

## THE INFLUENCE OF SOCIAL COMPETENCE ON THE TYPES OF ENTREPRENEURIAL NETWORKS FORMED BY SMALL AND MEDIUM ENTERPRISES (SMES): EMPIRICAL EVIDENCE FROM TANZANIA'S MANUFACTURING SMES

Elia John<sup>1</sup>, Adam B.S Mwakalobo<sup>2</sup> and Kenneth M.K. Bengesi<sup>3</sup>

<sup>1</sup>Department of Marketing and Entrepreneurship, School of Business Studies and  
Economics, The University of Dodoma  
P. O. Box 1208, Dodoma-Tanzania  
E-mail: [lusakokilima@gmail.com](mailto:lusakokilima@gmail.com)

<sup>2</sup>Department of Economics, School of Business Studies and Economics, The  
University of Dodoma  
P. O. Box 1208, Dodoma-Tanzania  
E-mail: [adbsmwakalobo@yahoo.com](mailto:adbsmwakalobo@yahoo.com)

<sup>3</sup>Development Studies Institute, Sokoine University of Agriculture  
P.O.Box 3228 Chuo Kikuu  
Morogoro-Tanzania  
E-mail: [kenneth\\_bengesi@yahoo.com](mailto:kenneth_bengesi@yahoo.com)

### ABSTRACT

*This study examined the influence of five dimensions of social competence namely social perception, social adaptability, social expressiveness, impression management, and persuasiveness on the types of entrepreneurial networks formed by SMEs. Types of entrepreneurial networks are social networks, business networks, and supporting networks. To achieve this objective the study adopted a cross-sectional study design where by data were collected from manufacturing SMEs in Tanzania in four types of sub-sectors viz food processing, woodwork, ironwork, and textile. 250 SMEs were selected through stratified random sampling procedure. Self-administered questionnaires were used to collect data in a survey from owner- managers of these SMEs. Statistical analysis included factor and Poisson regression model. The study findings identify and indicate that a number of social competence dimensions have a significant influence on networks formation. These findings suggest that social competence is influential in determining the type and size of entrepreneurial networks formed by SMEs.*

**Key words:** Owner-manager, entrepreneurial networks, SMEs, social competence

### 1.0 INTRODUCTION

SMEs are strongly regarded to be the major source of employment, innovation (Kongolo, 2010), and industrialization (Migiro and Wallis, 2006; Mutalemwa, 2009). In developing countries like Tanzania, SMEs are seen as the means of reducing poverty (Rutashobya and Mukasa, 2005; Bekefi 2006; Akarro, 2009) and the gap between the rich and the poor

(Akarro, 2009). However, research shows that there are some unfavourable conditions which prevent small firms from realizing their full potential; thus resulting in lost jobs and wealth in the region in which they are based.

To address this problem, previous studies in entrepreneurship have examined ‘factors’ influencing business performance in both large and small businesses (Semrau and Werner, 2012). These factors have mainly revolved around personality traits, social-cultural aspects (Nichter and Goldmark, 2009) and socioeconomic factors (Greve, 1995). However, researchers are gradually changing their attention from this personality trait and social-cultural approaches to networking-entrepreneurship approach (Schutjens and Stam, 2003). According to this approach, grasping entrepreneurship evolution requires a different view which regards entrepreneurship as a social process that takes place through social relations and interaction of networks formed by entrepreneurs (Sousa *et al.*, 2008). Thus, apart from human and financial capital, networks and networking activities are regarded as a stepping-stone to higher firm performance. A growing consensus on the importance of entrepreneurial networks on business performance is based on the argument that networks help firms to acquire necessary resources which determine business performance (Rutashobya, 2002; Kusumawardhani *et al.*, 2009). In that view, inferior SMEs performance may be attributed to inadequate and poor networking activities (Mutalemwa, 2009; Fatoki, 2011).

The usefulness of networks on performance results from individuals’ social skills (Baron and Markman, 2000). According to Bengesi (2013), networks tend to be more valuable on SME performance if owner-managers have the ability to start, keep, and exploit their relationships with external partners. This ability of forming and maintaining relationships or networks is termed as “social competence” (Phelan *et al.*, 2013). Comprehensively, social competence is defined as a bundle of appropriate social skills and capabilities which enable people to communicate, interact, impress, influence others around them (Baron and Markman, 2003). Social competence is categorised into five dimensions namely social perception, social adaptability, social expressiveness, impression management, and persuasiveness (*ibid*). As such, in conceptualising SME performance, it is imperative to take into account the role of social competence on building relationships (networks). However, little is known on how each dimension of social competence influences the formation of different types of networks. Therefore, this study aimed to examine the influence of each dimension of social competence on the types of entrepreneurial networks formed by SME’s owner-managers.

The rest of the paper is organized as follows. Section two covers the literature review and the conceptual framework that guide this study. The third section focuses on the research method used to collect and analyze data. Section four presents results and discussion of the results. Lastly, section five explain the contribution of the study, examines the study limitations and areas of further research.

## 2.0 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

## 2.1 Entrepreneurial networks and networking in SMEs

The study of networks, particularly social networks in business is basically derived from sociology and anthropology (Premaratne, 2002; Peverelli *et al.*, 2011). Social networks are recognisable in almost any society (Gu *et al.*, 2008). Persons live in a social environment in which they collaborate with others in several social events and issues (Shankar, 2012). In that case, like any individual, the entrepreneur regularly interacts with several persons ranging from family members to business associates. These individuals result into a network believed to have an influence on the performance of the enterprise (Bratkovic *et al.*, 2009). That is the reason, researchers nowadays admit that entrepreneurs and so are their firms, depend on other actors outside the firm to achieve their goals rather than viewing them as isolated and independent persons capable of doing everything on their own (Klyver *et al.*, 2008). Therefore, entrepreneurial networks and networking are fast becoming core concepts of research in business particularly SMEs.

In *Longman Dictionary of Contemporary English*, the term network is defined as “a group of people and/or organisations that are connected or that work together”. Generally, networks mean “connections and interactions between individuals, groups, and organisations” (Sirec and Bradac, 2009). For an enterprise, entrepreneurial networks involve all relationships with other individuals, business partners, and organisations that influence business performance (Schutjens and Stam, 2003). Likewise, in SMEs context networking involves all activities of the owner-manager to build relations with other actors for the purpose of exchanging resources at low cost and enhancing the firm’s performance (Sirec and Bradac, 2009; Machiori and Fatoki, 2013). In this view, networking activities enable entrepreneurs to recognise business opportunities, gain an edge over competitors, reduce operation cost, and accumulate resources. Thus, it is argued that in order to be successful, SMEs must collaborate with other actors outside the firm such as competitors, suppliers, buyers, and other firms, supporting agencies, family members and friends (Thrikawala, 2011).

The outcome of networking activities is ‘social capital’ (Greve and Salaff, 2003). Social capital is referred to as a collection of actual and potential resources resulting from network relationships (Greve and Salaff, 2003; Liao and Welsch, 2005). It is through these resources firms obtain a competitive advantage that augment their ability to survive and perform effectively. Therefore, social capital includes both networks and assets that can be obtained through networks. However, the focus of this study is mainly on networks and its relationship to SMEs performance.

## 2.2 Entrepreneurial network typology in SMEs

In the literature different types of network ties between firms or individuals have been categorised in different ways. Network types can differ according to type of actors and the type of relations or interaction (e.g. formal vs. informal). Kusumawardhani *et al.* (2009) argue that networks can simply be classified depending on the essence and cause of relationship. For instance, Felzensztein, *et al.* (2010) identify three broad types of networks: *exchange networks*, involving business relationships that facilitate transactions between actors; *communication networks*, includes collections of those organisations and

individuals which facilitate business information flow and link the firm with other actors; and *social networks*, involving both formal and informal relations with family members, friends and other relations that offer support to SME owner/manager.

Abou-Moghli and Al Muala (2012) divided networks into *social networks*, *business networks*, and *inter-organisational strategic network*. Similarly, Premaratne (2001), Thrikawala, (2011), and Ongong'a and Abeka (2011) classify networks in terms social networks, inter-firm networks, and supporting networks. Social networks consist of family, relatives, friends and acquaintances; inter-firm networks involve relationships with other enterprises (large and small) and competitors; and supporting networks mostly include organisations like government bodies/agencies, Non-Governmental Organisations (NGOs), financial institutions, and other SME supporting institutes.

In general, literature shows that the types of entrepreneurial networks formed and maintained by SMEs revolve around three categories, i.e. social networks, business networks, and supporting networks. In this view, the present study categorizes entrepreneurial networks based on these three types. According to Kusumawardhani *et al.* (2009) social networks are personal or informal networks involving a person's friends, family members, and acquaintances. They may also include formal social contacts of groups and organisations created for non-business purpose (Schutjens and Stam, 2003). In this case social networks are mainly developed around friends and the extended families of the business owners, or alternatively through tribal, religious or various socio-cultural organisations. Therefore, in this study social networks also include ethnic groups, religious affiliations, and fraternal organisations.

Business networks or inter-firm networks are mainly formal and business oriented relations (Premaratne, 2002; Kusumawardhani *et al.*, 2009). Business networks involve persons, groups, and organisations created for direct business purposes and economic exchanges (Schutjens and Stam, 2003). They are formally and deliberately built for the purpose of sharing resources and countering business barriers among actors (Farinda *et al.*, 2009). Nevertheless, business networks and social networks do and may overlap, but they can merely be distinguished by the fundamental cause and goals of the relationships.

Supporting networks are more or less similar to business networks, but supporting networks are more concerned in providing support to SMEs (Premaratne, 2002), and in many cases, they involve organisations and institutions rather than individuals (Thrikawala, (2011). Given this foundation, it is now important to understand the concept of social competence in order to link it with different types of entrepreneurial networks.

### **2.3 The concept of social competence**

The concept of social competence has been much researched in many other disciplines and areas such as sociology, psychology (Blad, 2008), educational science (Arnold and Lindner-Müller, 2012) and organisational behaviour (Beheshtifar and Norozy, 2013). However, recently, social competence is starting to gain more popularity in business, notably at work organisations in evaluating job performance (Wu, 2008; Beheshtifar and Norozy, 2013). Yet, it remains under-researched in many business and entrepreneurship

perspectives, particularly in SMEs context. Literature admits that social competence is a very complex (Blad, 2008) and broad construct with many features (Arnold and Lindner-Müller, 2012). Thus, social competence is conceptualized differently by different researchers and authors depending on the context and objectives of the study. For the same token, no single study can cover all social competence dimensions and variables.

Wu (2008) relates social competence to a number of interpersonal skill and relationship concepts as well as social effectiveness measures such as social skill, social intelligence, emotional intelligence, and political skill. Table 2.1 presents brief definitions of these concepts in order to provide insights on how they are connected with social competence construct.

**Table 2.1: Social Competence Concepts and Definitions Used in Previous Research**

Concept	Definition	Author
Social skill	Is an interpersonal skill that enables managers at work place interact easily with their colleagues and customers, ultimately enhancing organisational success	Ferris <i>et al.</i> (2007)
Social intelligence	Is the ability to recognize and express oneself in different social situations and cultural aspects	Riggio and Reichard (2008)
Emotional intelligence	Is the person's ability to manage and understand their own feelings and emotions and those of others around them leading to conducive interaction and relationships with other actors	Orziemgbe <i>et al.</i> (2014)
Political skill	Is the one's personal capability to comprehend others at work place and applying that skill to persuade colleagues to fulfill his/her and/or organisational goals	Ferris <i>et al.</i> (2005)

These definitions offer a framework for defining social competence. Arnold and Lindner-Müller (2012) describe social competence as the “ability to effectively make and maintain positive social outcomes by organizing one's own personal and environmental resources”. According to Phelan *et al.* (2013), social competence can be defined as “the ability to form and maintain relationships or networks”.

In general, these definitions appear to be complementary and imply that social competence is ability that can be taught and imparted to individuals. In this study, social competence is defined based on the definition put forward by Baron and Markman (2003) as a bundle of appropriate social skills and capabilities which enable people to communicate, interact, impress, influence others around them. Social competence is categorised into five dimensions namely social perception, social adaptability, social expressiveness, impression management, and persuasiveness (*ibid.*).

### **2.3.1 Social perception**

Social perception is one of the main features of social competence mentioned in several social competence and effectiveness concepts but under different terms such as social astuteness (Ferris *et al.*, 2005), social and emotional sensitivity (Riggio and Reichard, 2008). A person that is rich in social perception is likely to be highly perceptive of the social environment and behaviour of oneself and that of others (Ferris *et al.*, 2005). In other words, this characteristic refers to the ability to accurately decipher social interactions and behaviours. Persons loaded with social perception can easily cope with other persons. They are also expected to be sensitive and understand others' motives, traits and emotions, and needs (Baron and Markman, 2003; Ferris *et al.*, 2005).

To summarize, social perception influences a person's ability to accurately perceive and interpret other people and social settings. Baron and Markman (2000) argue that social perception is very important to entrepreneurs in various aspects. They argue that social perception can contribute to the entrepreneurs' success since it may assist them to negotiate with partners, customers, suppliers and many others with whom they interact.

### **2.3.2 Social adaptability**

Socially competent persons have the ability of being flexible and to adjust in various social settings. This characteristic is referred to as social adaptability (Baron and Markman, 2003). Just like social perception, social adaptability is another familiar dimension used to describe social competence, but is sometimes conceptualised differently. Some examples of names used in previous studies are interpersonal influence (Ferris *et al.*, 2005), emotional control, social control, and emotional expressivity (Riggio and Reichard, 2008). More specifically, this dimension refers to as the ability to adapt to different social situations in order to prompt specific responses from others and reach one's objectives (Ferris *et al.*, 2005).

Baron and Markman (2000) argue that an individual proficiency in social adaptability tends to be very skilled at adapting to various social contexts and can be described as a "social chameleon", able to change his/her behaviour to fit in different social situations. They further argue that this is a very important ability for entrepreneurs in creating business relations.

### **2.3.3 Social expressiveness**

The third dimension of social competence applied in this study is social expressiveness also referred to as 'networking ability'. As the term suggests, it refers to a person's ability to communicate verbally, interact (Riggio and Reichard, 2008), and develop a range of relationships (networks) with different actors (Ferris *et al.*, 2005). A person that is able to confidently interact with others (Blad, 2008) and clearly articulate oneself, is likely to convince those around to believe on what he/she says (Riggio and Reichard, 2008).

According to Ferris *et al.* (2005, 2007), individuals skilled in social expressiveness are very competent at debating and executing business transactions. This implies that these persons should have good verbal and presentation skills, i.e. they are good at explaining and

presenting things. Therefore, entrepreneurs that are high in social expressiveness should be more adept at developing networks beneficial for their business performance.

### 2.3.4 Impression management

This dimension of social competence refers to the ability to inspire right reactions such as trust, confidence, sincerity, and integrity in and from others (Baron and Markman, 2000, 2003; Ferris *et al.*, 2005, 2007). In other words, this dimension of social competence is concerned with instilling a feeling and perceptions on others that there is no intent of manipulations in a person's behaviours. It is for this reason Ferris *et al.* (2005, 2007) also refer to it as 'apparent sincerity.'

It is extremely vital for an entrepreneur to give a good impression and look sincere or honest. This may influence formation of relations (networks) crucial for the performance of the venture. Baron and Markman (2000) suggest that impression management is also very important when an entrepreneur is seeking to secure finance from potential creditors or investors. This implies that characteristics like one's own appearance and image, agreeing with others and flattering them, influence whether entrepreneurs are perceived as sincere or honest, which in turn might affect network formation.

### 2.3.5 Persuasiveness

The last dimension of social competence is called persuasiveness and refers to a person's ability during personal contact to influence others to change their opinion, attitude, and behaviour according to one's wish (Baron and Markman, 2000, 2003). According to Blad (2008), persuasiveness focus on one's ability to skillfully convince others to behave and act in a way that one wants and refers to it as 'social manipulation'. Baron and Markman (2000) argued that persuasiveness is relevant to entrepreneurs because it enables them to acquire funds, bargain with customers and suppliers as well as execute business transactions. Overall, persuasiveness can influence creation of networks needed by entrepreneurs to facilitate resource acquisition.

**Table 2.2: Overview of Social Competence Dimensions and Related Concepts**

Social perception	Social adaptability	Social expressiveness	Impression management	Persuasiveness
Social astuteness	Interpersonal influence	Networking ability'	Apparent sincerity	Social manipulation
Social sensitivity	Emotional control			
Emotional sensitivity	Social control			
	Emotional expressivity			

Table 2.2 summarises the dimensions of social competence discussed above. From Table 2.2, it can be noticed that social perception is the most important dimension of social competence since most studies conducted on social competence and effectiveness have included some dimension related to social perception. Baron and Markman (2000) argue that this is a vital skill for entrepreneurs to have in several social situations in business activities. They argue that social perception is helpful when entrepreneurs are negotiating with customers, suppliers, investors, partners or others involved in business transactions. Negotiations of any kind are critical in business activities and an entrepreneur with a high level of social perception is more likely to accurately interpret the situation and the others' intentions (Baron and Markman, 2000).

#### **2.4 The role of social competence on entrepreneurial networks formation**

Empirical evidence suggests that social competence facilitate network formation and firm performance (Baron and Markman, 2003; Kristiansen, 2004; Zhao *et al.*, 2010; Tocher, 2007; Blad 2008). For instance, in Tanzania, the study by Kristiansen (2004) reveals that a socially competent entrepreneur normally develops large and variety of networks. Likewise, is able to maintain close relations with his/her are network. This situation enables him/her to build trust and reputation that facilitates acquisition of resources (particularly financial capital) for their business.

The above findings are also supported by Blad (2008) arguing that an entrepreneur with a high level of social competence might be more likely than somebody with a lower level to create a large network and obtain a large social capital. Consistently, the findings of a study conducted by (Meutia, 2013) in Indonesia indicate that entrepreneurial social competence influences business network formation. Similarly, Zhao *et al.* (2010) examined the role of social competence on business owners' network size and business growth in China. The study found that social competence is positively related to both network size and business growth.

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Research design**

A cross-sectional research design was be used in this study. In general, cross-sectional design entails the collection of data from a sample of a population at one point in time (Bailey, 1998). It offers significant time and cost advantages and is considered appropriate for studies that involve many variables and a large group of respondents. It is especially useful for studying variables that are not easily manipulated (such as networks) (Zane, 2011).

#### **3.2 Sampling and Sample size**

The sampling frame for this study was SME owners/managers operating in food processing, woodwork, textile, and ironwork manufacturing sector of Tanzania in the two cities of Dar es Salaam and Mwanza. 904 firms were established as the sampling

population for this study, 651 (264 textile, 87 food processing, 65 ironwork, 235 woodwork) of these enterprises were in Dar es Salaam and 253 (128 textile, 79 food processing, 11 ironwork, 35 woodwork) were from Mwanza.

The following simplified formula provided by Israel (2013) was used to calculate the estimated sample size for this study.

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

Where  $n$  is the sample size,  $N$  is the population size, and  $e$  is the level of precision which is 0.05. When this formula is applied to the sample population of 904, then;

$$n = \frac{904}{1 + 904(0.05)^2} = 278$$

Proportionate stratified random sampling procedure was employed in this study. Proportionate stratified sampling technique was used to draw a representative sample from a population of manufacturing SMEs in the case study area. Proportionate stratified sampling is applied if the population consists of several heterogeneous groups. Items are divided into non-overlapping groups with homogenous characteristics known as 'strata'. Then the sample drawn from each stratum is proportionate to its portion of the whole population (Blumberg *et al.*, 2008). Therefore, it was reasonable to apply this technique in this study because of the variations that existed within the population in terms of firm size and sectors selected. Besides, according to Blumberg *et al.* (2008), proportionate stratified sampling "has higher statistical efficiency than a simple random sample and is much easier to carry than other stratifying methods".

Therefore, initially the population was proportionately split into two strata based on the regions, namely Dar es Salaam and Mwanza. Dar es Salaam constituted 200 firms and Mwanza formed 78 enterprises to make a sample of 278. This was followed by the application of proportionate stratified sampling technique based on the type of industry namely: food processing, textile, woodwork, and ironwork, then finally into three sub strata of business size i.e. micro, small, and medium enterprises. Thereafter, simple random sampling was used to draw a sample from each stratum of the sector and enterprise size.

From Dar es Salaam, 81 textile enterprises were picked of which 23 were micro-enterprises, 56 were small enterprises, and 2 were medium enterprises. Similarly, 27 food processing enterprises were chosen, 4 were micro-enterprises, 22 were small enterprises, and 1 was a medium enterprise. The next stratum was of ironwork industry consisting of 20 firms (2 micro-enterprises, 16 small enterprises, and 2 medium enterprises). Woodwork was the last stratum which had 72 SMEs (7 micro-enterprises, 63 small enterprises, and 2 medium enterprises).

In Mwanza, the textile stratum comprised of 39 firms (29 micro-enterprises and 10 small enterprises). There was no medium sized enterprise that could be sampled out in this industry. 24 food processing enterprises were selected, 16 were micro-enterprises, 7 were small enterprises, and 1 was medium enterprises. The ironwork industry was made up of 4 firms (3 micro-enterprises and 1 small enterprise). Yet again, the medium sized enterprise was missing. The final stratum of woodwork had 11 enterprises (2 micro-enterprises, 8 small enterprises, and 1 medium enterprise).

### 3.2 Measurements

Network type was obtained by asking respondents to estimate the type and number of people or organisations with whom they deal with in business activities, resource support, and discussions of their business, information on market, and technology.

The five dimensions of social competence namely social perception, social adaptability, social expressiveness, impression management, and persuasiveness were also measured through respondents' perception. Respondents were asked to rate on a 5-point Likert type scale (from 1=strongly disagree to 5= strongly agree) the response that best describes how much they agree with each statement about themselves.

### 3.3 Analysis and Results

Poisson regression model was used to study the influence of entrepreneur's social competence on the formation of three entrepreneurial network types (social, business, and supporting networks).

The Poisson regression models are suitable for analysis of count data (Molenbergs *et al.*, 2005). These models are appropriate for count data because they use probability distributions for the dispersion of the dependent variable scores around the expected value for dependent variables which take on only nonnegative integer values (Kutner *et al.*, 2005). Moreover, this model is particularly attractive for modeling count data because the model has been extended into a regression framework. It has a simple structure, and it can be easily estimated (Lee, 1986). Since the objective of this study intended to examine the influence of entrepreneur's social competence on count response variables (social, business, and supporting networks), Poisson regression model was found to be the best model for the analysis.

The independent variables were factors of social competence, demographic characteristics such, sex, age and education level of the respondents. Others independent variables were age of the firm, firm size, owner managerial experience, owner working experience, nature of the business and type of legal ownership. The general equation of poisson regression is given by:

$$\log(E(Y_i)) = \log(\mu_i) = \beta_0 + \beta_1 x_1 + \dots + \beta_p x_p$$

Where,  $E(Y_i)$  is the mean of the response variable,  $x_i$ 's are independent variables and  $\beta_i$ 's are their respective parameters.

Social competence scores produced from factor analysis were included as independent variables to the Poisson regression model. Likewise, several demographic variables which may have an influence on networks formation such as sex, age, managerial experience, working experience, and education level of the respondents as well as age of the firm, firm size, type of the business, and legal status, were also included in the model as control variables. The results of the model are presented in the form of regression parameter estimate and means ratio in Tables 3.1-3.11.

### 3.3.1 Poisson regression model for social networks

Poisson regression model was first used to study the influence of entrepreneur's social competence on social networks formation. Keeping other covariates which are entrepreneurial-related (such as sex, age, level of education, working and managerial experiences) and enterprise related (such as firm's size, age, type of businesses, and business legal status) characteristics in the model, results in Table 3.1 show that only persuasiveness, social expressiveness, and type of business had a positive significant influence at 5% level ( $p < 0.05$ ) on social networks formation. Table 3.1 shows likelihood ratio statistics for type 3 analysis of the fitted model.

**Table 3. 1: Likelihood Ratio Statistics for Type 3 Analysis for Social Networks**

Source	Chi-Square	P-Value
Factor 1		
Persuasiveness	9.63	0.0019
Factor 4		
Social expressiveness	15.33	<0.0001
Type of business	33.02	<0.0001

The parameter estimates together with standard error of the final model, are presented in Table 3.2. The results show that the mean number of social networks increases with increase in persuasiveness (PE=0.2196) and social expressiveness (PE=0.2677). This implies that the more the owner-managers are high in persuasiveness and social expressiveness the larger the size of their social networks.

On the other hand, only one demographic variable was found to be significantly related to social networks formation. The type of business was a significant predictor for social networks formation. Controlling the other covariates (which include enterprise and entrepreneurial related characteristics) in the model, the mean number of social networks for woodwork enterprises (EP=0.6288) was significantly higher as compared to food processing enterprises. For the case of textile ( $p=0.3183$ ) and ironwork enterprises ( $p=0.2725$ ), their means were not significant different as that of food processing firms. This means that the number of social networks formed by SMEs can also be explained by

the type of business while woodwork enterprises are found to be more efficient in forming social networks.

**Table 3. 2: Estimation Results on the Effect of Social Competence on Social Networks Formation**

Parameter	Parameter Estimate	Standard Error	Chi-Square	P-Value
Intercept	0.7806	0.1532	25.97	<0.0001
Factor 1				
Persuasiveness	0.2196	0.0714	9.45	0.0021
Factor 4				
Social expressiveness	0.2677	0.0685	15.29	<0.0001
<b>Type of the business</b>				
Food processing*				
Woodwork	0.6288	0.1717	13.42	0.0002
Textile	-0.1983	0.1987	1	0.3183
Ironwork	0.2729	0.2487	1.2	0.2725

\*Reference category

### 3.3.2 Poisson regression model for business networks

With regard to the relationship between social competence and business networks formation, the model omitted several variables that were not statistically significant and retained only those that were significant as shown in Table 3.3. The table show that the effect of persuasiveness, social perception, social expressiveness, age of the firm, respondents' sex, and managerial experience were statistically significant. Type 3 analysis of the results of this model are presented in Table 3.3.

**Table 3. 3: Likelihood Ratio Statistics for Type 3 Analysis for Business Networks**

Source	Chi-Square	P-Value
Factor 1		
Persuasiveness	10.46	0.0012
Factor 2		
Social perception	31.88	<0.0001
Factor 4		
Social expressiveness	10.53	0.0012
Age of the firm	7.65	0.0218
Managerial experience	31.01	<0.0001
Sex	6.75	0.0094

Table 3.4 presents the parameter estimates together with standard error of the final model. This model reveals that business networks increases significantly with increase in persuasiveness (EP= 0.3498), social perception (EP= 0.5916), and social expressiveness

(EP= 0.3315). This suggests that the number of business networks that the firm has can be influenced by entrepreneur's persuasiveness, social perception, and social expressiveness.

Some demographic variables like age of the firm, managerial experience, and respondent's sex were also significant predictors for business networks. The model shows that the mean number of business networks for category 3 (firm aged 12+, PE= -1.3314) were lower compared to category 1 (firm aged between 5-8 years). Though not significant ( $p=0.0831$ ), the mean number of business networks for category 2 (firm aged between 9-12 years, PE= -0.6893) was also lower than that of category 1. Similarly, the findings of the model also showed that the mean number of business networks varies based on managerial experience. The mean number of business networks size for with managerial experience between 11-20 years (PE=1.6849) and managerial experienced 20+ (PE=2.734) were significantly larger as compared to firms with managerial experience between 1-10 years. Concerning the sex of the owner, the model revealed that firms owned by males (PE=0.7924) were having a higher mean of business networks as compared to owned by females. These findings imply that male owner-managers are more socially competent in forming business networks compared to female entrepreneurs.

**Table 3. 4: Estimation Results on the Effect of Social Competence on Business Networks Formation**

Parameter	Parameter Estimate	Standard Error	Chi-Square	P-Value
Intercept	0.2736	0.1781	2.36	0.1246
Factor1				
Persuasiveness	0.3498	0.1121	9.73	0.0018
Factor2				
Social perception	0.5916	0.1041	32.31	<0.0001
Factor4				
Social expressiveness	0.3315	0.1008	10.82	0.001
<b>Age of the firm</b>				
5-8 years*				
9-12 years	-0.6757	0.3937	2.95	0.0861
12+years	-1.2773	0.4821	7.02	0.0081
<b>Managerial experience</b>				
1-10 years*				
11-20 years	1.6849	0.4207	16.04	<0.0001
20+years	2.734	0.5342	26.19	<0.0001
<b>Sex</b>				
Females*				
Males	0.7924	0.3343	5.62	0.0178

\*Reference category

### 3.3.3 Poisson regression model for supporting networks

Similarly, poisson regression model was used to test the relationship between supporting networks and social competence while controlling for other demographic variables. The results of this model show that controlling for enterprise and entrepreneurial related characteristics, the effect impression management, social adaptability, education level, respondent's age, firm size, age of the firm, and type of business had a positive significant influence at 5% level ( $p < 0.05$ ) on supporting networks formation. Table 3.5 displays Likelihood Ratio Statistics for type 3 analysis for supporting networks.

**Table 3.5: Likelihood Ratio Statistics for type 3 analysis for supporting network**

Source	Chi-Square	P-Value
Factor 5		
Impression management	5.12	0.0236
Factor 3		
Social adaptability	15.39	<0.0001
Age of the firm	9.37	0.0092
Education level	25.05	<0.0001
Firm Size	9.33	0.0094
Respondent's age	4.96	0.0259
Type of business	21.43	<0.0001

Table 3.6 shows the parameter estimates together with standard error of the supporting networks of the final model. The results reveal that the mean number of supporting networks increases significantly with increase in impression management (PE=0.2184) and social adaptability (PE=0.385). The findings imply that the amount of supporting networks of the firm can be influenced by the entrepreneur's impression management and social adaptability.

Regarding the demographic variables, the age and education level of respondents as well as the size and age of the firm, were significant predictors of supporting networks. Results show that, the mean supporting networks for firms aged between 9-12 years (PE= 0.5808) and those firms aged above 12 years (PE= 0.8828) were higher as compared to supporting network for the firms aged between 5 and 8 years. This is an indication that older firms are more likely to form larger size of business networks than younger ones. On the other hand, the findings shows that the mean number of supporting networks for the respondents with secondary education (PE=1.319) was significantly higher in comparison to those having primary education and below. However, the mean number of supporting networks for those with certificate (PE= 0.5712) and diploma and graduate (PE= 0.9243) was not significantly higher compared to those having primary education and below

With respect to the size of the firm, firms with 50-99 employees (PE= 1.5158) had higher mean supporting networks compared to firms having 1-4 employees. However, the mean supporting networks for firms with 5-49 employees (PE= 0.1910) was not significantly different to that of firms with 1-4 employees. Likewise, the model shows that the mean number of supporting networks decrease with increase in age (PE=-0.0333). Also, the type of business was a significant predictor for supporting networks formation. The result shows that, the mean number of woodwork enterprises (PE= 1.1269) was higher as compared to food processing enterprises, whereas the mean number of ironwork (p=0.2307) and textile enterprises (p=0.3539) were not significant different as compared to that of food processing enterprises.

**Table 3.6 : Estimation Results on the Effect of Social Competence on Supporting Networks Formation**

<b>Parameter</b>	<b>Parameter Estimate</b>	<b>Standard Error</b>	<b>Chi-Square</b>	<b>P-Value</b>
Intercept	-2.5279	0.6326	15.97	<.0001
Factor 5				
Impression management	0.2184	0.0961	5.17	0.0230
Factor 3				
Social adaptability	0.3850	0.0988	15.2	<.0001
<b>Age of the firm</b>				
9-12 years	0.5808	0.273	4.53	0.0334
12+ years	0.8828	0.3028	8.5	0.0035
5-8 years*				
<b>Education level</b>				
Secondary education	1.3190	0.2877	21.02	<0.0001
Certificate	0.5712	0.5991	0.91	1
Diploma and Graduate	0.9243	0.5181	3.18	0.3404
Primary education and below*				0.0744
<b>Firm size</b>				
5-49 employees	0.1910	0.2748	0.48	0.4869
50-99 employees	1.5158	0.4619	10.77	0.0010
1-4 employees*				
<b>Respondent's Age</b>	-0.0333	0.0157	4.52	0.0335
<b>Type of the business</b>				
Woodwork	1.1269	0.3533	10.17	0.0014
Textile	0.4669	0.3896	1.44	0.2307
Ironwork	-0.7651	0.8254	0.86	0.3539
Food processing*				

\*Reference category

#### 4.0 DISCUSSION OF THE FINDINGS

From these findings regarding the influence of social competence on networks formation, it can be suggested that entrepreneurs who are high in social expressiveness and persuasiveness should be skilled at developing social networks; owner-managers rich in social perception, social expressiveness, and persuasiveness are expected to have a large size of business networks such as partners, customers, and suppliers. On the other hand, entrepreneurs high in impression management and social adaptability are likely to be

good in creating supporting networks. In general, the findings seem to suggest the relevance of various attributes of social competence as an essential prerequisite of gaining access to actors who may provide resources and information which in turn, can influence SME performance. Thus, owner-managers who are socially competent (able to interact with other actors effectively) may be able to attract and retain customers, have stronger relationship with stakeholders, and ultimately, leading to better business performance. These findings are consistent with what was expected but also consistent with previous studies. For example, Baron and Markman (2000) found that social perception assists entrepreneurs to negotiate with partners, customer, suppliers and many others they interact with. The findings also suggest that social adaptability is an important ability for entrepreneurs in creating business relations. These findings are also supported by Ferris *et al.* (2005, 2007) who argue that individuals skilled in social expressiveness are very competent at debating and executing business transactions. Similarly, Baron and Markman (2000) indicate that persuasiveness is relevant to entrepreneurs because it enables them to bargain with customers and suppliers as well as executing business transactions.

However, contrary to the expectations some dimensions of social competence did not show a significant influence on networks formation. For instance, impression management, social adaptability, and social perception were not significantly associated with social networks. Likewise, social adaptability and impression management were not statistically significant related with business networks size. In addition, persuasiveness, social expressiveness, and social perception were not significantly related with supporting networks.

One possible reason for the statistically insignificant findings between these dimensions of social competence and networks is that other factors besides these, which have been taken into account in this study, may be more influential on owner-manager's ability to create different types of networks. It has been reflected in entrepreneurship and management research, that other relational skills aspects and many factors, interacting in complex ways, ultimately determine the ability of individual entrepreneurs to form networks. For example, Wu (2008) points out that other social skill factors such as an entrepreneur's emotional intelligence, social intelligence and self monitoring, tend to influence entrepreneurs' interpersonal relations, which in turn can lead to entrepreneurial network type outcomes.

## 5.0 CONCLUSION

This study examined the influence of owner-managers' social competence on the types of entrepreneurial networks formed by SMEs. The findings confirm that, persuasiveness and social expressiveness have a significant positive influence on the number of social networks formed by SMEs suggesting that entrepreneurs high in these two components are more likely to form large size of social networks. On the other hand, persuasiveness, social perception, and social expressiveness have a positive significant influence on the amount of business networks formed by SMEs, implying that owner-managers rich in

these dimensions can form a larger number of business networks. In regard to supporting networks, only impression management and social adaptability indicated a positive and statistical significance effect. The findings imply that the amount of supporting networks of the firm can be influenced by impression management attributes of social adaptability. The study findings provide evidence that different dimensions of social competence have influence in determining the type and size of entrepreneurial networks among SMEs. For that reason, this study offers a lesson that, the owner-managers' ability to form various useful networks of different size depends on their ability to effectively interact with others. Therefore, the study contributes knowledge within the field of entrepreneurship by indicating that a person's social competence (i.e. ability to effectively interact with others) may positively influence that person's networks and SME performance. For future research the inclusion of employees would provide more insights on how the owner-managers practice their social competence in terms of social perception, social adaptability, social expressiveness, impression management, and persuasiveness.

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