in Mombasa County. The findings of the study indicate a positive, and statistically significant correlation between social networking within organization with SMEs performance (r=.431; p< 0.01). Results further established that Social Networking within organization has a positive and significant influence on performance of SMEs (β_2=0.117, p=0.038). This implies that

an increase in social networking within organization leads to increase in performance of small and medium enterprises.

5.1.3 Institutional Networking

The third objective was to evaluate effects of institutional networking on performance of Small and Medium Enterprises in Mombasa County. Results indicated that majority of 214 respondents (81.4%) agreed that their firm is networked with several suppliers, while 45 respondents (17.1%) disagreed. The mean score was 3.73 with a standard deviation of 1.23. Also, the study found that 188 respondents (71.5%) agreed that their firm is networked with several professional bodies in Kenya and East Africa, in contrast to 49 respondents (18.6%) who disagreed. The mean score was 3.84 with a standard deviation of 1.27. In addition, a total of 182 respondents (69.2%) agreed that their firm is networked with institutions that train SMEs, while 66 respondents (25.1%) disagreed. The mean score was 3.72 with a standard deviation of 1.39. Further, only 69 respondents (26.2%) agreed that they have a strong network with government agencies, whereas 177 respondents (67.3%) disagreed. The mean score was 2.25 with a standard deviation of 1.40. Finally, the study indicated that 202 respondents (76.8%) agreed that they have a strong network with non-government agencies, while 55 respondents (20.9%) disagreed. The mean score was 3.77 with a standard deviation of 1.36. These findings illustrate the diversified networking landscape among SMEs and their interactions with various entities. The study established that there exists a positive, and statistically correlation between institutional networking within organization and SMEs performance (r=.443; p< 0.01). Also, institutional networking within organization were found to have a positive and significant influence on performance of small and medium enterprises

($\beta 3$=0.189, p=0.003). This gave an implication that an increase in institutional networking leads to increase in SMEs performance.

5.1.4 Innovative networking

The fourth objective was to determine effects of innovative networking on performance of Small and Medium Enterprises in Mombasa County. Results indicated that majority of 186 respondents (70.7%) agreed that their organization has product innovation processes for new product development, while 68 respondents (25.9%) disagreed. The mean score was 3.87 with a standard deviation of 1.35. Also, only 76 respondents (29.9%) agreed that individuals have the research skills necessary for developing new products based on customer needs, whereas 183 respondents (69.6%) disagreed. The mean score was 2.58 with a standard deviation of 1.37. A significant 197 respondents (74.9%) agreed that their organization effectively exploits change and implements new ideas, compared to 55 respondents (20.9%) who disagreed. The mean score was 3.84 with a standard deviation of 1.48. Further, the study found that 191 respondents (72.6%) agreed that new ideas are periodically adopted and implemented, while 64 respondents (24.3%) disagreed. The mean score was 3.73 with a standard deviation of 1.51. Lastly, a total of 190 respondents (72.3%) agreed that strategy is used to maintain business excellence, in contrast to 73 respondents (27.8%) who disagreed. The mean score was 3.79 with a standard deviation of 1.41. Also there existed a positive, and statistically correlation between innovative networking within organization and SMEs performance (r=.404; p< 0.01). Finally, innovative networking within organization were found to have a positive and significant influence on performance of small and medium enterprises ($\beta 4$=0.248, p=0.000). This gave an implication that an increase in innovative networking leads to increase in SMEs performance.

5.1.5 Performance of SMEs

On the issue of performance of SMEs, majority of 199 respondents (75.3%) agreed that diverse networks have increased their company's market share, while 54 respondents (20.6%) disagreed. The mean score was 3.79 with a standard deviation of 1.15. The findings further showed that 182 respondents (69.2%) agreed that diverse networks have reduced market entry costs for new businesses, whereas 69 respondents (26.3%) disagreed. The mean score was 3.76 with a standard deviation of 1.36. The study also indicated that 178 respondents (67.7%) agreed that network platforms have increased new business acquisitions through referrals, while 76 respondents (28.9%) disagreed. The mean score was 3.76 with a standard deviation of 1.42. A total of 180 respondents (68.4%) agreed that network size has increased their firm's return on assets, with 63 respondents (24.0%) disagreeing. The mean score was 3.74 with a standard deviation of 1.22. Finally, 88 respondents (33.4%) agreed that network diversity has improved sales revenue, while the majority, 168 respondents (63.9%), disagreed. The mean score was 2.55 with a standard deviation of 1.45.

5.2 Conclusions of the Study

Based on the extensive examination of entrepreneurial networking, social networking, institutional networking, innovative networking and performance of SMEs, several noteworthy conclusions can be drawn.

The findings demonstrated that entrepreneurial networking has a notable positive impact on SME performance. The majority of respondents indicated frequent engagement with competitors, which includes sharing ideas and collaborating on innovative products. The statistical analysis confirmed a positive moderate correlation and linear influence between entrepreneurial networking and SME performance. This

emphasizes the importance of strategic partnerships and collaborative innovation in enhancing business performance.

In addition, social networking was found to have a positive and significant effect on SME performance. Respondents reported extensive use of social media, websites, emails, and informal meetings for networking, although publications of reports were less utilized. The positive correlation and influence of social networking on performance underline the value of leveraging various online and offline platforms to enhance business operations and market presence.

Institutional networking also showed a positive and significant impact on SME performance. The study found that SMEs benefit from networking with suppliers, professional bodies, and training institutions. However, networking with government agencies was less prevalent. The positive correlation and influence of institutional networking emphasize the role of various institutional connections in supporting business growth and development.

Lastly, the study revealed that innovative networking significantly contributes to SME performance. While respondents acknowledged the existence of product innovation processes and the exploitation of new ideas, there was a noted gap in research skills among individuals. Despite this, the overall positive impact of innovative networking on performance highlights the importance of promoting a culture of innovation and strategic adaptation in maintaining competitive advantage.

5.3 Recommendations

5.3.1 Policy implications

Given the positive influence of entrepreneurial networking on SME performance, policymakers should promote entrepreneurial networking among SMEs by creating

platforms for collaboration, such as networking events, business forums, and innovation hubs, and offering funding or incentives for joint projects. To enhance social networking, policies should support SMEs' use of digital platforms through training in social media marketing and digital communication, while also encouraging the production of formal publications to boost market visibility. Additionally, strengthening institutional networking by connecting SMEs with suppliers, professional bodies, and government agencies is essential. This could include establishing SME liaison offices within government bodies for streamlined engagement. To improve innovative networking, policies should focus on building R&D capacities within SMEs through tax incentives, grants, and partnerships with academic institutions, while also promoting a culture of innovation through targeted training programs.

5.3.2 Practical implications

SMEs should actively seek to establish and maintain partnerships with competitors to share ideas and co-develop innovative products. This collaborative approach can drive business growth and enhance market competitiveness. Also, SMEs should maximize the use of social media, websites, and informal networking meetings to connect with potential customers, partners, and other stakeholders. These platforms offer valuable opportunities to increase visibility and market presence. Further, SMEs should focus on building strong networks with suppliers, professional bodies, and training institutions. These connections can provide vital resources, knowledge, and support that contribute to business development and operational efficiency. Lastly, SMEs should prioritize promoting a culture of innovation within their organizations. This includes encouraging the adoption of new ideas and improving research skills to

better understand and meet customer needs. A strategic approach to innovation will help maintain a competitive advantage in the market.

5.3.3 Theorical implication

The positive linear influence of entrepreneurial networking on SME performance supports social network theory, which posits that the structure and quality of an organization's network significantly impact its performance. The frequent engagement with competitors and the sharing of innovative ideas emphasizes the value of strategic partnerships and collaborative innovation. This highlights the need for theoretical models to further explore the dynamics of network structures and the specific benefits derived from competitor collaboration.

The significant effect of social networking on SME performance aligns with social capital theory, which suggests that social networks provide valuable resources and benefits that enhance organizational performance. The extensive use of social media, websites, emails, and informal meetings demonstrates the practical benefits of leveraging social capital. The findings suggest that future theoretical models should incorporate the various dimensions of social capital, including digital and informal networks, to better understand their impact on business operations and market presence.

The positive impact of institutional networking on SME performance supports survival-based theory, which emphasizes the importance of external relationships and resources in ensuring organizational survival and growth. The study's findings that SMEs benefit from networking with suppliers, professional bodies, and training institutions stresses the role of various institutional connections in supporting business growth. The less prevalent networking with government agencies suggests a need for

further theoretical exploration of the barriers to institutional networking and its impact on SME survival.

The study's findings on innovative networking and its contribution to SME performance suggest an integration of the three theories. While social network theory and social capital theory emphasize the value of networks and relationships, survival-based theory highlights the importance of external resources for innovation and adaptation. The noted gap in research skills among SMEs indicates that theoretical models should consider the varying capacities of firms to engage in and benefit from innovative networking. This highlights the importance of incorporating factors like R&D capacity and strategic adaptability into theoretical frameworks on innovation and performance.

5.3.4 Recommendations for Future Research

Given the significant role of social networking in SME performance, further studies should investigate the impact of digital platforms and informal networks on business outcomes. This includes exploring how different types of social networks contribute to organizational success and how SMEs can effectively leverage these tools. Additionally, studies could explore the potential benefits that stronger governmental relationships might offer and how these can be facilitated. Research should also investigate how different levels of R&D capability influence the ability of SMEs to innovate and maintain competitiveness in dynamic markets.

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APPENDICES

Appendix I: Introduction Letter

Dear Sir/ Madam,

<u>RE: REQUEST FOR PERMISSION TO COLLECT DATA</u>

I am a student at Moi University Coast Campus pursuing a Master's Degree in Business Administration. Pursuant to the pre-requisite course work, I would like to conduct research titled; **"EFFECT OF BUSINESS NETWORKING ON PERFORMAMCE OF SMEs: (A CASE OF SMES IN MOMBASA COUNTY)"**

I kindly seek your permission to conduct the research at your firm through questionnaires. Data collected shall be treated as confidential and strictly be used for academic purposes.

Thanking you in advance as I look forward for your cooperation.

Yours faithfully,

Adam Abikar Ibrahim

<u>Student, School of Business and Economics</u>

Appendix II: Questionnaire

You are kindly asked to fill out this questionnaire by putting a mark (√) or (X) in front of the applicable answer in the cell, do not write your name or your enterprise/company name in the questionnaire.

Section A: Company Profile / Information

1. What is the size of your business?

Statement	Number of Employees	(√) or (X)
Small Enterprises	10 - 49	
Medium Enterprises	50 - 99	

Section B: Performance of SMEs

To what extent do you agree with the following statements on the performance of SMEs in your organization? (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree) Kindly answer the questionnaire by putting a mark (√) or (X)

Statements	5	4	3	2	1
1. Diverse networks have increased the market share of our company					
2. Diverse networks have reduced market entry cost for new business in the market					
3. Network platforms have increased the number of new business acquisition through referrals					
4. Network size has increased return on assets of our firm					

5. Network diversity has improved sales revenue					

Section C: Entrepreneurial Networking

To what extent do you agree with the following statements on entrepreneurial networking in your organization? (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree) Kindly answer the questionnaire by putting a mark (√) or (X)

Statement	1	2	3	4	5
1. Our firm has built partnership with competitors and share creative ideas quite often.					
2. Our firm often interacts with competitors to stimulate innovative product ideas.					
3. Our firm often interacts with competitors to develop new innovative products.					
4. Our firm often interacts and cooperates with competitors to test new innovative products.					

Section D: Social Networking

To what extent do you agree with the following statements on social networking in your organization? (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree) Kindly answer the questionnaire by putting a mark (√) or (X)

Statements	5	4	3	2	1
1. Our firm networks in social media platforms					
2. Our firm networks with other organizations through websites					

	5	4	3	2	1
3. Our firm networks with other organizations through emails					
4. Our firm networks with other organizations through other informal meetings					
5. Our organization networks with other through publications of reports					

Section E: Institutional Networking

To what extent do you agree with the following statements on institutional networking in your organization? (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree) Kindly answer the questionnaire by putting a mark (√) or (X)

Statements	5	4	3	2	1
1. Our firm is networked with several suppliers					
2. Our firm is networked with several other professional bodies in Kenya and East Africa.					
3. We are networked with institutions that train SME					
4. We have a strong network with government agencies					
5. We have a strong network with non-government agencies					

Section F: Innovative networking

To what extent do you agree with the following statements on innovative networking in your organization? (1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree) Kindly answer the questionnaire by putting a mark (√) or (X)

Statements	5	4	3	2	1
1. There exists product innovation for new product development in our organization.					
2. Individuals have research skills that allow research for new products required by customers					
3. Firms have maintained holistic value-dynamic where opportunities for change are exploited, and new ideas are raised, translated, and implemented in practice					
4. Periodically new ideas are adopted and implemented					
5. Strategy is used to maintain business excellence					

Appendix III: NACOSTI Research Permit

Ref No: 941294

Date of Issue: 22/December/2023

RESEARCH LICENSE

This is to Certify that Mr.. **ADAM ABIKAR IBRAHIM** of Moi University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Mombasa on the topic: STRATEGIC BUSINESS NETWORKING ON FIRM PERFORMANCE OF SMALL AND MEDIUM ENTERPRISESS IN MOMBASA COUNTY for the period ending : 22/December/2024.

License No: **NACOSTI/P/23/32118**

941294

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY &
INNOVATION

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Scan the QR Code using QR scanner application.

See overleaf for conditions

Appendix IV: Plagiarism Awareness Certificate

SR491

ISO 9001:2019 Certified Institution

THESIS WRITING COURSE

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