



# Business Networking And Performance Of Women-Led Enterprises: An Empirical Investigation In Nairobi County, Kenya

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## Abstract

Women entrepreneurs have been considered to use business networking as a determinant to enterprise performance. A key question that arises is – Does networking determine the performance of women-owned SMEs in Nairobi County? A survey was carried out among the women across the County. The sample comprised of 158 small and medium women entrepreneurs. Data was subjected to computer aided statistical analysis that included descriptive statistic, ANOVA and regression techniques. The results revealed that networking is a determinant of performance of the women-owned enterprises. The P- value of 0.000 (Less than 0.05) implies that the model of networking on performance of the enterprises is significant at the 95% confidence level. It is recommended that there is need for women entrepreneurs to form business networks with other entrepreneurs so as to improve their enterprise performance. Further conclusive research should also be conducted to include other variables.

**Keywords:** *Networking, Women entrepreneurs, Small, Medium, Enterprises, Performance*

## 1. Introduction

Female entrepreneurship has attracted increasing attention in recent years in light of concrete evidence of the importance of new business creation for economic growth and development [8]. Not only does female entrepreneurship contribute to economic growth and employment creation, but it is increasingly recognized to also enhance the diversity of entrepreneurship in any economic system [11] and to provide avenues for female expression and potential fulfillment [14]. These benefits are rarely leveraged in a systematic way, however, given that female entrepreneurship talent and potential remain largely untapped in many contexts [2].

There is indeed accumulating evidence suggesting that although the rate at which women are forming businesses has increased significantly, the rates of female entrepreneurial activity are significantly and systematically lower than those for males [8]. [9] document in this respect substantial variations in entrepreneurship rates across countries participating in the Global Entrepreneurship Monitor (GEM) in 2004, with men more active in entrepreneurship in all countries.

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## **2. Literature review**

Entrepreneurs are embedded in a larger social network structure that constitutes a significant proportion of their opportunity structure [3]. [14] Says “an individual may have the ability to recognize that a given entrepreneurial opportunity exist, but might lack the social connections to transform the opportunity into a business start up. It is thought that access to a larger social network might help overcome this problem”.

Stronger social ties to resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation [ 1].Other researchers have suggested that it is important for nascent founders to have access to entrepreneurs in their social network, as the competence these people have represents a kind of cultural capital that nascent ventures can draw upon in order to detect opportunities [1] [3] .Women entrepreneurs who join social networks tend to gather information on the performance of their enterprises. They can market their businesses through networking. Women search differently for business opportunities than men do. Opportunities tend to be identified through information that is transmitted through social networks. Women have dissimilar types of networks than men and also have access to different sources of information. For instance, women are less present in networks where investors are active and this makes it more difficult to reach these business actors [8].

Research shows that networks and networking are an important requirement for success in entrepreneurship [7]. Networking is a way of introducing or exchanging resources (knowledge, financial capital) and information within the group, which may lead to potential opportunities. Entering a network should be a strategic choice for every entrepreneur. Since networks are bound up with social, cultural, political, and economic structures; networks affect the identity of the entrepreneur individually and also the group as a whole. And because social reciprocity and the positioning of comparable individuals are part of a network, networks are about gender as well [7]. Research has shown that there are differences in network structures and size between male and female entrepreneurs [2] [7]. Especially for women being a member of a prominent business network means more respect and recognition from the business world [7].

Networks have long been hailed as essential to the survival of female-run establishments [2]). It is a critical element for entrepreneurs in gaining access to capital/loans, advice and information needed for initiating and operating a new venture easily [3].Entrepreneurs make use of social relations and social contacts as channels to gain access to information, customers, and suppliers and to the sources of finance. They make use of family networks to access unpaid family work as well as emotional support. It has been found that support from personal network improves survival, growth and performance chances of new ventures. Specifically, support from strong ties (spouse/life partner, parents, friends and relatives) is more important than support from weak ties (business collaborators, acquaintances, former employers and former co-workers) which influence the success of new ventures. Help and emotional support from spouse are more important for success in case of the women entrepreneurs [11].

Men and women have different priorities in establishing networking relationships. Men’s motives are more instrumental (seeking personal gain) while women have more affective considerations in social relationships. Their management style is not seen as being relevant and thus, women are often excluded from the male networks which are very effective. Women do not have the same tools, assets, and chances than men in the small business arena. When confronted by business problems or difficulties, women entrepreneurs seek assistance first from family, then from close friends and only last from knowledgeable business sources whereas men entrepreneurs rather seek advice from their networks. According to [11], this might be due to lack of professional experience or the diverse social network needed for women to fully utilize the information and resources provided.

This phenomenon seems to be applicable to Kenyan women entrepreneurs. It was reported that women entrepreneurs faced a shortage of peer support networks compared with men even though various women entrepreneurs and industry associations have been formed which generally serve as a platform for women entrepreneurs to establish networks and exchange information and experiences as well as to conduct training programmes, seminars and workshops on motivation, leadership and entrepreneur development and to provide other means of support. This is due to the fact that women may not join these associations as they might be overloaded

with business and family responsibilities. This limits the women entrepreneurs' ability to seek informal advice and peer financing as well as the information networks needed for survival and growth. This might pose a challenge to women entrepreneurs in establishing networks which are helpful to the survival of their businesses [5].

### **3. Research methodology**

#### **3.1. Research Design**

In this study, a descriptive survey was used. The target population comprised of 1580 entrepreneurs of small and medium enterprises. Their enterprises were distributed across the 4 sectors –manufacturing retail, services and trade. To arrive at the 158 entrepreneurs, their enterprises had to meet the following criteria: first, having between 6-50 employees, second, being the owners and financiers of the enterprises Third, they had to be from Nairobi County only. The study used 3 basic methods to collect data – questionnaires, interview guide and observation schedules. To collect data for this study, the survey instruments were administered by the researcher and her assistants to the 158 women entrepreneurs. This ensured 100% response rate.

#### **3.2. Study area**

The study was carried out in Nairobi County. Nairobi County borders Kiambu County to the North West, North and North East, Machakos County to the East and South East, Kajiado County to the South, South West and West. It has an area of 695.1 km<sup>2</sup>. The temperatures in Nairobi range from a minimum of 10°C to a maximum 24°C. The rainfall amounts range between 500 mm and 1,500 mm per annum. According to [4], it has a population of 3,138,369(Male-51.1%, Female-48.9%).

#### **3.3. Target population and sampling technique**

The population for this study consisted of only those women who were the owners and financiers of their businesses and were also registered. According to the statistics available from the Nairobi City Council and the Department of micro and small enterprises, there are 1580 registered women entrepreneurs operating within Nairobi County that were started in the year 2003/2004. The study randomly selected 158 firms owned by this entrepreneurs and used for analysis.

Stratified sampling was used to divide the sectors into categories. This ensured that the small and the medium enterprises were proportionately represented in all the sectors. From the separate lists (that were verified with lists obtained from the Ministry of Labour), systematic sampling was applied to select the respondent businesses. Random sampling of the respondents was carried out.

#### **3.4. Data type, collection method and analysis**

The following data collection instruments were used for this study; questionnaires (both structured and unstructured); interviews (personal interviews) which consisted of structured and open-ended questions, a focus group, secondary data from files, pamphlets, office manuals, circulars, policy papers and observations to provide additional information where appropriate. Both primary and secondary data was collected in this survey. Primary data was collected from the field and secondary data through desk top research. Surveys allow for collection of large amounts of data from a sizeable population for comparison. [12] Suggest that triangulation can be adopted where three methods are used in data collection to minimize the influence of any one method in the research findings. These methods include; questionnaires, interviews and observation.

Data collected was cleaned, coded and analyzed qualitatively and quantitatively. Qualitatively the data was sorted into themes, categories and patterns. This enabled the researcher to make general statements in terms of the observed attributes hence conceptualization according to Saunders (2007). Quantitative analysis employed both descriptive and inferential statistics. The use of correlation analysis; chi-square and regression analysis was

employed. Descriptive Analysis was done to determine and report quantitatively the way things were in the survey. General trends were established and used. Correlation analysis was done to establish the relationship between the variables. Multiple regression analysis was done to test the hypotheses since more than two variables were involved. Multiple regression attempts to determine whether a group of variables together predict a given dependent variable [10].

**4. Research findings and discussion**

The respondents were given various statements on networking and performance of the enterprise. The respondents were to indicate the extent to which they agreed with the given statements and their responses were put on a likert scale of 1 to 5 with 1 being ‘strongly disagreed’, 2 being ‘disagreed’, 3 being ‘neither agree nor disagree’, 4 being ‘agree’ and 5 being ‘strongly agree’. Mean and standard deviation were calculated and are shown in Table1.

Approximately 90% of respondents agreed (mean of 4) to all the statements given on networking that is: conferences are effective mechanism of getting to meet potential customers, keeping up to date with the latest developments; effective information networks enrich the entrepreneur's environment; participation in trade associations enhances employees motivation thus improving their standards; involvement with women's groups enhances networking; availability and accessibility of mentors and advisors in business matters improves performance; and support system and networking among business associates is key to positive growth.

**Table 1: Statements on networking**

Statements on networking	Response	Frequency	Percent	Mean	Std. Deviation
Conferences are effective mechanism of getting to meet potential customers, keeping up to date with the latest developments	Strongly Disagree	0	0	4.2468	.73741
	Disagree	0	0		
	Neutral	28	17.7		
	Agree	63	39.9		
	Strongly Agree	67	42.4		
Effective information networks enrich the entrepreneur's environment	Strongly Disagree	0	0	4.0253	.56376
	Disagree	0	0		
	Neutral	23	14.6		
	Agree	108	68.4		
	Strongly Agree	27	17.1		
Participation in trade associations enhances employees motivation thus improving their standards	Strongly Disagree	0	0	4.2025	.60528
	Disagree	0	0		
	Neutral	16	10.1		
	Agree	94	59.5		
	Strongly Agree	48	30.4		
Involvement with women's groups enhances networking	Strongly Disagree	0	0	4.4051	.55337
	Disagree	0	0		

	Neutral	5	3.2		
	Agree	84	53.2		
	Strongly Agree	69	43.7		
Availability and accessibility of mentors and advisors in business matters improves performance	Strongly Disagree	0	0		
	Disagree	0	0		
	Neutral	22	13.9	4.0316	.55776
	Agree	109	69.0		
	Strongly Agree	27	17.1		
Support system and networking among business associates is key to positive growth	Strongly Disagree	0	0		
	Disagree	0	0		
	Neutral	16	10.1	4.1962	.60211
	Agree	95	60.1		
	Strongly Agree	47	29.7		

#### 4.2: Methods of Networking

Respondents were asked to indicate the methods of networking that they had been using in their enterprises; most respondents reported the following methods: meeting with other women in business; having merry-go-round groups; being a member of a 'chama' (women's group); attending workshops and business clubs.

#### 4.3: Hypothesis: Effect of networking on the performance of small and medium women-owned enterprises.

H<sub>0</sub>: Networking has no significant influence on the performance of small and medium women-owned enterprises in Nairobi County.

H<sub>1</sub>: There is significant influence of networking on the performance of small and medium women-owned enterprises in Nairobi County.

The coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R<sup>2</sup> equals 0.605 that is, explained networking 60.5 percent of enterprise performance as shown on Table2

**Table 2: Hypothesis on effects of networking on the performance of enterprises**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.778	.605	.570	.72348

a. Predictors: (Constant), Networking

b. Dependent Variable: Enterprise Performance

The ANOVA results indicate that the independent variables significantly ( $F=93.621$ ,  $p=0.000$ ) explain the variance in enterprise performance. In this context, as have been presented in table 3, the dependent variable is the level of enterprise performance while the independent or the predictor is networking.

**Table 3: ANOVA on effects of networking on the performance of enterprises**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	49.004	1	49.004	93.621	.000
	Residual	97.880	128	.523		
	Total	146.884	129			

- a. Predictors: (Constant), Networking
- b. Dependent Variable: Enterprise Performance

The coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables)  $R^2$  equals 0. 605, that is, only 39.5 percent of relevance of networking is unexplained. The P- value of 0.000 (Less than 0.05) implies that the model of networking on performance of the enterprises is significant at the 95% confidence level as shown in table 4. The Coefficients explains the change in enterprise performance with effect to change in networking. One unit change in Networking will lead to .421 changes in Enterprise Performance.

**Table 4: Coefficients on effects of networking on the performance of enterprises**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	1.309	.316		4.148	.000	.686	1.931
Networking	.421	.073	.578	9.676	.000	.564	.853

- a. Predictors: (Constant), Networking
- b. Dependent Variable: Enterprise Performance

**4.4: Discussion of Findings on Networking and Enterprise Performance**

The study established that, the respondents in the study area were members of one or two business clubs. This meant that they meet from time to time and this meant that, they strengthen their networking. About 60% of the women entrepreneurs interviewed indicated that, they are members of business clubs.

Stronger social ties to resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation [1]. Other researchers have suggested that it is important for nascent founders to have access to entrepreneurs in their social network, as the competence these people have represents a kind of cultural capital that nascent ventures can draw upon in order to detect opportunities [1][ 6]. Women entrepreneurs who join social networks tend to gather information on the performance of their enterprises. They can market their businesses through networking.

Entering a network should be a strategic choice for every entrepreneur. Since networks are bound up with social, cultural, political, and economic structures; networks affect the identity of the entrepreneur individually and also the group as a whole. And because social reciprocity and the positioning of comparable individuals are part of a network, networks are about gender as well [7]. Networks have long been hailed as essential to the survival of female-run establishments [7]. It is a critical element for entrepreneurs in gaining access to capital/loans, advice and information needed for initiating and operating a new venture easily [3].

## **5. Summary and recommendations**

### **5.1. Summary**

The study established that there was a significant influence of networking on the performance of small and medium women-owned enterprises ( $p=0.000$ ). Most respondents agreed: conferences are effective mechanism of getting to meet potential customers, keeping up to date with the latest developments; effective information networks enrich the entrepreneur's environment; participation in trade associations enhances employees motivation thus improving their standards; involvement with women's groups enhances networking; availability and accessibility of mentors and advisors in business matters improves performance; and support system and networking among business associates is key to positive growth.

Respondents indicated the following as the methods of networking they used in their enterprises: meeting with other women in business; having merry-go-round groups; being a member of a 'chama' (women's group); attending workshops and business clubs. Research shows that networks and networking are an important requirement for success in entrepreneurship [7]. Networking is a way of introducing or exchanging resources (knowledge, financial capital) and information within the group, which may lead to potential opportunities.

### **5.2. Recommendations**

The following are the recommendations that were suggested in order to enhance performance of women-owned enterprises.

- The study recommends that Mentorship programmes should be put in place where women entrepreneurs work under experienced entrepreneurs in their trade areas.
- A center for entrepreneurship programmes need to be established as well as having the Government establishing an entrepreneurship policy that will empower entrepreneurs.
- Women who have become successful in their areas of operation should be encouraged to form networks and this can help boost entrepreneurship.
- Women entrepreneurs should be encouraged to attend business seminars and conferences in order to enhance their enterprise performance by increasing their level of competitiveness, sales volumes, variety of products, profits and number of employees.
- The women enterprise fund (WEF) and the other funds should be availed by the relevant Government authorities to help boost entrepreneurship.
- Further study should be carried out to cover aspects of risk-taking, innovation and Business development services. Other parameters such as the influence of marital status, religion and cultural dynamics should be taken into consideration.

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