

# **EFFECTS OF NETWORKING ON THE PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES WITHIN KIAMBU COUNTY IN KENYA.**

## **ABSTRACT**

The purpose of this study is to determine the effects of networking on the performance of Small and Medium Size Enterprises within Kiambu County in Kenya. Networking in Small and Medium Size Enterprises (SMEs) is currently mediated through social media platforms, partnerships with both public and private businesses and referrals. Social media networking amongst SMEs is currently on the rise due to social distancing measures occasioned by the coronavirus pandemic in Kiambu County, Kenya. Kiambu County has approximately 2,750 registered SMEs. This will be used as the sampling frame in our study. Our study will focus on Kiambu sub-county of the larger Kiambu County. This will be a cross-sectional descriptive survey. The stratified random sampling technique will be used whereby 10% of the target population will be selected. Structured questionnaires will be administered to the target population. The Likert scale will be used to code the responses and its analysis will allow for objective conclusions to be drawn from this survey.

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background of the Problem**

According to the Micro and Small Enterprise Act, 2012, firms are considered small when they have a turnover not exceeding 5 million and have between 11 and 50 employees. Micro-enterprises are those that have 1–10 employees and their 6 turnovers do not exceed 500,000 Kenyan shillings. In Kenya, Ngugi and Bwisa (2013) noted that Small and Medium Enterprises (SMEs) accounted for a significant proportion of economic activities in Kenya's urban and rural areas; generating over 70% of all new jobs annually. According to Kiambu County (2014) it is estimated that there are about 2,750 registered SMEs in Kiambu County. The County Government demands all departments in the Kiambu County Government to improve, create and sustain conditions that are the conducive environment of doing business in the County (Kiambu County, 2015).

Small and Medium Enterprises (SMEs) play an important role in almost all national economies ranking them as the key drivers of economic growth (Ramadhan, 2019). SMEs and economic growth are positively linked together as shown by the early works of Schumpeter (Afolabi, 2015). SMEs contribution towards the achievement of the sustainable development goals of developing economies cannot be underestimated (Agyei, 2018). According to Ahmad (2014) the performance measurement among 160 SMEs in Malaysia found that 79% of these entities had a performance measurement system, and that both financial and non-financial measures were used. He found that the most popular financial measures used by the SMEs were sales growth (76%), operating income (75%), cash flow measure (74%), and return on investment (73%). The most popular non-financial measures were on-time delivery (77%) and number of customer complaints (77%).

Small and Medium Size Enterprises (SMEs) are faced with challenges such as a failure to compete in international markets, financial constraints, underproduction, poor supply chain management, technological difficulties, a lack of access to raw materials and a low business registration rate. SMEs were found to undergo challenges which force most of them to go out of business within 3 years. Kinyanjui, Kabare, and Waititu (2018) wrote that business networks can be sources of competitive advantage for small and medium agro processing firms in Kenya that face challenges in acquisition of modern manufacturing technology and access to foreign markets.

According to a study by Otinga, Maru, and Tarus (2016) networking has been defined as a mutual give and take that results in a win-win situation for everyone involved in the transaction. Currently networking is majorly via social media platforms due to the coronavirus pandemic. According to Jibril, Kwarteng, Chovancova, and Pilik (2019) social media refers to online platforms that serve as a vehicle that moderate and mediate the engagement and interaction of persons or group of individuals. The platform makes it necessary to exchange and share ideas, opinions, and grievances on a common mission and vision. It is where new friendships, partnerships, and businesses, and even researchers are established often for ulterior motives (Goh, Heng, and Lin, 2013; Issa and Isaias, 2016).

Through social media platforms, SMEs can decide to get into strategic partnerships with suppliers and big businesses to expand customer outreach (Tóth, Nieroda, and Koles, 2020). Social media platforms are also useful in helping customers to refer other potential customers to SMEs with an online presence. Small and Medium Size Enterprises can greatly benefit from business referrals in growing their customer base (Zhu, Wang V, Wang Y, and Nastos 2020). It is for them to ensure that they fully satisfy their already existing client's needs and wants and gain their complete trust so as to be able to grow their customer base compared to their competition (Zhu et al. 2020).

A customer who is satisfied with the organization's product will not only purchase over and over again but they will use social media to provide positive feedback which will encourage other people to purchase the product as well (Garnefeld and Helm, 2016). The SME should work towards ensuring that their customers are satisfied through constant engagement with them, positively taking in corrections and areas of improvement so as to grow. Customer engagement carried out through social media networking is key in any business because it keeps all your customers engaged (Condorelli, Galeotti, and Skreta, 2018).

As an entrepreneur running an SME, customer engagement makes one aware of what improvements might be required to capitalize on for the growth of their venture. Therefore, social media networking is key for entrepreneurs running SMEs because it improves customer engagement as well as enhances their customer's satisfaction. There are a number of platforms that the entrepreneur can use to engage the customers, get feedback for product improvement as well as market which include twitter, website, Facebook, WhatsApp and Instagram among others (Coles, 2017).

## **1.2 Statement of the Problem**

Despite the different avenues entrepreneurs have access to grow and make their enterprises sustainable, Wanyoike and Kithae (2019) stated that there are available research reports which reveal that over 75% of SMEs fail to survive beyond three years after starting up. Therefore, seeing this reality there is a great need for research to be carried out on ways in which this trend can be reversed, and the percentages reduced. Therefore, this research will give us a clear picture of how networking and other components that will be discussed will enable these SMEs to improve on their performance.

According to Otinga, Maru, and Tarus (2016) social networks and performance of Small and Medium Size Enterprises in Western Kenya, they concluded that the Small and Medium Size Enterprises top manager's charisma buffered up the social networking which consequently improved the SMEs performance. The study however, recommended the need for SME managers to establish strong business networks that entailed establishing a solid rock of connections. Following this recommendation, this research proposal will not only focus on social networking but will mainly look into the issue of networking as a whole and its effect on the performance of SMEs whereby social media networking will be one of the specific objectives together with Partnerships and lastly, Business referrals. This will be based on a case study that will focus on Kiambu, Kiambu County in Kenya. This study is more of an opportunity where it will add to the body of knowledge which will also be used to carry out other research on the same line of thought.

Small and Medium Size Enterprises in Kenya alone, employ less than 50 people and have an annual turnover between Ksh. 500,000 and Ksh.5 million. SME's contribute to the economy by creating jobs and reducing the level of unemployment. According to Otinga, Maru, and Tarus (2016) stated that Small and Medium Size Enterprises (SMEs) play an important role in the economic development of a country. However, existing research in Kenya indicates that their survival rate is low. According to Ramadhan (2019) the number of SMEs grow by the day, a number of them have had shorter lifespan due to the many challenges they are facing. The collapse ration of Small and Medium Size Enterprises is alarming for developing countries as well as developed countries. In Kenya, they have been found to have very high mortality rates and as a result, measures to cope with this mortality are vital (Ochanda, 2014). They are therefore threatened for survival as competitive enterprises. Just like in many developing countries, in Kenya the survival rate of SMEs is only 10-20% (Ruhiu, Ngugi, and Waititu, 2014).

To help address the constraints of SMEs performance, most practitioners and scholars have gone ahead and used innovation, technology and intellectual capital to increase performance among other variables with little emphasis on social network. The study seeks to address the gap on the issue of networking and how it contributes in the performance of these SMEs. Therefore, this study sought to fill this knowledge gap, by exploring the effects of business networking on the performance of SMEs in Kenya, with a focus on Kiambu.

### **1.3 General Objective**

The general objective of the study is to determine the effects of networking on the performance of Small and Medium Size Enterprises within Kiambu County in Kenya.

### **1.4 Specific Objectives**

The study will be guided by the following objectives:

- 1.4.1 To determine the effects of social media networking on the performance of Small and Medium Size Enterprises within Kiambu County in Kenya.
- 1.4.2 To establish the effects of partnerships on the performance of Small and Medium Size Enterprises within Kiambu County in Kenya.
- 1.4.3 To assess the effect of business referrals on the performance of Small and Medium Size Enterprises within Kiambu County in Kenya.

### **1.5 Justification of the Study**

#### **1.5.1 Owners of Small and Medium Size Enterprises**

The group that will greatly benefit from this study are the owners of Small and Medium Size Enterprises themselves. It will greatly help them understand the importance of incorporating the art of networking into their day to day activities and their business strategies. Direct, indirect, offline and online networking are networking options that can help start-up companies to market their products over a huge audience with a relatively small budget or a minimal budget.

#### **1.5.2 Experts in the Networking field**

The art of networking has been mastered by some who have used it to their advantage. This study will enable experts in networking to gain more knowledge on the topic and use the knowledge in reach out to more people and training on it as well. These same experts will benefit on the issue of networking and will become better at it in this heavily turbulent environment.

### **1.5.3 Government**

The findings of these study are expected to be useful to the Government of the Republic of Kenya. Networking is an area that has not been paid key attention on and therefore, the study will offer insights on it and how the start-ups can benefit and grow from it. These companies rarely exceed their fifth year of operation due to heavy regulations and policies put in place by the government. The government can use this study to see how they can formulate policies and regulations that provide room for the companies to grow, excel and even add onto the country's Gross Domestic Product.

### **1.5.4 Scholars**

Researchers on this area of study or anyone interested in research will be able to understand further on the issue on networking and how it affects the performance of businesses. They will also be able to identify the gaps they can research more on to enrich the pool of knowledge.

### **1.5.5 Policy Makers**

The policy makers in Kenya will be able to use the study while coming up with policies for the Small and Medium Size Enterprises. They will be able to understand what it takes to start and grow a company in Kenya in terms of networks, resources, time among others. Through this, they will be able to come up with policies that support the growth of this companies and their advancements.

## **1.5 Scope of the Study**

The scope of the study will target various Small and Medium Size Enterprises which range from beauty shops and boutiques, electronics and accessories, general merchandise, shoes and footwear and hotels and catering firms whereby, data will be collected from the owners as well as the employees. These SMEs will be located in Kiambu in Kiambu County, Kenya within the Nairobi Metropolitan Region. According to the (County intergrated development plan kiambu, 2018) document, Kiambu County is one of the 47 counties in the Republic of Kenya. It is located in the central region and covers a total area of 2,543.5 Km<sup>2</sup> with 476.3 Km<sup>2</sup> under forest cover according to the 2009 Kenya Population and Housing Census. Kiambu County borders Nairobi and Kajiado Counties to the South, Machakos to the East, Murang'a to the North and North East, Nyandarua to the North West, and Nakuru to the West. The county lies between latitudes 00 25' and 10 20' South of the Equator and Longitude 360 31' and 370 15' East. The population of the study will be 2,647 registered SMEs in Kiambu County. The data will be collected from our sample size between the months of August and September in the year 2020.

## **1.7 Definitions of Terms**

### **1.7.1 Networking**

Networking can be defined as the activity of meeting people who might be useful to know especially in your job with whom one is able to build authentic relationship with which they can leverage on in the long-term and gain mutual benefits. According to Misner (2012) is the process of developing and activating your relationships to increase your business, enhance your knowledge, expand your sphere of influence or serve the community.

### **1.7.2 Small and Medium Enterprises**

The Kenya's official definition of SME which is adopted in this study recognizes SMEs with respect to employment size: Micro enterprises (1-9 employees), Small Enterprise (10-49 employees), Medium Enterprise (50-99 employees). Use of the term "employment" here does not necessarily imply partially or fully paid employment; but refers to the total number of people working in the business whether they are partially, fully paid or not (RoK, 2016). Micro, small and medium Enterprises are defined as organizations that employ between 1-99 employees (Potočník, 2016). Research by Mwaniki and Ondiek (2018) state that Small enterprises in Kenya can be defined as those organizations where the employees number is between 9-49, while the medium enterprises are defined as those organizations having an employee number of between 49-99 employees.

### **1.7.3 Social Media Networking**

Social Media is an internet-based application that allows exchange and conversation among users of a particular information. It can also be defined as an online platform which people use to build social networks or social relationships with other people who share similar personal and career interests, activities, backgrounds or real-life connections. According to Wanyoike and Kithae (2019) online social networks are social networking websites, blogs or virtual worlds for socializing, information exchange and like-minded conversation. Several digital channels such as websites, email, TV, etc. to facilitate the exchange rate of ideas, products and services.

## **1.8 Chapter Summary**

The Introduction chapter looks at the background of the study, the gaps, purpose of the study and the scope. The background of the study is based on the topic which is to find out the effect of business networking on the performance of Small and Medium Size Enterprises within Kiambu County in Kenya. The general objective of the study was to find out the effect of business networking on the performance of these enterprises. The study will help us to identify the ways in which business networking can enable Small and Medium Size Enterprises to progress and grow

amid competition, regulations and other internal and external factors and to reduce the problem of SMEs collapsing and not growing to attain their full potential. The research explored social media networking, business partnerships and lastly, referrals and the effects they have on business networking and eventually, how they affect the performance of these SMEs in Kiambu. The study's scope will focus on the owners and employees of these SMEs who will be approached during data collection which will aid in the research and in the analysis.



## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter covers literature review of the existing research literature on social media networking related issues affecting networking, partnerships and lastly, business referrals and how they affect the performance of Small and Medium Size enterprises within Kiambu County in Kenya. The first specific objective that is covered in the chapter seeks to determine the effect of Social Media Networking on the performance of Small and Medium Size Enterprises within Kiambu County in Kenya. The second specific objective seeks to establish the effects of partnerships on the performance of SMEs and lastly, to assess the effects of business referrals by already existing clients, suppliers and other stakeholders on the performance of Small and Medium Size Enterprises within Kiambu County in Kenya.

#### **2.2 Social Media Networking**

Social Media is an internet-based application that allows exchange and conversation among users of a particular information. It can also be defined as an online platform which people use to build social networks or social relationships which other people who share similar personal and career interests, activities, backgrounds or real- life connections. According to Olsson and Jarusriboonchai (2020) information and technology has revolutionized how people interact with each other irrespective of time and place. Over the last decade, computer mediated communication has exploded with various social media and online communication applications, which has allowed a variety of new forms of mediated social interplay with remote others.

According to Otinga, Maru, and Tarus (2016) the relationship between social network and firm performance can be explained by the social network theory. The social network theory is a social science concept that discusses the connection and relationship in a social structure. The theory emerged in the late 19th century and it attempts to find something that might connect people in their group or communities. A social network is a generic way a set of nodes or actors are connected by a set of social relationships, ties, or a specified type of ties.

Online platforms enable people to communicate, usually for a social purpose, through a variety of web-based services, which offer opportunities for people to interact over the internet. Adopted as social media technologies (SMT), these services allow real-time, direct knowledge exchange between two or more people-within and outside the organization, through the use of most internet-enabled devices. In particular, the usage of social networking tools within the organization,

brought radical changes to the organization in its efforts to improve performance (Soto, Popa, and Marqués, 2017; Popa, Soto, and Conesa, 2017). Therefore, for SMEs utilization of this social networking tools can bring about radical changes to them in their performance and sustainability.

They continue to write that increasingly; practitioners and academics agree that SMEs follow in the wake of large companies in benefitting from enterprise social media. Literature shows that SMEs comprise a large percentage of enterprises in a nation and are responsible for employing more than half of its workforce. Although critical contributors to economic development, the levels of adoption of Knowledge Management practices, strategies, and tools by SMEs have been hindered by factors including the shortage of human and financial resources that characterizes this type of firm (Conesa, Soto, and Carayannis 2017).

### **2.2.1 Social Networking Sites**

According to Demmers, Dolen, and Weltevreden (2018) social network sites (SNSs) are communication platforms in which participants have uniquely identifiable profiles. The profiles consist of user-supplied content. This content is provided by other users, and/or system-provided data. It can publicly articulate connections that can be viewed and traversed by others. It can consume, produce, and/or interact with streams of user-generated content provided by their connections on the site.

Customer service encompasses all activities that are undertaken with the aim of taking care of the customer's needs by providing and delivering professional, helpful, high-quality service and assistance before, during, and after the customer's requirements are met. Firms provide online customer service when they engage in online interactions with consumers by actively searching the web to address consumer feedback. The potential contribution of engaging in online customer service via Social Networking Sites to organizational goals is threefold.

The first reason is that it helps firms to signal relevant customer issues and address these issues with the goal of enhancing customer satisfaction. Secondly, providing online customer service can serve as a public relations tool, as firms' interventions with consumer messages can be observed by a broad audience beyond the consumer that posted the initial message. Thirdly, the insights that derive from monitoring online sentiments about a firm can be used as input to improve products and services. However, online customer service practices may not always enhance customer satisfaction.

According to Demmers et al. (2018) continue to write that successful organizations adopt strategies that rely on establishing new connections, exchanges, and interchanges with various other players in its ecologies of innovation including creating linkages with social networks in the external environment (Boylan and Turner, 2017). Our society is now moving from face-to-face relationships to on-line relationships. A decade ago, not many in India, ever thought that Social Networking Sites would capture our psyche in such a way as it is occurring now. Acknowledging this shift from more of online relationships as opposed to face-to-face relationships, entrepreneurs should be well vast with the social media space and take advantage of it and use it to grow their enterprises. Small and Medium Size Enterprises need to also adopt the use of Social Networking Sites so as to be able to reach out to clients and enhance communication with them.

### **2.2.2 Customer Engagement**

According to (Kumar, Rajan, Gupta, and Dalla, 2019) the repeated interactions that takes place between a consumer and a business defines customer engagement. These are physical, psychological and emotional investment that the consumer has in the brand or the business. The notion of investment is underpinned by the social exchange theory which states that an individual evaluates the intangible and tangible costs and benefits of engaging in a relationship. Engagement is more of a motivational state during participation in interactive activities. A customer that engages with the business would go beyond the purchase and provide feedback, referrals and have conversations about the brand on social networking sites.

### **2.2.3 Customer Satisfaction**

According to Michna (2018) customer satisfaction can be defined as a judgement that a product or service characteristic or the product or service itself, is providing (or provided) a pleasurable level of consumption-related fulfillment, including levels of over fulfillment and under fulfillment. Satisfaction is based on an overall evaluation of products and services, affecting customer's emotional attitude. As such, if a customer is satisfied with his or her purchase, then he may engage in repeat purchase. Satisfaction is more about intrinsic motivation than evaluation. A customer who is satisfied with the organization's product will not only purchase over and over again but they will use social media to provide positive feedback which will encourage other people to purchase the product as well. The SME should work towards ensuring that their customers are satisfied through constant engagement with them, positively taking in corrections and areas of improvement so as to grow (Kafetzopoulos and Psomas, 2016).

## **2.3 Partnerships**

Small and Medium Size Enterprises' performance can be understood from a quantitative perspective (Cicea , Popa, Marinescu, and Ștefan, 2019). These quantitative parameters include; efficiency, financial results, level of production and number of customers. Other parameters that can be considered include market share, profitability, productivity, dynamics of revenues, costs and liquidity. Conversely, there are some qualitative parameters that are vital such as; goals achievement, leadership style, employee behavior (Gupta and Batra, 2016; Zimon, 2018).

Qualitative factors that are not accurately measured by objective tools are still useful such as customer satisfaction, product and process innovation, organizational and marketing innovation (Gopang, Nebhwani, Khatri and Marri, 2017). Recent work in performance scoring has shown that there are 14 indicators to describe SMEs performance which include; reputation, productivity, employee satisfaction, profits, sales, prompt order delivery, sufficient working capital, effectiveness in operations of production, product quality, achievement of targets, number of clients, easiness in supervision, reduction in product cost and product diversification (Gopang et al. 2017).

According to Vanags, Ābeltiņa, and Zvirgzdiņa, (2018) for partnerships to be created by SMEs, they need to be very strategic in creating these networks. According to Kinyanjui, Kabare, and Waititu (2018) it states that for you to run a successful business, initially, it used to depend on what core competence a firm has but in today's global economy, it is partnering that determines the amount of business that can be generated by a particular firm. Companies turn to suppliers, customers, universities, and supporting government institutions for sources of technology and innovation in an array of partnerships.

### **2.3.1 Relationships in Business Networks**

In a business network perspective, the more successful the counterparts are, the better it is for the company. The more a company can help its counter parts develop and become successful, the greater are the chances it will become successful itself (Jin and Jung, 2016). That is not the way a company has traditionally been advised to look at its counterparts. They carry on writing that relationships between industrial companies, organizations and institutions have for a long time been largely neglected by scholars of both economics and management (Massaro, Moro, Aschauer, and Fink, 2019). There have been studies of how business is transacted between companies and institutions but little if any attention was given to the continuity and complexity

of interaction between business organizations. The situation has changed radically during the last two decades or so (Massaro et al. 2019).

The relationship between two companies may affect the way the two companies perform their activities, that is, their activity structure. Compared to individuals, companies are much more complex as to the variety and volume of activities performed. Thousands of different activities are performed and coordinated within a company. Every company thus takes the (often complex) form of a coordinated activity structure. When two companies build up a relationship, certain of their different technical, administrative or commercial activities can become linked to each other (Leick and Gretzinger, 2020).

A business relationship grows as a flow of exchange episodes in which some activities are undertaken by either of the companies (Jiang, X, Liu, Fey, and Jiang F, 2018). Resource ties is another one where a relationship between two companies has effects on the way the companies are utilizing resources. Within a relationship different resource element of the two actors can be tied together (Jiang et al., 2018). Actor bonds are also observed where a relationship between two companies affects the two units in a way similar to that between two persons. Bonds between two actors may alter their way of seeing and interpreting situations, as well as their identities both in relation to each other and to others. According to Aggarwal (2020) strategic alliances are an essential tool for managers in knowledge-intensive settings: They allow firms to access diverse information and know-how which can be of critical importance as inputs to the innovation process.

The relationships-based business networks are typically explained with the help of network theories. Networks have emerged due to the increased complexity of contemporary business operations massively connected through information and data flows among network ties (Schoenherr, Narasimhan and Bandyopadhyay, 2015). Such networks are also connected based on trust, satisfaction and joint decision making that contribute to environmental practices. These networks play a key role in mediating access to valuable resources, thus enabling innovation and an organizational change that helps to create knowledge linked with environmental sustainability (Schoenherr, Narasimhan and Bandyopadhyay, 2015).

In summary, partnerships, business networks and alliances are key for Small and Medium Size Enterprises (SME) where the entrepreneur has to carefully analyze the opportunities available for them to form networks. They should be networks where there is potential for growth, advancement and sustainability.

## **2.4 Business Referrals**

Business referrals are simply defined as the point whereby the company's products and services are marketed by its various stakeholders who include customers, suppliers, partners etc. to other people who might not know about their existence (Rajagopal, 2020). The Small and Medium Size Enterprise's already existing customers are able to refer other people they know among their networks and influence them in making the decision to purchase your products. The organization can go ahead and decide to give their customers various incentives and rewards for every customer they bring on board. This can be in form of gift vouchers, discounts on their purchases or even gifts (Pieper, Greenwald, and Schlachter, 2018).

Businesses can also get new customers through the use of social media platforms where their current clients are able to refer other people to the enterprise's site (Pollack, Rutherford, Seers, Coy, and Hanson, 2016). The referrals are now able to view the Enterprise's products and get any other information they might require in making the purchase decision (Pollack et al. 2016). For a client to refer other people to the organization's products, there has to be a level of trust and a healthy relationship between them and the enterprise as a whole. In addition to that, they have to also be satisfied with the products and services they purchase from the Enterprise.

### **2.4.1 Trust**

According to Peter and Cathy (2015) trust is an essential trait in networking. Reliance on a particular type of trust depends on the development phase of the venture. It is imperative for the SMEs to maximize the opportunities for building trust and learning from all the stakeholder relationships. Trust substitutes the cost and increases the efficiency of the collaboration while enhancing competitiveness (Ong and Zien, 2016). Trust has a positive influence on commitment and improves the relationship between partners (Azahari and Nayan, 2020).

The business networks need to institutionalize the efforts to foster trust and commitment rather than treating them to be a natural consequence of the quality of interactions or individual efforts of the boundary spanners. According to Uggerud, Tvinnereim, and Nordgaard, (2019) they wrote that trust was initially viewed as an interpersonal phenomenon until management scholars found trust on an inter-organizational level. Organizations are objects of trust; they have a reputation, develop routines, processes and culture, which unify the employees' behaviour to external contacts.

Trust can also be experienced between teams based on competence, but trust can also be experienced as an individual's trust in the organization, such as the reputation of the large firm as

a competent and fair player (Ashnai, Henneberg, Naudé, and Francescucci, 2016). In a small firm, only a few key players decide the trustworthiness of the firm, while in the larger firm, multiple people can affect the trustworthiness of the firm (Ashnai et al. 2016). In the case of the Small and Medium Size Enterprises, there are a few players who mostly include an entrepreneur who oversees the functioning and activities in the enterprise (Blackburn, Carey, and Tanewski, 2018). Trust also enables organizations to reduce the potential for conflict and encourages smooth information flow between partners hence taking the time to learn about the partner's organizational processes (Franklin and Marshall, 2019).

## **2.5 Chapter Summary**

This chapter is on literature review that already exists on Social Media Networking, Partnerships and Business Referrals and their effects on the performance of Small and Medium Size Enterprises (SMEs). The chapter tackles all the research questions outlined earlier on chapter one and provides a firm's theoretical background for the study. The chapter that follows next is chapter three which outlines the research methodology adapted in the data collection process.

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology. It covers the research design, population and sampling design, data collection methods, research procedures, data analysis methods and chapter summary.

#### **3.2 Research Design**

According to Kimani (2016) the research design is regarded as a blueprint, a master plan that specifies the methods, techniques, and procedures for collecting and analyzing the needed information or simply a framework or plan of action for the research. The research design provides answers to questions like what the study is about, what data type is required, purpose of the study, what are the sources of the needed data, place and area of study among other questions.

The research design that will be adapted for this study is the descriptive research design. According to Gill and Johnson (2006), descriptive research design addresses specific characteristics of a selected population of subjects at a point in time for comparing the relationship between various variables and in this study, there is the independent variable which is networking and the dependent variable is performance.

The target population of this study comprises of 2,750 registered SMEs operating in Kiambu. They study will also make use of the stratified random sampling technique whereby a percentage of the target population will be selected as the respondents. According to Wanyoike and Kithae (2019) they cited from a reference from Cooper and Schindler (2011) that a representative sample is at least 10% of the population and according to Robson (2012), stratified random sampling is important as it saves on expenses and time that could have been used studying the entire population. The two variables which will be focused on in the study as mentioned are networking and performance. The study seeks to determine how our independent variable networking will affect the dependent variable performance of Small and Medium Size Enterprises in Kiambu.

#### **3.3 Population and Sampling Design**

##### **3.3.1 Population**

A population is a set of subjects (such as individuals, groups, institutions, countries etc.). It exists if and only if its subjects can be distinguished from other subjects that do not belong to the very population (McGaghie and Crandall, 2001). For the purpose of this study, the target population



will constitute registered SME's in Kiambu County in Kenya. The entire target population comprises of 2750 registered SME's (Kiambu County, 2014). The study will approach the owners and employees of this Small and Medium Size Enterprises (SMEs) for data collection.

**Table 3.1: Distribution of the Population**

<b>SMEs Sectors</b>	<b>Population</b>	<b>Percentage</b>
Large and Medium & Small Retails	628	<b>23%</b>
General Merchants & Kiosks	760	<b>28%</b>
Hawkers and other Informal Traders	312	<b>11%</b>
Transport Business	436	<b>16%</b>
Agricultural Producers and Processors	480	<b>17%</b>
Lodging Hotels and Restaurants	134	<b>5%</b>
<b>Total</b>	<b>2750</b>	<b>100%</b>

(Kiambu County, 2014)

### **3.3.2 Sampling Design**

#### **3.3.2.1 Sampling Frame**

A sampling frame is a list of population units or elements from which to select units or elements are to be sampled (McDonald and Gates, 2001). The owners and employees of Small and Medium Size Enterprises in Kiambu Town constituted the sampling frame. The Small and Medium Size Enterprises that will be identified from the population will be the sampling units in the study. The sample elements will be the owners and employees of the various Small and Medium Size Enterprises that will be identified. Referencing the Kiambu County Document (2014) the SMEs that will be targeted include Large, Medium and Small retailers, General Merchants and Kiosks, Hawkers and informal traders, Transport Business, Agricultural producers and processors and Lodging hotels and restaurants.

### 3.3.2.2 Sampling Technique

Sampling can be defined as a statistical process of selecting a sample of a population of interest for purposes of making observations and statistical inferences about that population. The Stratified random sampling technique will be used in the identification of the sample. According to Shi (2015) stratified sampling means dividing the parent population into several types or layers and then sampling randomly from each layer, not sampling randomly directly from the parent population. The advantage of this method is it narrows the difference between different types of individuals through classification, which is conducive to extracting representative samples and reducing the sample size

### 3.3.5 Sample Size

A sample size is defined as the element of a study that represents the actual population, or that elements to be examined within a study, from which, inference was made to the entire population (Babbie, 2010). According to the Kiambu County (2014) document, it states that Kiambu County has a total of 2,750 registered Small and Medium Size Enterprises. These enterprises have boosted the county's economy through provision of goods and services, enhancing competition, fostering innovation, generating employment and in effect made the county have the highest per capita income in the country.

Slovin's formula will be used to identify the sample size for the data collection. By applying the formula, a sample size of 2,750 registered SMEs will be studied using a 10% margin of error. Stratified random sampling will also be used to identify a sample under each stratum. The weight of the stratum will be identified by relating the population under the strata in relation to the entire population (Sekaran and Bougie, 26 2011). The study will sample 2,750 registered SMEs in Kiambu.

Slovin's formula is:

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

Where n represents the Sample Size

N represents the Population

E represents the Level of Significance (0.05)

$$n = 2750 / (1 + 2750(0.05)^2)$$

Therefore, the sample size for the study will be 349 registered SMEs in Kiambu.

**Table 3.2: Distribution of the Sample Size**

<b>SMEs Sectors</b>	<b>Population</b>	<b>Percentage</b>	<b>Sample</b>
Large and Medium & Small Retails	628	23%	<b>80</b>
General Merchants & Kiosks	760	28%	<b>98</b>
Hawkers and other Informal Traders	312	11%	<b>38</b>
Transport Business	436	16%	<b>56</b>
Agricultural Producers and Processors	480	17%	<b>59</b>
Lodging Hotels and Restaurants	134	5%	<b>17</b>
<b>Total</b>	<b>2750</b>	<b>100%</b>	<b>349</b>

**(Kiambu County, 2014)**

### **3.4 Data Collection Methods**

According to Copper and Schindler (2012) data collection methods are defined as mechanisms a researcher employs to collect data from respondents of the study so as to answer the research. The goal for all data collection is to capture quality evidence that then translates to rich data analysis and allows the building of a convincing and credible answer to questions that have been posed. Regardless of the field of study or preference for defining data (quantitative, qualitative), accurate data collection is essential to maintaining the integrity of research.

For the study being carried out, the data will be collected using structured questionnaires administered to both the employees and the owners of the Small and Medium Size Enterprises identified in the target population. All construct will be measured using the five-point Likert scales ranging from 1=strongly disagree to 5=strongly agree (Junita et al., 2018 & Yahya et al. 2018). The main advantage of scaled-responses is that it permits the measurement of intensity of respondents' answers compared to multiple choice responses. The questions covered in the questionnaire will address the issues of social media networking, partnerships and lastly, business

referrals and their effects on the performance of the Small and Medium Size Enterprises in Kiambu.

To facilitate the analysis, the questionnaires will have a fixed set of responses which have encoded the requisite measures and thus readily compared and computed. The questionnaires have both closed ended and open-ended responses.

### **3.5 Research Procedures**

The research procedure will start with an approval from Dr. Caren Ouma who is supervising this research. An Institutional Registration Board letter will then be obtained from the United States International University which will later be followed by the Application for a permit from the National Commission for Science, Technology and Innovation which will come in handy in carrying out this research.

After identification of the issues to be researched on, the research proposal will be developed which will go through the research design strategy process of developing a data collection design, determining sample size and the recruitment plans for the research assistants who will carry out data collection. The enumerators (Research Assistants - data clerks) will then be recruited, who will be trained on the research tool to minimize the possible data collection errors which can emanate from the researchers themselves or the respondents.

The structured questionnaires will then be administered to the respondents who are the employees and owners of the Small and Medium Size Enterprises identified within the target population. The questionnaires shall be administered through face to face interviews by the enumerators to employees and owners as they carry on with their day to day activities after politely requesting them to participate and they will also ensure they explain the purpose of the study and assure the respondents of response confidentiality. What will follow the collection of data is insight development and interpretation of the data that will be collected from the respondents. A comprehensive research reporting will be followed after all the data has been carefully considered and interpreted. This report will now be used to make relevant decisions pertaining the study.

### **3.6 Data Analysis Methods**

In the study, the measures of the variables important to the research problem will be built into the questionnaires that will be administered to the owners and employees and the questions are going to be asked in an appropriate way to provide appropriate pro forma for the responses. The independent variable in the study is networking while the dependent variable is performance. The

study measures how networking affects the performance of Small and Medium Size Enterprises within Kiambu County in Kenya. The data analysis will include all the data that will be collected which will be entered into the statistical package and cleaned for missing values and data entry errors which usually emanate from the respondents, the instrument used for research, situational factors or even from the researcher himself.

The data will be analyzed using the Multi Linear Regression Model is  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$

Where,

Y: The independent variable (Performance of Small and Medium Size Enterprises) expressed as a linear combination of independent variable  $X_1$ ,  $X_2$  and  $X_3$

$\beta_0$ : This is the regression constant i.e.  $Y = \beta_0$  when  $X_1, X_2, X_3, \dots, X_k=0$

$\beta_1$ : Coefficient of Social Media Networking (Independent Variable  $X_1$ )

$\beta_2$ : Coefficient of Business networks (Independent Variable  $X_2$ )

$\beta_3$ : Coefficient of Business Referrals (Independent Variable  $X_3$ )

The IBM SPSS 20.0 will aid in the calculations of the data collected so as to get the frequencies and means that will help in the analysis. The quantitative data will be analyzed for descriptive statistics. This descriptive statistic will include frequencies, percentages, mode, mean and standard deviation to profile sample characteristics and major patterns emerging from the data collected. This will be followed by the interpretation of the statistical outputs which will later on be discussed in the presentation of results and findings under chapter 4. The completeness of the qualitative data collected will also be checked for and cleaned ready for data analysis. Content analysis will be used in processing qualitative data and results presented in prose form. The data collected and later on be analyzed will then be presented in the form of tables and graphs.

### **3.7 Chapter Summary**

This chapter represents the research methodology that will be adopted for this study. The chapter covers descriptive method research design where the population at hand represents 2,750 registered SMEs in Kiambu. The Stratified random sampling technique will then be used in the identification of the sample. Structured questionnaires will be used for data collection which will be administered to the Owners and employees of the SMEs. The data analysis will make use of the Multiple Linear Regression Model and IBM 20.0 which will also come in handy in calculating the quantitative data which will be analyzed for descriptive statistics. The chapter that follows is the result and findings which explains the data collected.