



RELATIONSHIP BETWEEN NETWORK SKILLS AND PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN KERICHO COUNTY, KENYA

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ABSTRACT

The micro small and medium enterprise has proved to be a backbone of most economies. They play a pivotal role such as creating employment opportunities for young and the old and this fosters economic growth and development. However, despite this critical importance of the sector and much effort by most governments in supporting the growth and development, nearly 70% of the MSMEs fail in less than three years since the commencement of their operations. Specifically, there is a high mortality rate of the MSMEs in Kericho county and it is estimated to be at 2.1%. This information therefore invited for a study to unravel the influence of network skills on performance of MSMEs in Kericho county. The study deployed correlational design where 615 MSMEs formed a target population for the study. The study employed stratified and purposive sampling techniques. The researcher employed Yamane's formula (1967) to arrive at 242 respondents who were the sample size of this study. A structured questionnaire was used as a research instrument to gather information for analysis. The data gathered by the researcher was descriptively and inferentially analyzed. From the analyzed data it was indicated that network skills influenced performance of MSMEs through accessing business networks, linking with other strategic partners and acquiring entrepreneurial trainings and mentorship. In conclusion, network skills positively and significantly influenced performance of MSMEs (Beta=0.435, and $P<0.05$). this study recommends that Kericho county government need to encourage the business entrepreneurs to adopt the concept of networking in order to enhance their business skills. The county also should formulate policies that will foster good environment for entrepreneurs networking

KEYWORDS: Micro Small And Medium Enterprises, Networking Skills, Performance.

1. INTRODUCTION

The micro small and medium enterprise are taken to be one of the backbone of different economies in the global setting, playing a pivotal role such as creating employment opportunities for young and the old hence fostering inclusive economic growth and development. Their unique contribution makes them fundamental to the achievement of economic objectives in developing nations (Udimal, Liu & Lou, 2021).

According to Organization of Economics Co-operation, and Development (2017) MSMEs are related directly to development and growth of any economy. According to Sivasree and Vasavi (2020) 95 percent of enterprises globally are made up of MSMEs. In the United States, Malaysia, Taiwan and India, MSMEs are reported to account over 60% to 70% of job opportunities and contributing more than 51 percent of gross domestic product. Endris and Kassegn (2022) to the developing economies, MSMEs is associated of contributing approximately 45 percent of job opportunities where they inject 33 percent to the gross domestic product. The contribution of MSMEs to the gross domestic product of Nigeria and Ghana is approximately 48% and 49%, respectively.

Brand, Croonen and Leenders (2018) asset that it's important to understand the relationship that exist between networking and performance of entrepreneur. The resources, relational, and structural aspects of networking impact the MSMEs performance in different ways. The impacts can be of positive or negative to MSMEs performance. An observation by Ndururi (2020) indicated that networking skills has become an important tool for attracting, retaining and expanding markets and thus leading to the MSMEs growth. Barrios, Mora, Gutiérrez and Amado (2022) argue that networking skills is one of the key determinant that enhances manufacturing MSMEs performance.



Udimal, Liu and Lou (2021) networking skills has emerged to play an important role in business venture expansion. Successful relationship is majorly developed for the sake of benefiting the business entrepreneurs. It is through networking that one gains skills that can be used to creatively address business related issues. Peemance and Wongsahai (2022) affirms that networking skills have become a competitive tool for business venture success. Njui (2013) opine that business networking is a strategy adopted with the aim of enhancing financial stability of the business venture, improving entrepreneur's skills and increasing MSMEs performance and become a competitive edge.

In global perspective, Klynveld Peat Marwick Goerdeler (2021) indicated that MSMEs manufacturers output showed a decline trend since 2019 and it is believed that part of the reason is because of poor networking which was contributed by the trade tension that existed between China and United States of America. In Kenya, MSMEs have shown positive and significant impact in the growth and development of Kenya economy, however they are continuously collapsing and this has been associated with lack of proper networking skills strategies put in place (Shurie & Orlando, 2020). This has been supported by the study of Makumi (2022) which argued that despite positive contribution of MSMEs to Kenyan economy, the failure rate has been extremely high.

In a report by Kenya National Bureau of Statistics (2022) majority of MSMEs manufacturers indicated a decrease in performance from approximately 7 percent to around 3 percent against the projected performance of 15percent in the year 2022. In another statistic by Kenya association of manufactures indicated that performance of the MSMEs manufacturers performance declined from 31 percent to 28 percent in 2019-2020 and this was below the developing countries expected index.

Problem Statement

The concept of MSMEs has been one of the most important area that has led to the development of the economy such as creation of employment and this minimizes the unemployment level. Despite this important role, the rate of the MSMEs survival has been wanting. A good number of MSMEs continue to grow but however some of them are experiencing a short operating lifespan which is attached to several constraints. The high mortality rate of the MSMEs in Kericho county is estimated to be at 2.1%. according to the study finding of Wanjau (2017), it established that entrepreneurs lack of adequate knowledge and connection with business partners both from local and international. It is on this point that the study sought to establish the influence of network skills on performance of MSMEs in Kericho county.

The study sought to get an answer on the research hypothesis below.

H₀₁ There is no significant effect of network skills on the performance of MSMEs in Kericho county.

2. LITERATURE REVIEW

Theoretical Framework

Social Networking Theory (SNT)

The theory was at first developed by J. A. Barnes in the 1950s, and later the theory was improved by Mark Granovetter and Barabási. This enabled the theory to be more applicable in the modern world. Therefore, networking and social networking is a framework that is adopted in order to understand how groups, people, or institutions are connected by network of relationship. Cote (2019) assert that this is a formation which involves networking relationship with other people who have common characteristics. They exchange and share knowledge that is set to provide networking opportunities.

Restel and Horak (2017) argued that informal network impacts on the prevention of formal organization's effectiveness, however it can also assist in enabling for efficient economic coordination. SNT in MSMEs is noted as a tool that connects the entrepreneurs and other business persons. The connections include dispersing and sharing knowledge but only when the networks are well understood and efficiently and effectively used. This may result to acquiring network skills that if well utilized can lead to MSMEs financial stability, increased performance and competitive edge, and improvement in business skills (Paros et al., 2020).

The strength of the theory is that new ideas acquired are more vital than individual attributes. This focuses on the transmission of information, how the information influences individuals and enable change in their behavior. It also influences exchange of ideas for progressive adaptation. One of the weaknesses of this theory is that individuals may



be sharing information and other ideas to the same group of people. This may result to having minimal access to innovative ideas that would enrich individuals networking skills

Networking skills and performance of MSME

Udimal, Liu and Lou (2021) conducted a study focusing on reliance of networking and performance of entrepreneurial, the influence of entrepreneurial orientation and external networking behaviors: a case of Indonesia rural farmers MSMEs. The study used 260 MSMEs in South of Sulawesi. The data was analyzed by adopting smart partial least squares. The study results indicated that networking had a positive as well as a significant impact on rural farmers MSMEs performance.

A study by Eikebrokk, Iden, Olsen and Opdahl (2011) in Spain, Finland, and Norway found out there was a positive relationship between training, competence and performance in promoting youth entrepreneurship. From their empirical analysis, they concluded that training explains the differences in e-business competencies and highlights performance in terms of efficiency in running enterprises and profitability.

Yahya, Othman, and Shamsuri, (2012) examined on the influence of entrepreneurs training on SMEs performance. The study was based on the characteristics of a manager, external factors and attributes of enterprise. The respondent for study were 500 Malaysia SMEs who were used to obtain primary data which was collected through questionnaires. The questionnaires were sent through the respondents' emails. Descriptive as well as Pearson correlation analysis were deployed to analyze the collected data from the respondents. The outcome from the analyzed data revealed that performance of SMEs in Malaysia was due to business skills acquired from trainings. In conclusion, the study recommends that there is need to carry out a research using interviews schedules as a research instrument.

According to the study conducted in South Africa by Rabie, Cant, and Wiid, (2016) sought to determine the role of business training programs on performance of MSMEs. Passive learning theory was used in the study. The study relied on convenience sampling technique because this eased the collection of data. To obtain data for analyses, the researcher self-administered questionnaires. Data was coded in SPSS v 22.0 and was cleaned before the data was being subjected to analysis. The data was descriptively analyzed and the results showed that scarcity of resources impacted SMEs performance unlike entrepreneurial training and mentorship which was found to have a positive significant impact on the performance. Further there is need to carry out research based on financial resources and how they affect performance of MSMEs.

Abdul (2018) carried a study which was comparative in nature and focused on UK and Nigeria entrepreneurs. The study specifically sought to examine the role effects of entrepreneurs' skills on MSEs performance. A sample of 18 respondents was obtained through using judgmental sampling techniques. This research collected primary data by sharing the questionnaires to the respondents via online and targeted 18 MSEs owners from both countries. Data collected through the online survey were analyzed using content analysis. The comparative results show that there was a positive and significant relationship with MSEs performance. Additionally, the findings revealed that innovative and creativity thinking, good communication skills, ability in solving problem enhances MSEs increase in sales and acts as a competitive advantage. However, in contrast, respondents in Nigeria indicated a strong agreement that innovative and creativity thinking, good communication skills, ability in solving problem contributed significantly to performance of MSEs, whereas, in the UK, MSEs performance was attributed to innovative and creative thinking. On the other hand, good communication skills, ability in solving problem had weak effect on MSEs performance.

A study by Gathoni, Gichunge, and Mutegi, (2021) conducted in Nairobi affirmed that approximately 50 percent of the entrepreneurs who enjoyed business training posted some business improvement. Further the study affirmed that 60 percent of the entrepreneurs who did not have business trainings revealed that their entrepreneurial business were underperforming as compared to 40 percent who had business skills through business training lead to improved performance of their businesses. The analyzed data was collected from a sample size of 198 who comprised of managers and owners of the businesses. Therefore, there ought to be more studies conducted in order to ascertain the role of entrepreneurial trainings on MSMEs performance. The study should use different methodologies.

Caroline, and Patricia, (2021) examined the influence of business group affects financial performance of Nairobi's micro and retail enterprises. Due to the nature of the research, the researchers employed both explanatory and experimental designs. In order to have a 116 retail enterprises who were not in groups and 116 who were in group, random sampling was considered convenient. Primary source of data collection and secondary source were both used to generate quantitative and qualitative data for the study. The findings showed that strategic partners indicated negative and insignificant influence on financial performance of Nairobi's micro and retail enterprises. It was concluded that group loans, training groups on financial concepts were identified to be key challenges facing micro and retail enterprises. It was important therefore, the county governments to formulate and enact some policies that will help all the entrepreneurs to attend training programs.

Another study conducted in Nairobi, Kenya by Nduta (2016) sought to examine how entrepreneurs training influences performance of youths' medium and small enterprises. The research design used was descriptive with 7495 MSEs used as target population. Sampling technique used to obtain a small sample size of 365 was Multi-stage sampling techniques. Questionnaires were utilized to gather primary data from the respondents. Later the data was subjected to cleaning and analysis. SPSS and Excel was used to analyze the data which was then presented as charts, tables, frequency and tables. The results indicated that creativity skills played a key role in influencing performance of MSEs. Again it was ascertained that training had a direct relationship with MSEs performance. It is recommended that a similar study can be carried but focus on a different county because this can help in finding out whether the results can be duplicated.

Conceptual framework

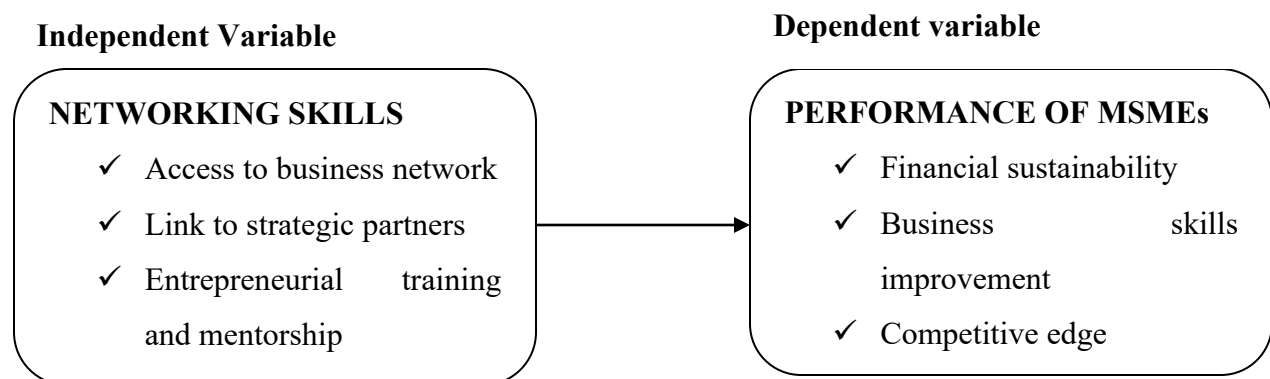


Figure 2.1: Conceptual Framework

Source: Self-Conceptualization (2024)

3. RESEARCH METHODOLOGY

According to Cooper (2014) correlational design is suitable for the study that collects both quantitative and qualitative data. Therefore, this made the research design suitable for the study. There are 615 registered MSMEs in Kericho county and this formed a target population for this study. The study employed stratified and purposive sampling techniques. The researcher employed Yamane's formula (1967) to arrive at 242 respondents who were the sample size of this study. A structured questionnaire was used as a research instrument to gather information for analysis. Validity of the research instrument adopted content validity, construct validity and face validity. Reliability of the instrument was determined by utilizing pre-test of the instrument. The data gathered by the researcher was descriptively and inferentially analyzed. On the other hand, the study embraced regression analysis in order to determine the relationship that exist among the variable under study while correlation analysis sought to unravel the nature of relationship among the study variables.

4. RESULTS AND DISCUSSIONS

Descriptive output was generated specifically for Network skills. Network skills was examined and presented in form of tables, standard deviations and mean. This is presented in table 1.0 below



Table 1.0
Effect of Network skills on MSMEs in Kericho county

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	There has been increase in performance	39	14.1	14.1	14.1
	It has remained stagnant	0.0	0.0	0.0	14.1
	It has grown	193	85.9	85.9	100.0
Total		232	100.0	100.0	

Source: Researcher's Data (2024)

Table 1.0 revealed that 85.9% (193) of the Network skills in MSMEs attained from business incubator has contributed to the expansion of business venture. While 14.1% (39) of this study respondents showed that Network skills acquired from incubator yielded a double performance of their business venture. Further the study found out that there did not exist any stagnation because of network skills 0.0% (0.0).

Table 2.0
Descriptive Statistics for Network skills

	N	Minimum	Maximum	Mean	Std. Deviation
Network skills helped me to have a business network with other businesses	232	2.00	5.00	4.7324	.58174
Network trainings assisted me to create a link between clients and business investors and this has enhanced performance of my enterprise.	232	2.00	5.00	4.1455	.54291
Networking has linked my business enterprise to strategic partners who have fostered my business skills thus improved my business performance.	232	2.00	5.00	4.6432	.60999
Entrepreneurship training has improved my business skills had this has increased my enterprise performance	232	2.00	5.00	4.4225	.64418

Source: Researcher's Data (2024)

Table 2.0 indicated that business incubators greatly assisted MSMEs to acquire a business network with other businesses (mean of 4.7324). Its variations in business networking is low, hence it assisted most enterprises in networking (standard deviation of 0.58174).

Incubators business trainings adequately assisted in linking with customers and investors who enhance the growth of the enterprise (mean of 4.1455). It had low variation in opinion indicating that it assisted to link customers and investors with enterprise (standard deviation of 0.54291).

It was found that business incubators satisfactorily linked enterprises to other strategic partners who foster the performance of business ventures (mean of 4.6432). It revealed low standard deviation of 0.60999 which indicated that most of the enterprises used strategic partners.



The study findings reviewed in entrepreneurship training had improved business skills and increased my enterprise performance (mean of 4.4225, standard deviation of 0.64418).

Literature concurred with the current study findings. For instance, a study by Yahya, Othman and Shamsuri (2012) findings indicated that business skills which were obtained through trainings contributed greatly to the growth of MSMEs despite the study being carried in Malaysia. In another study which was conducted in Nigeria by Abdul (2018) indicated that entrepreneurial skills acquired contributed to the growth of MSMEs and the current study post similar findings even though the study was conducted in Kenya.

Table 3.0
Descriptive statistics for performance of MSMEs

	N	Minimum	Maximum	Mean	Std. Deviation
The business venture has experienced financial stability due to networking skills.	232	1.00	5.00	4.8	.76261
There has been and improvement in business skill that has been associated good business networking.	232	1.00	5.00	4.1	.73851
The business venture has developed a competitive edge over other competitors due to networking skills acquired.	232	1.00	5.00	4.6	.76817

Source: Researcher's Data (2024)

Table 3.0 shows that business venture had experienced financial stability and this was as a result of attained networking skills (M= 4.8). However, there was some moderate variations in respondents' opinion about financial stability with an overall consensus being positive (Std dev. of 0.76261).

The outcome indicated that there existed an improvement in business skill and it was due to good business networking (M= 4.1). the standard deviation (0.73851) asserts that there was a moderate variation from the study responses. In general, this depicted that there was a general agreement from the respondents that business networking improves one's business skills and there was a strong agreement from the respondents Further it was found that networking skills became a competitive edge for most of the MSMEs performance (M= 4.8). the variation was moderate with a positive consensus (Std dev. 0.76817).

In overall, the study indicated that there was an increase in financial stability of the business, improvement entrepreneur's business skills and business obtained a competitive edge over the other competitors through networking skills attained. Finding was supported by Udimal, Liu and Lou (2021) where they affirmed that networking had a positive as well as a significant impact on rural farmers MSMEs performance. Also a study by Abdul (2018) indicated that entrepreneurial skills had positive significant relationship with growth of MSMEs.

The study conducted a correlation analysis to determine the relationship that was between independent variables (network skills) and dependent variable (performance of MSMEs). To achieve this, the study adopted Pearson correlations and the significant tests. This is in table 4 below

Table 4: Correlational analysis

		Networking skills	Performance of MSMEs
Networking skills	Pearson Correlation	1	.869**
	Sig. (2-tailed)		.000
	N	232	232
Performance of MSMEs	Pearson Correlation	.869**	1
	Sig. (2-tailed)	.000	
	N	232	232

Source: Researcher's Data (2024)



Table 4 indicates the relationship between independent variables (network skills) and dependent variable (performance of MSMEs). The indicates a strong and positive relationship between network skills and performance of MSMEs ($R=0.869$, and $P<0.05$).

Table 5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.002	.193		.023	.981		
	Network skills	.435	.067	.491	7.608	.000	.223	4.760

a. Dependent Variable: Growth of MSEs

Table 5 indicates clearly that network skills has a positively and significantly relationship together with performance of MSMEs ($Beta=0.435$, and $P<0.05$).in essence, one-unit increase of network skills had 0.435-unit increase on performance of MSMEs.

H₀₁ There is no significant effect of network skills on performance of MSMEs in Kericho county.

The outcome of the study indicated that there existed a positively and significantly relationship between independent variables (network skills) and dependent variable (performance of MSMEs) in Kericho County ($Beta=0.435$, and $P<0.05$). Thus there is approve to reject a null hypothesis and accept the alternative hypothesis. This findings match with the study findings of Udimal, Liu and Lou (2021) where they affirmed that networking had a positive as well as a significant impact on rural farmers MSMEs performance in Indonesia.

5. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study concluded that network skills had significant influence on the performance of MSMEs. Easy and quick accessible to business network enhanced business skills improvement. Through the linkage of strategic partners MSMEs were in a position to network with the other investors and customers. On the other hand, entrepreneurial training and mentorship had led to the entrepreneur gaining business skills and fostering their business skills that enabled them to have a competitive edge over their competitors. In general, network skills have contributed greatly to the better performance of the MSMEs in Kericho county.

Recommendations

The study recommends that business training programs be conducted frequently to enhance business networking and provide MSMEs with essential skills. This approach will help MSMEs attract more customers, investors, and strategic partnerships. Additionally, these initiatives can be implemented at various levels, including national, county, and ward levels, as well as through collaborations with non-governmental organizations and the private sector.

Suggestions for Further Research

This study suggests that there is need for similar study to be carried and focus on other counties in order to do comparison of the findings with the findings of this study.

Further the study suggests for another study to be conducted based on the influence of networking skills on the MSMEs financial performance. This will help in ascertaining if the influence will match with the findings of a non-financial performance.

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