

IMPACT OF ENTREPRENEURIAL NETWORKS IN THE SUCCESS OF BUSINESS ON-GOING STAGE IN JORDANIAN MANUFACTURING COMPANIES

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ABSTRACT

The purpose of the study is to examine the potential impact of entrepreneurial networks usage in the success of business development stages. The population of the study consisted of (248) companies working in the field of plastics and rubber manufacturing. The study utilized a random stratified sample to withdraw a representative sample. Reliability analysis, descriptive statistics, and multiple regression analysis were performed. The study revealed a number of findings most importantly: There is a statistical significant impact of entrepreneurial networks (social network, business network, and inter-organizational strategic network) in the success of business on-going stage. Based on the results of the study, the researchers suggested a number of recommendations for the plastic and rubber manufacturing companies most importantly: More attention and care are needed to develop inter-organizational strategic network as the study indicated its weakness in comparison with social and business network. And the best networking strategy is to espouse a combination of networks types in order to boost business success, as they complement each other.

Keywords: *Entrepreneurial Networks, Success of Business On-going Stage, Manufacturers, Jordan.*

INTRODUCTION

Entrepreneurship has been of great interest to many academic researchers, business practitioners, governments, and policy makers; witnessed by the bulk body of related studies chronicled in the literature (Jack et al., 2010). One main reason for the interest is that entrepreneurship is viewed beneficial to a nation's economic growth and development since it creates both employment and wealth for the country. Approaches to the study of entrepreneurship vary based on topics to be examined. In addition to the personality traits and socio-cultural approaches, Aldrich and Zimmer (1986) suggested a new approach which they termed "Networks Approach to Entrepreneurship", in order to illustrate the reason why certain entrepreneurs are more successful than others in starting up and continuing their businesses, building their suggestion on resource dependence theory. The networks approach to entrepreneurship is basically based on premise that entrepreneurs build relations with the external environment, and need a speedy yet economical means for the access of different information, in order to define potential business opportunities, and obtain required resources to start-up and continue their businesses successfully.

According to the networks approach to entrepreneurship, entrepreneurs may possess some ideas and skills. But, for the purpose of starting up and continuing a business, entrepreneurs further need to obtain most resources from outside or his/her external environment through the entrepreneur's networks. Accordingly, entrepreneurial process involves gathering of scarce resources from external environment. Entrepreneurs usually obtain these resources through their networks (Dodd, et al., 2002). Existing literature suggests that networks of entrepreneurs are really an opportunity set, which helps entrepreneurs to access both tangible and intangible resources. Building on the above researchers exhibited an increasing appreciation of the utility, application, and importance of entrepreneurial networks. An established stream of research emerges from studies that have investigated many aspects of entrepreneurial networks. Essentially, studies reflect a consensus that entrepreneurial networks are important because they provide entrepreneurs with an abundance of diverse information and access to large pool of resources, business opportunities, and markets.

A careful review of the related literature on the subject of entrepreneurial networks revealed that the most cited entrepreneurial network types are: social network, business network, and inter-organizational strategic network (Butler and Hansen, 1991). Taken into consideration the Jordanian business environment these entrepreneurial network types formulated the choice of entrepreneurial network types analyzed in the study. Furthermore, Jack et al (2010) asserted that the entrepreneurial networks are important and beneficial to many businesses and business owners. Nonetheless, still there is paucity in studies at the present times dealing with the impacts of entrepreneurial

networks usage in the success of business On-going stage. Therefore, research concerning the impact of the entrepreneurial networks and the success of business On-going stage is deemed among the most important justifications of the current study. The following section provides a brief review of the nature and importance of networks to businesses. The methodology of this study, as well as the results and analysis are then provided.

LITERATURE REVIEW

Entrepreneurial Networks

The field of entrepreneurship has seen a remarkable increase in studies focusing on networks and relations. Given that networks provide business owners with access to business opportunities, markets, ideas, information, advice, and other resources (Birley, 1985; Farr-Wharton & Brunetto, 2007; Gulati, Nohria & Zaheer, 2000; Hoang & Antoncic, 2003; Lee & Jones, 2008; Shaw, 2006; Taylor & Thorpe, 2004). To a certain extent, entrepreneurs are, dependent on their networks of personal relationships when making decisions solving and problems (Shaw, 2006; Taylor & Thorpe, 2004). The development of social capital is one consequence of networking which essentially consists of the “resources individuals obtain from knowing others, being part of a network with them, or merely being known to them and having a good reputation” (Nahapiet & Ghoshal, 1998, p. 107). The result is that networks are associated to the growth and survival of businesses (Bruderl & Preisendorfer, 1998).

According to Anderson, Park and Jack (2007, p. 265), “it could even be argued that it is through social relations, social interaction and networks that entrepreneurship is actually carried out.” Entrepreneurial Networks are the key to open and gaining access to other resources as they ease communication among people with network ties (Anderson et al., 2007). Granovetter (1973) categorized network ties as either weak or strong based on the frequency of contact, which was itself related with reciprocity. Relationships with friends and family were classified as strong ties because of frequent contact and emotional closeness. In contrast, ties between business associates, consultants, and other such contacts were categorized as weak ties because of less frequent contact. Granovetter also contended that “the strength of weak ties” was associated to diversity in sources of knowledge and advice in that “individuals with few weak ties will be deprived of information from distant parts of the social system and will be confined to the provincial news and views of their close friends” 1973, p. 106).

Nebus (2006) asserts that the most favorable situation is one in which social contacts also occur to be experts because social contacts are easier to access and more likely to willingly communicate. In contrast, experts are more likely to have valuable information, but are more difficult to access. Informal socializing can be important to building social capital and ultimately business growth (Bowey & Easton, 2007). A business owner might need to an “exploration” strategy in order to discover and contact experts with whom he or she does not already have a relationship, whereas relying on already established contacts could be considered an “exploitation” strategy (March, 1991). Obviously, the exploitation strategy is likely to be less costly in terms of time, effort and other resources. Networks that include people who are not well-acquainted with each other usually provide a wider variety of resources, ideas, viewpoints, and information than less diverse networks composed mostly of family and friends who know each other (Smeltzer, Van Hook & Hutt, 1991). Founders with varied networks of contacts, especially contacts with people who are themselves well connected (for example, incubator managers), are in a better position to gain information to help them overcome business development problems, thus shaping their own survival and growth (Aldrich, 1989; Burt, 1982; Lee & Jones, 2008; Low & MacMillan, 1988; Robinson & Stubberud, 2009a; Zhao & Aram, 1995).

Watson (2007) found that banks and accountants were the primary source of advice. However, Smeltzer, Fann and Nikolesean (1988) found that small business managers more often used informal than formal sources. However, Bruderl and Preisendorfer (1998) found that support from strong ties was more important to start-ups’ success than weak ties. Similarly, smaller ventures have been found to use friends and family more, but banks less, than larger ventures do (Cooper et al., 1989; Robinson & Stubberud, 2009b). Birley (1985) found that the type of source accessed was related to the resources desired. When assembling raw materials/supplies, equipment, location/premises, and employees, business contacts were used most. Family and friends were also important for assembling local resources (location/premises and employees). Once these resources were obtained, business owners sought resources from banks. However, Birley’s study examined resource access, rather than access to sources of advice, in which case banks would rationally be the primary sources. It is clear from the literature that a business owner’s network can influence the success of his or her business (Birley, 1985; Bruderl & Preisendorfer, 1998; Farr-Wharton & Brunetto, 2007; Gulati, Nohria & Zaheer, 2000; Hoang & Antoncic, 2003; Taylor & Thorpe, 2004).

Success of Business On-going Stage

Success though may be in the eye of the beholder. In contemporary businesses, individual stakeholders may have their own definition of a successful business. The widespread assumption is that an entrepreneur's primary motives, financial success and personal profit, drive individual action (Schumpeter, 1976). According to Baron (2001) the making of financial value for the entrepreneur is a subject of central interest to the field of entrepreneurship research. An economic perspective on financially successful business based in arbitrage and the early discovery of market imperfections (Kirzner, 1973). Driven by the primary economic motive, the early detection of factor imbalances creates an opportunity for exploitation by the aware entrepreneur. In the case of an entrepreneur driven by the financial gains, the survival, growth and profitability of the new business defines what success is. One more way of measuring success is through the satisfaction of people with a real interest in the business. Brockner and colleagues (2004) put forward that one way to evaluate entrepreneurial success is to measure to what extent the business meets the demands and needs of interested stakeholders. Stakeholders with interest in the success of a business may include customers, investors, suppliers, the entrepreneurs themselves, and society. Satisfaction assessment in the relationship between the entrepreneur and these stakeholders is one way of quantifying success. Each stakeholder has a unique set of necessities that require satisfaction over time and the entrepreneur may have a diverse set of goals and necessities from other interested parties, even within the same entrepreneurial team. One team member may define success as a financial profit, while another may define it in terms of the social welfare established in the community through the creation of jobs and services. Despite the different viewpoints on success, the creation of value defines entrepreneurship. May it be in a new business or in established one, value creation is the heart of entrepreneurial action (Busenitz, et al., 1997). However, the present study measures the success of business On-going Stage in terms of growth and profitability satisfaction.

Underpinning Theory

The initial studies on networks in organizational context were based on theoretical perspectives of resource dependence theory. Resource dependence theory (Pfeiffer & Salancik, 1978) proposes that businesses purposely act in response to demands posed by important resource providers. Resource dependence theory also suggests that businesses are competent to attempt managing their dependencies on resource providers through strategies that adapt with the control of the resource providers that have over the businesses. Two methods are possible for managing these dependencies: 1) businesses can acquire control over critical resources, as a result lessening their dependencies upon others, and 2) businesses can acquire control over critical resources that other need, thus increasing others' dependence upon the focal business. The "others" upon whom a business can be resource-dependent include any individual or business they depend on for the required resources. "The resource providers may be: creditors, suppliers, competitors, or any other entity in a business's external environment" (Bluedorn, et al., 1994: 227). The argument of resource dependence, for why and how networks are capable of helping businesses manage their resource dependencies, is basically that businesses establish network relationships with businesses that control critical resources, and/or other dependent businesses. These actions are taken in hopes of lessening the relative power of the businesses upon which the focal business is dependent (Bluedorn et al., 1994). As discussed earlier, the study of networks within organizational context developed primarily of premises derived from resource dependence theory. Therefore, it is quite relevant to state that the study utilized a resource dependence theory for the aim of building its theoretical framework. Furthermore the study framework as shown in figure (1.1) was derived from resource dependence theory, which consists of the independent variables (Social networks, Business network, and Inter-organizational Strategic Network) and the dependent variables (Success of Business Development Stage).

RESEARCH MODEL AND HYPOTHESE

This study consists of three hypotheses as follow:

H1: Social network is not related to Success of Business On-going Stage

H2: Business Network is not related to Success of Business On-going Stage

H3: Inter-organizational Strategic Network is not related to Success of Business On-going Stage

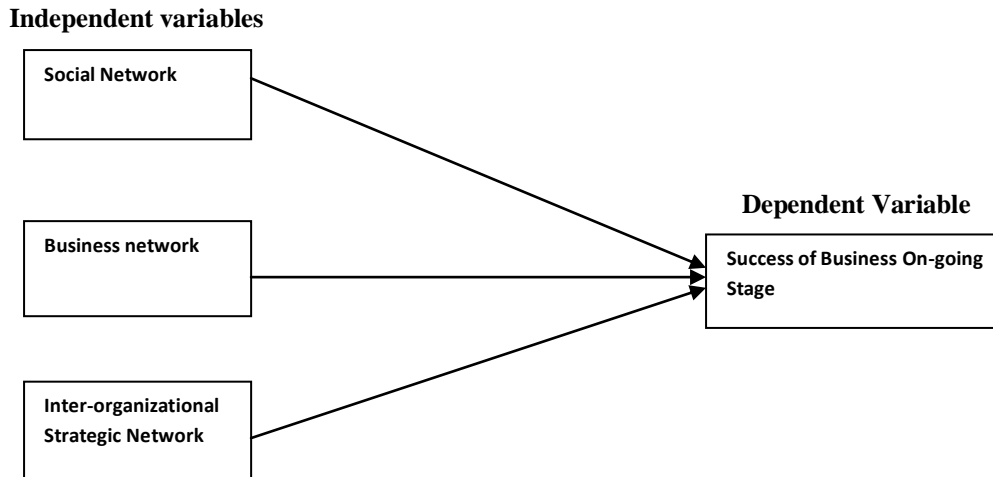


Figure 1: Research Model

METHODOLOGY

The study used a quantitative approach to determine whether or not entrepreneurial networks (the independent variables), can impact the success of business on-going stages (the dependent variables), of plastic and rubber manufacturing companies in Jordan. The population of the study consisted of (N=248) manufacturing companies operating in the field of plastics and rubber as indicated in the most recent available data provided by Amman Chamber of Industry Statistical Report in (2010). The study population was divided into two stratum, the first stratum is the manufacturing companies working in the plastics (N=199), and the second stratum is the manufacturing companies working in the rubber industry (N=49). Fifty percent of each stratum was withdrawn. In other words, (100) plastic manufacturing companies and (24) rubber manufacturing companies were selected. Hence, the study utilized a random stratified sample to withdraw a representative sample. And since the researched population consists of the companies working in the field of plastics and rubber industries (N=248), a (50%) of the total population was withdrawn. In other words, the total sample size is (n=124) manufacturing companies. In survey studies, the sample size of (5-20%) is considered acceptable for research (Zikmund, 2000: 387). Accordingly, the sample size of the current study which is (50%) of the study population is a representative and acceptable one for the purposes of the statistical analysis.

A close ended questionnaire was developed for primary data collection, based on the related literature, and the available former studies (i.e. Butler and Hansen 1991; Dodd et al., 2002). The questionnaire contained the following parts: First part was a covering letter which aimed to encourage respondents to participate in answering the questions with an explanation of the response method and reassurance to them that the provided information is utilized only for the scientific research purposes. The second part included questions regarding the personal and businesses characteristics, the questions in this part were primarily of a classification nature and aimed at providing a proper background of the respondents. The third part raised questions about the entrepreneurial networks, regarding network size, network strength of ties, and network importance. Lastly, the fourth part included questions about the success of business development stages. The study utilized Lickert five-point scale, as it is one of the best and most frequently used scales to measure opinions, due to its ease and balance (Zikmund, 2000: 291).

Profiles of Respondents

The study sample who completed the questionnaires were (105) respondents, who were either the company owner or its executive director. For the purpose of identifying some facts and data concerning the study sample, a number of personal and occupational variables were chosen. The variables included: gender, age, educational degree, years of experience at the current company, and the current job position. Frequencies and percentages of the demographic characteristics of the sample were analyzed, and results are presented in table (1).

Table 1: Characteristics of Study Sample

Variable	Category	Frequency	Percent
Gender	Male	105	100
	Female	0	0
Age	Less than 30 years	5	4.8
	30-39 years	10	9.5
	40 – 49 years	59	56.2
	More than 49 Years	31	29.5
Educational Level	High School or Less	15	14.3
	Diploma	20	19.0
	Bachelor	60	57.1
	Graduate Studies	10	9.5
Years of Experience	1-5 Years	11	10.5
	6- 10 Years	19	18.1
	11-15 Years	59	56.2
	More than 15 Years	16	15.2
Present Job Position	Company Owner	58	55.2
	Executive Director	15	14.3
	Both	32	30.5
Total		105	100%

results of table (1) exemplified that owners or executive directors of the plastic and rubber manufacturing companies in Jordan are in general of the males category (n=105 or 100%), within the (40-49) years of age group (n=59 or 56.2%), holding bachelor degree (n=60 or 75.1%) and having experience in their current jobs for more than (10) years (n=75 or 71.4%).

Construct Reliability

Reliability is an indication of stability and internal consistency with which the instrument measures the concept and helps assess the goodness of a measure (Zikmund, 2000: 280). Reliability was assessed through examining the Cronbach Alpha coefficient of the questionnaire items (Hair et al., 2006). While the Cronbach's Alpha coefficients should range from zero to one, table (2) shows that reliability coefficients for all items were above the cutoff point of 70% used in the current study. The reliability coefficients for all the items ranged from 0.755 to 0.859. Hence, the current study's questionnaire items were all of reasonable satisfactory reliability.

Table 2: Cronbach's Alpha Reliability Coefficient of the Study Variables

Variables	Number of Items	Reliability Coefficient
Social Network	9	0.892
Business Network	9	0.884
Inter-organizational Strategic Network	9	0.859
Success of Business On-going Stages	8	0.886

It is evident through the above Cronbach's Alpha values that the reliability coefficients of all the study variables are high and suitable for the current study objectives.

Hypotheses Results and Discussion

The hypotheses were tested as per the rule of thumb that provides to accept the hypothesis if its calculated value was higher than its tabulated value. Additionally, before conducting the analyses the study tested the underlying assumption of multicollinearity which refers to a situation in which one or more of the independents variables are highly correlated. In order to test the collinearity, the Variance Inflation Factor (VIF) is used. When the VIF value is less than 10, the collinearity assumption is not violated. The following section presents the results of study hypotheses testing. The results of multicollinearity analysis testing are indicated in the following table.

Table 3: Multicollinearity Analysis Test for Independent Variables

Entrepreneurial Networks Types	Multicollinearity Statistics	
	Tolerance	VIF
Social Network	0.324	3.086
Business Network	0.234	4.279
Inter-organizational Strategic Network	0.223	4.488

Results in table (3) showed that the VIF value is less than 10 and the tolerance value is more than 0.2 which indicates that there is no collinearity within the independent variables of the study. After achieving the underlying assumption of multicollinearity, the study performed regression analyses for the first through the third hypothesis as in the following. Results of analyses for testing the third hypothesis are shown in the following table.

Table 4: Multiple Regression Results

Variable	R2	F Calculated	F Tabulated	Sig.
Success of Business On-going Stage	0.816	149.575	2.76	0.000

The results of the multiple regression analysis that regress the three types of entrepreneurial networks on the success of business on-going stage are shown on table (4). It indicated that the three types together explained 81.6% of the variance, and the value of calculated F (149.575) which is higher than tabulated F value (2.76) at the confidence level ($\alpha \leq 0.05$), and the value of statistical significance level is (0.000) which is less than the value of the confidence level ($\alpha \leq 0.05$). Thus, rejected the null hypothesis and accepted the alternative hypothesis. In an indication that there is statistical significant impact of entrepreneurial networks usage (social network, business network, and inter-organizational strategic network) in the success level of business on-going stage. The following table displays the significant impact of each type of entrepreneurial networks.

Table 5: Hypotheses Results

Entrepreneurial Networks Types	Unstandardized Coefficients	Standardized Coefficients	t value	Sig.
	B	Beta		
(constant)	1.531		12.616	0.000
Social Network	0.312	0.447	5.973	0.000
Business Network	0.296	0.436	4.938	0.000
Inter-organizational Strategic Network	0.060	0.078	0.859	0.393

Dependent Variable: Success of Business On-going Stage

The results in table (5) indicated social network is the most significant where (Beta=0.447, sig=0.000) and it positively and directly regresses on the success of business on-going stage, This result is in part in agreement with many studies, for example Martinez and Aldrich (2011) study which reported that diverse networks have an influence in entrepreneurial consequences like survival and profitability. In addition, the study of Littunen and Niittykangas (2010) showed that the use of networks has a positive effect on firms' high growth in the metal industry. Likewise, Chattopadhyay (2008) study which explored the pattern of social networking in relation with entrepreneurial success and the study concluded that entrepreneurial social networking is the powerful determinant of entrepreneurial success. Followed by business network where (Beta= 0.436, sig=0.000). This result is partially in line with previous studies, Robinson and Hans (2010) study for instance, which examined the sources of advice used by successful business owners found that there was a statistically significant relationship between gender and source of advice in that women used family and friends more often than men; but men used business contacts more often than women. While the inter-organizational strategic network has a weak impact on success of business on-going stage, where (Beta=.078). In contrast to Miller et al. (2007) study which investigated whether the sharing of

resources and the unity of vision that result from networking are associated with benefits to small business owners. Miller et al. (2007) concluded that shared vision and the sharing of resources among network members significantly benefited businesses. A possible interpretation for the study result is the researched companies are not yet realizing the benefits of strategic relations with other businesses or that they do not have a well established cooperative strategy that outline the steps of entering into joint business deals with other cooperative businesses. Overall, the three entrepreneurial networks examined in the study significantly differ in their ability to provide entrepreneurs with information, resources and support needed for the success of on-going stage. Moreover, it is possible to write the prediction equation as in the following form:

Success of Business On-going Stage = 1.531 + 0.312 (Social Network) + 0.296 (Business network) + 0.060 (Inter-organizational Strategic Network)

CONCLUSION

Based on the study results the following conclusions could be pointed:

First: Entrepreneurial network relationships provide better access to outside resources and support. Businesses obtain resources and support through their networks. Second: Businesses receive support and resources from various relationships and contacts, which provides support for the idea that entrepreneurs' social relationships are important, and they do not operate in isolation but within a social context. Third: The capacity to innovate and plan for growth can lead to substantial and profitable business development. Fourth: Building relationships are fundamental factors in determining the success of the business. Businesses face a number of difficulties such as lack of capital, market opportunities, and resources. As a result, these businesses have tendency to link with other businesses locally, sometimes, inter-regionally or globally. Fifth: Engaging in entrepreneurial networking and building business relationships is important for seeking access to identify business opportunities and start-up businesses. Sixth: Entrepreneurial networking can create a successful business by helping to overcome the lack of resources, the managerial and professional weakness of a business within a broader supportive external environment. Owing to a lack of resources, businesses always need to maintain contacts with their external environment to acquire necessary resources. And seventh: A mixture of network relationships strategy is probably the best for successful business development stages.

RECOMMENDATIONS

Based on the results of the study, and its conclusions, it is possible to provide a number of recommendations as follows:

Recommendation for Plastic and Rubber Companies

Findings of the study revealed that there are some areas for the plastic and rubber manufacturing companies that need more attention and care, most important areas may include the followings:

First: More attention and care are needed to develop inter-organizational strategic network. Inter-organizational strategic network is important and valuable in assisting businesses to improve and advance their chances for success. Second: The study results may assist businesses to establish distinctive strategic position. Developing networking strategy for managing the business is beneficial and important for increasing the success of business development stages. The networking strategy building could be achieved through enhancing the business relationships with the external environment, which may be accomplished by many ways such as participating in trade shows or being connected to import offices outside their local borders. Third: The types of entrepreneurial networks (social network, business network, and inter-organizational strategic network) need to be embodied into the existing planning process, as to improve their potential and possibilities for business expansion. Fourth: Identifying a key person as networker that would be assigned for preparing and implementing plans linked to the business goals, in order to network with other persons and businesses whom they may provide useful information, resources, and support which in turn contributes to access for example to a better purchasing deals, financing agreement, and marketing channels, therefore having an advantage over their competitors. Fifth: Management may design appropriate training programs to key persons for the purpose of increasing the awareness of the importance of networking as it can become a core competency for the business over time, since it provides a speedy and cost-economic tool to enter for example into subcontracting or penetrate new markets. And sixth: Linking up with universities, academic institutions, and research centers in order to benefit from the results of studies related to their areas of interests and concerns.

Recommendations for Future Research

The previous section described conclusions from the findings regarding social networks, business networks, and inter-organizational strategic network as well as their impact in the success business on-going stage. The following section includes recommendations for future research avenues:

First: examining if equal usage of entrepreneurial networks could be replicated in other business sectors such as the service sector. More information is needed on the types of entrepreneurial networks used by entrepreneurs and business owners in business service sector and why they use them. Understanding the types of entrepreneurial networks used and the reasons entrepreneurs use them can assist nascent entrepreneurs and business owners to select of what type of networks best serve their business purpose. Second: Regarding gender, if social network is frequently used in helping a business, it would be interested to study if there is a difference between women who use social network and men to aid their businesses. This could be further explored to determine how each gender uses their networks. Given women's tendency toward social networking, it may be that men do not use social network at the same level which women use them. Female entrepreneurs and business owners could possibly be using social network in place of business ones. Third: understanding entrepreneurs' networking behavior, and the factors that impact networking. Entrepreneurs and business owners do not operate their businesses in isolation. Fourth: Further empirical studies involving data collection cross borders is needed for enhancing the generalizability of the study results that was conducted on the Jordanian setting.

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