International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Effect of Networking Capabilities on performance of Small and Medium Enterprises in Kenya. Does Entrepreneurial Self Efficacy Matter?

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Abstract
The general purpose of the study was to examine effect of networking capabilities and entrepreneurial self-efficacy on the performance of Small and Medium Enterprises in selected towns of the North Rift Region -Kenya. The study was anchored by the theoretical approach of Resource Based View and Social Capital theories. Sample size of 323 drawn from a population of 4596 Small and Medium Enterprises registered with the Uasin Gishu, Tranzoia and Nandi Counties was collected using self-administered questionnaires. Hierarchical and multiple regression model using Hayes process Macro were used to analyse data and test the hypothesis. The variables were tested for reliability and validity by computing the Cronbach alpha and factor analysis statistical tests respectively. The study found that; networking capabilities and entrepreneurial self-efficacy significantly affects firm performance. The study found that entrepreneurial self-efficacy moderates the indirect relationship between networking capabilities and small and medium enterprises performance. The study contributes to knowledge by revealing moderation model of self-efficacy between the variables of the study. The new knowledge introduced is that entrepreneurial self-efficacy moderates the indirect links between networking capabilities and Small and Medium Enterprises performance. The government should therefore develop effective strategies that will help improve Small and Medium Enterprises performances by applying the networking capabilities and entrepreneurial self-efficacy unique dimensions.

Keyword: Networking Capabilities, Entrepreneurial Self-Efficacy, Firm Performance , Small and Medium Enterprises

1. Introduction

Globally, SME contribute to total employment and national income (GDP) in developing economies and stands at over 60% and 40% respectively (World Bank, 2017). However, despite the need of SMEs becoming competitive, report of Kenya Economic Outlook (2017) notes Kenya SMEs is hindered by inadequate capital, limited market access, poor infrastructure; inadequate knowledge and entrepreneurial skills. Rapid changes in technology, corruption and an unfavourable regulatory environment are other challenges. Kenya Vision 2030, which is the country's development blueprint to transform the country into a newly industrializing middle-income country aims to increase annual GDP growth rate to an average of 10% and SMEs is expected to play a key role in this agenda. It is evident that SMEs in Kenya have a

chance to boost national productivity and transform the economy. This is also anchored in the government's Big Four Agenda. About 2.2 million small enterprises have closed shop over the last five years in the country, according to a survey by the Kenya National Bureau of Statistics (2017). It is imperative that scholars explore further studies on SMEs in Kenya going by the challenges it is facing while acknowledging its significant. It is on this basis that the current study examined the influence of networking capabilities on the performance of SMEs in Kenya.

Entrepreneurial networking is one of the ways through which this can be achieved, little has been done to exploit this strategy especially in the developing economies like Kenya. Existing literature on networking and financial performance have looked at different dimensions, context and produced mixed results. According to Bengesi & Roux (2014), networking capabilities refers to the ability of the firm to initiate, maintain and utilize the firm's relationship with various partners to the firm's advantage. The ultimate purpose of networking capabilities is the creation of networks with a view of creating a platform for exchanging strategic resources and capabilities. Networking capabilities involves four components that is coordination, relational skills, partner knowledge and internal communication (Srećković, 2018).The networking capabilities influences SME performance in diverse ways including gaining of collective competitive advantages, knowledge sharing amongst network members, and undertaking of joint ventures. Entrepreneurial self -efficacy has been seen as a significant contributory factor to entrepreneurial motivation, intentions and behaviour that influence firm performance (Soomro, B. A et al 2022). It has been argued that it is not important whether the entrepreneur has the knowledge or skills to perform a given task but that he is confident about his capacity to perform the task (Markman et al., 2005). Entrepreneurial self-efficacy is vital to the performance of small businesses because the decisions and actions of a small business owner directly influence the direction of the firm and consequently its overall performance. As such, an entrepreneur' beliefs in his/her capability to produce the desired results in an entrepreneurial pursuit directly affects the businesses performance (Kiani, A. & Wang, D.2021)

Several studies have revealed a positive relationship between the level of entrepreneurial self-efficacy and firm performance, measured by growth of revenues or of employment (e.g. Baum and Locke, 2004; Hmieleski and Baron, 2008; Kickul et al., 2009). With respect to firm performance, several studies (Baum & Locke, 2004; Hmieleski & Baron, 2008; Kickul et al., 2009; Torres & Watson, 2013; Khedhaouria et al., 2014) have shown consistency in a direct positive relationship between entrepreneurial self-efficacy and firm performance. This suggests that the more entrepreneurs are confident in their ability to successfully complete entrepreneurial task, the more likely they are to lead their businesses to better performance. Entrepreneurs with high levels of ESE always set challenging performance goals for their firms and adopt several strategies in achieving the set goals (Hmieleski & Baron, 2008).

In the context of competitiveness, the firms' ESE is relevant since it is presumed that entrepreneurs who have self-confidence and belief in themselves will have more chances in building a larger network of clients and partner firms that will spur superior firm performance and competitiveness. ESE is vital to the performance of small businesses because the decisions and actions of a small business owner directly influence the direction of the firm and consequently its overall performance. As such, an entrepreneur' beliefs in his/her capability to produce the desired results in an entrepreneurial pursuit directly and indirectly affects the businesses performance (Baum & Locke, 2004; Markman, Baron & Balkin, 2005).

Therefore, the current study argues that entrepreneurial self- efficacy being an indicator of the firm owner's belief, has a moderating effect on the relationship between networking capabilities and performance of SMEs. Thus, the study hypothesized that;

H_{01}: *Networking capabilities have no significant effect on SME performance.*

H_{02} *Entrepreneurial self- efficacy has no significant effect on SME performance.*

H_{03} *Entrepreneurial self-efficacy has no significant moderating effect on the relationship between networking capabilities and SME performance.*

2. Theoretical Framework

The study was anchored on the resource-based view theory and social capital theory. The resource based view theory is attributed to scholars such as Wernerfelt (2013).These scholars examined the resource profile of firms with a view of determining their competitive advantages and hence superior performances (Ferlie et al., 2015). Resource-based view (RBV) logic identifies the kinds of resources and capabilities that require specific investment for their full economic value to be realized. When the realization of entrepreneurial depends on the use of socially complex or tacit resources and capabilities, it is more likely that a form of hierarchical governance (i.e. a firm) will be preferred over less hierarchical governance (i.e., the market). These ideas suggest that conditions requiring the efficient coordination and integration of knowledge are those in which entrepreneurial firms are likely to arise in the economy (Andersson 2000). In the current study SMEs will exploit the intangible resources in form of networking capabilities to develop competitive advantages and superior performances.

The social capital theory underscores the significance of the resources that individuals or units can access through their network relationships. These resources are inherent in the business structures where network actors are situated. In the context of inter-firm networks, social capital becomes an asset that firms can leverage to generate intellectual capital, ultimately enhancing their competitive advantage. This idea is supported by Antoldi et al. (2011).

Lee (2009) classifies social capital into three broad dimensions: structural, relational, and cognitive. Structural social capital pertains to the patterns of connections among actors, encompassing factors like the number and types of actors involved, the presence or absence of direct ties, network density, connectivity, hierarchy, and the stability of ties between nodes. On the relational dimension, the focus shifts to the behavioural aspects of the network, including trust, trustworthiness, obligations, and expectations. When considering the moderating role of entrepreneurial efficacy within this framework, one can argue that an entrepreneur's ability to effectively navigate and utilize their social capital across these dimensions can significantly impact their business success. Entrepreneurs with high entrepreneurial efficacy may excel in building and maintaining valuable network relationships, leveraging them to access resources, information, and support. Additionally, their trustworthiness and ability to fulfil obligations within their networks may be enhanced, further strengthening their social capital.

2.1 Review of literature

Networking Capabilities and SME performance

Empirical studies have examined the impact of networking capabilities on firm performance, both locally and internationally. These studies have used various variables to measure this impact, resulting in mixed and inconclusive findings. For instance, a study in Kenya by Maina et al. (2016) found that network structure, governance, and content had a positive and significant relationship with firm performance. Another study among manufacturing SMEs in Kenya, conceptualizing networking dimensions in terms of intensity and range, showed that closer relationships among SME managers led to faster resource sharing, in line with the findings of Seck and Mazzarol (2006).

In Kenya, Korir (2018) discovered that networking dimensions, including network capability, structure, and dynamics, positively influenced firm performance among event management ventures. However, research in Singapore suggested that firm growth was independent of network range but predicted by network intensity, in contrast to findings by Hisrich and Dong (2015) in China, where network intensity and range were positively associated with firm performance.

Bengasi and Roux (2014) examined the influence of networking capability dimensions in SME performance in Tanzania, revealing that relational skills, internal communication, and partners' knowledge had a positive impact, while coordination had a negative influence. The study suggested that firms with partners' knowledge were more likely to identify suitable networking partners and build trust, leading to resource sharing and competitive advantage.

In Ireland, Kenny and Fahy (2011) established a positive relationship between strong network ties, network coordination, human capital resources, and export performance among SMEs. They also highlighted various benefits of business networking, including increased employment, knowledge transfer, technology upgrading, and access to finance. Locally, Kirimi, (2021) found that entrepreneurial networking helped entrepreneurs gather information, find customers and suppliers, and obtain needed resources, contributing to SME performance and sustainability. Thus, networking capabilities play a critical role in SME performance by facilitating opportunities, knowledge acquisition, and learning. Networking can help SMEs overcome limitations in resources and dynamic capabilities, enabling them to access power, information, knowledge, technologies, and capital. Networking also fosters innovation, proactiveness, and risk-taking, collectively contributing to improved SME performance.

Entrepreneurial Self- Efficacy and SME performance

Extensive research has shown that self-efficacy beliefs significantly contribute to various aspects of human functioning, including work-related performance (Bandura and Locke, 2003; Stajkovic and Luthans, 1998). In the realm of entrepreneurship, numerous studies have established a positive relationship between ESE and firm performance, often measured by indicators such as revenue growth and employment expansion (e.g., Baum and Locke, 2004; Hmieleski and Baron, 2008; Kickul et al., 2009).

This observed positive effect of ESE on performance aligns with Social Cognitive Theory, which suggests that individuals with high self-efficacy tend to exhibit more self-confidence and better job performance. Conversely, those with low self-efficacy may doubt their abilities and subsequently reduce their efforts, potentially hindering task success. However, excessively high self-efficacy can sometimes lead to complacency, overconfidence, and the adoption of ineffective strategies, particularly in rapidly changing and unpredictable environments (Bandura and Locke, 2003).

While previous studies have largely focused on university students, there is growing recognition of the importance of ESE among practicing entrepreneurs. Researchers have argued that entrepreneurs with high ESE are more likely to exert effort over extended periods, persist through challenges, and develop effective plans and strategies (Markman, Balkin, and Baron, 2002; Shane et al., 2003).

Recent research conducted among women micro-entrepreneurs in Malaysia by Yusrinadini et al. (2019) found a significant correlation between general self-efficacy and business performance, attributing this relationship to the participants' high confidence in their organizational and task-handling capabilities. Another study by Rosli and Hatinah (2016) suggested that ESE moderates the relationship between strategic improvement and SME performance, indicating that ESE plays a role in enhancing the impact of networking capabilities on firm performance. However, the influence of high ESE on firm performance

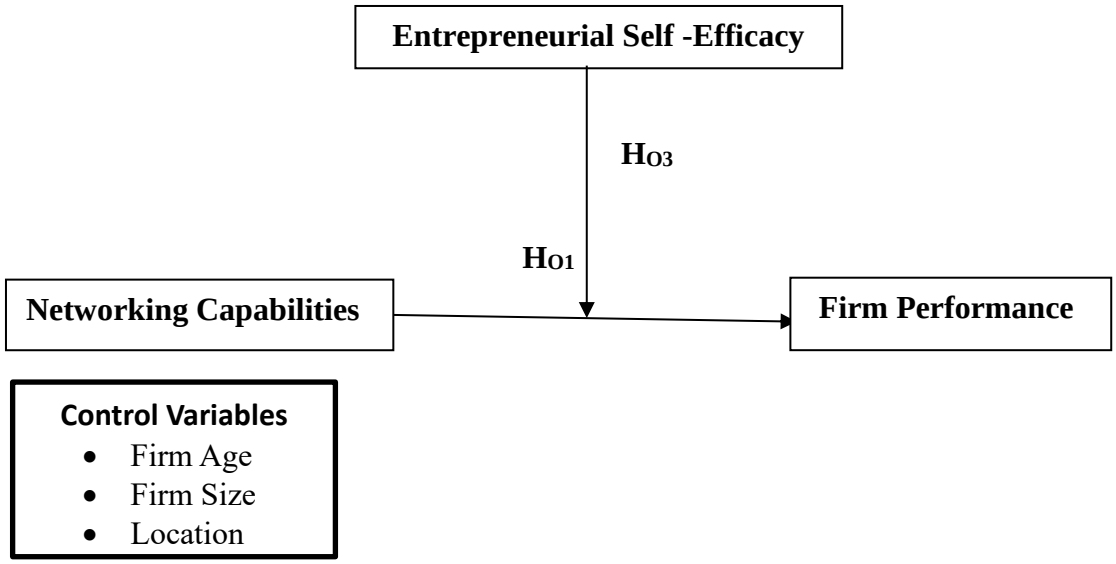
can vary depending on contextual factors. In dynamic and unpredictable environments, Hmieleski and Baron (2008) found that high ESE has positive effects when combined with moderate optimism but negative effects when combined with high optimism. Conversely, in more stable environments, the influence of self-efficacy on firm performance tends to be relatively weak and is not significantly moderated by optimism.

Entrepreneurial Self-Efficacy, Networking capabilities and SME performance

Several authors confirmed that there might exist positive relationship between ESE and firm performance. For example, the benefits of higher ESE were found to result in setting higher goals, showing stronger commitment and determination in achieving goals, achieving higher levels of revenues and employment growth, recognizing external events as opportunities, etc. (Baum et al., 2001; Boyd & Vozikis, 1994; Chandler & Jansen, 1992). Since in past the connection between entrepreneurs and opportunities was recognised as the central component of the entrepreneurial process (Aldrich & Zimmer, 1986), the relationship between entrepreneurial self-efficacy and opportunity recognition may also explain the positive correlation between networking capabilities and firm performance.

According to study done by Indrawati et al (2014), ESE was found to moderate the relationship between environmental complexity and entrepreneurial alertness. The study population was SMEs in Malang and using purposive method 26 SMEs were picked. This is in line with study done by Bandura, (1982) which clearly demonstrates that an entrepreneur's personal adjustment or belief in how well he/she can execute action that is required to deal with prospective situation. In the current study the firm owners will need to bring in their strength on networking capabilities to influence SME performance in a more complex and dynamic environments as in Kenyan set up.

Recent research has shown that the critical competencies determining the entrepreneurs' process of networking and the employment of their social networks represent the expertise, skills, and the attitude of the former (Brescher, 2010). The success of the entrepreneurs' networking activities is therefore largely determined by their belief, behaviour and the effort that the former invest into developing their interpersonal and networking capabilities. The concept of entrepreneurial self-efficacy (ESE) as a distinctive entrepreneurial personality trait was firstly introduced by Chen et al. (1998), who defined the characteristic as a strength of one's belief in his or her capabilities to successfully perform specific tasks and roles in the entrepreneurial process. The authors in question confirmed that the ESE construct is formed by five factors, namely marketing, innovation, management, risk-taking, and financial control, since self-efficacy was found to be related to the individual's performance, it then explains that ESE will have a moderating effect on the relationship between networking capabilities and firm performance. The owner's belief and confidence to undertake a task will determine the strength of the relationship between networking capabilities and firm performance. It is based on this argument that the study aimed to determine the moderating effect of ESE on the relationship between networking capabilities (NC) and SME performance.



Source: Hayes (2013) and Hayes (2018) Model 59

Figure 1: The conceptual framework.

3. Methodology

The target population comprised 4596 licensed SMEs owners/managers drawn from the three selected towns in North Rift region, Kenya namely Eldoret, Kitale and Kapsabet. A sample of 323 the number of respondents were determined using Macorr's (2014). Using stratified random sampling, the study only considered active SMEs based on their current licenses to operate from the County Governments. Structured questionnaire was used in this study as a method of collecting primary data. The questionnaires were formulated to capture all information needed to meet the study objectives.

Measurement of Variables

SME performance was measured using financial and non-financial performance indicators which were adopted and modified from Inta Kotane (2015). The financial measures comprised four indicators: sales, annual profits, capital invested and return on investment. Non-financial measures included customer satisfaction levels, customer service improvements and number of employees.

The study adopted and modified measures of networking capabilities from Bengesi and Roux (2014) and Walter et al. (2006) and developed by Keller & Holland (1975) and Mohr & Spekman (1994) namely internal communication resources, relational skills, partners knowledge and coordination activities.

The study adopted the widely used measures of entrepreneurial self-efficacy developed by Newman, et al (2019). The measures adopted were the constructs of perceived capabilities in successfully completing task in five business domains namely marketing, management, financial, risk taking and innovation. The study used 6 items to measure marketing ESE, 6 items to measure management ESE, 4 items to measure financial ESE, 4 items to measure risk taking ESE, 5 items to measure innovation ESE. The study used five-point Likert scale for all the measures ranging from Strongly disagree (SD), 2 – Disagree (D), 3 – Not Sure (NS), 4 - Agree (A), 5 - Strongly agree (SA).

Data Analysis

This study employed Cronbach's Alpha (α) and factor analysis (with Communality extraction Factor Loading - (FL). According to Mugenda (2003), Cronbach's alpha coefficient of at least 0.7 for a research

instrument is believed to be reliable. It should be noted that, it is possible for a measurement to be reliable but invalid; however, if a measurement is unreliable, then it cannot be valid (Thatcher, 2010, Twycross & Shields, 2004). The data obtained from the field was coded, cleaned, and entered into the computer for analysis using the SPSS. The study used the Mahalanobis distance (d^2) to detect the outliers. Descriptive statistical procedures including cross-tabulations and frequency, reliability, factor analysis, correlation, multiple regression.

Findings

Demographic characteristics

This section discusses characteristics of the sample respondents in the study area that pertains to firm age, firm size, and the sub-sector industry type of the SMEs. This is clearly tabulated in Table 1. The study's findings present a diverse sample of respondents, reflecting a balanced distribution among firms with varying years of existence, with a slight majority being firms with 6 years of existence or less. In terms of firm size, a significant proportion of respondents came from small to medium-sized enterprises, particularly those with 6-20 employees, while larger firms were less represented. Lastly, the retail and wholesale sectors had the highest number of respondents, followed by the service sector, with the production/manufacturing/agro-based sector having the fewest respondents.

Table 1: Demographic Characteristics of Respondents (N=309)

		Frequency	**Percentage**
Firm Age	Below 3 years	79	25.6
	4-6 years	89	28.8
	7-10 years	67	21.7
	Above 10 years	74	23.9
	Total	**309**	**100**
Firm Size	Fewer than 5	101	32.7
	6-20	109	35.3
	21-50	57	18.4
	51-100	33	10.7
	More than 100	9	2.9
	Total	**309**	**100**
Subsector Type	Retail and wholesale	134	43.4
	Service	104	33.6
	Production /manufacture/Agro based	71	23.0
	Total	**309**	**100**

Factor Loadings and Descriptive Statistics

This section presents the descriptive statistics of each of the variables. Descriptive statistics in this case were the mean scores, standard deviation, skewness and the kurtosis of each item used in relation to firm performance, networking capabilities and entrepreneurial self-efficacy. The results in Table 2 indicated that, on average, SMEs agreed that their sales had increased due to rising product demand, with a mean score of 3.58 and a standard deviation of 1.169. Additionally, they reported an increase in capital investment (Mean = 3.62, std.dev = 1.157) and moderately agreed that annual profits had grown due to

increased sales and cost control measures (Mean = 3.49, std.dev = 0.550). Moreover, SMEs expressed that customer satisfaction had risen due to improved service and reduced complaints, with an average score of 3.59, and the number of customers had increased because of heightened product demand, with an average score of 3.71. The data met the criteria for normal distribution, as skewness and kurtosis values were within acceptable ranges (Kline, 2005).).

Table 2: Descriptive of firm performance

Firm Performance (KMO = .769	Mean	Std. Dev	Skewness	Kurtosis	Factor Etraction (loadings)
The firm's sales have increased during the years due to increased demand in our products	3.58	1.169	-.673	-.409	.3540
Amount of capital invested has increased over the years due to growth in business	3.62	1.157	-.724	-.205	.4505
Annual profits have increased during the years due to increase in sales and cost control measures	3.49	.550	.052	-.095	.8696
The level of customer satisfaction have increased due to improved customer service and reduced complaints	3.59	1.280	-.552	-.732	.4585
The number of employees have increased due to job satisfaction.	3.39	1.232	-.480	-.674	.5099
The number of customers has increased due to increased demand in our products	3.71	1.187	-.690	-.277	.5752

The study used four measurements for networking capabilities in terms of relational skills, internal communication, coordination, and partner's knowledge. SMEs respondents were required to rate the extent they agreed the factors selected that affect the level of networking capabilities of relational skills, internal communication, coordination, and partner knowledge. They were categorized as 5-Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly Disagree. From the results on relational skills, majority of the respondents agreed that their firm matches the use of resources (e.g. personnel, finances) to the partners relationship ($\text{Mean} = 4.33, \text{std. dev} = .913$. The respondents also agreed that regular discussions with partners on how to support each other for their success occurs in my business and judgement in advance of possible partners to talk to about building up relationships occurs as indicated by an average responds of 3.96 and 3.73 respectively. Further, on internal communication, they ensured that managers and employees give intensive feedback to each other and inform staff members of partners' goals, potential and strategies (their respective mean responds of 3.70 and 3.85). They further agreed on coordination that they have the ability to build good personal relationship with business partners ($\text{Mean} = 3.61, \text{std. dev} = 1.233$). They also deliberately study partner's strength and weaknesses and they know which ways competitors attract customers. (respective mean responds of 3.59 and 3.67).

Table 3: Descriptive of Networking Capabilities

Statement (KMO = .769	**Mean**	**Std. Dev**	**Skewness**	**Kurtosis**	**Factor Etraction (loadings)**
Relational skills					
My firm matches the use of resources (e.g. personnel, finances) to the partners relationship	4.33	.913	-1.818	3.817	.4384
The firm analyses what it would like and desire to achieve with which partner	3.96	1.070	-1.021	.512	.5813
Regular discussions with partners how to support each other for their success occurs in my business	3.98	1.046	-1.017	.468	.4683
Judgement in advance of possible partners to talk to about building up relationships occurs.	3.73	1.143	-.757	-.131	.5806.
Internal communication					
Regular meetings for every department / all worker`s to assess business progress are held	3.57	1.222	-.606	-.569	.3797
Regular meetings for every department or workers to develop business plan are held	3.61	1.151	-.703	-.301	.3972
Business information across departments / all workers is often communicated	3.59	1.244	-.691	-.524	.5429
I ensure that managers and employees give intensive feedback to each other	3.70	1.237	-.668	-.581	.5078
I inform staff members of partners' goals, potential and strategies	3.85	1.158	-.855	-.176	.3727
Coordination					
I can deal flexibly with partners	3.63	1.220	-.651	-.558	.5265
We have the ability to build good personal relationship with business partners	3.79	1.174	-.862	-.046	.4386
Problems are solved constructively with partners	3.71	1.248	-.743	-.460	.5899
The firm puts itself in partners' position always	3.61	1.253	-.614	-.722	.4226
We know our partners' potential and strategies	3.67	1.233	-.592	-.732	.5179
Partners knowledge					
I know my partners' markets	3.75	1.223	-.795	-.329	.4218
I deliberately study partners strength and weaknesses	3.59	1.236	-.670	-.511	.5616
I know which ways competitors attract customers	3.67	1.219	-.683	-.445	.5529

Descriptiv of Entrepreneurial Self-Efficacies

Table 4 presents descriptive statistics explaining the entrepreneurial self-efficacy. Five sub items were used namely marketing, management skills, financial control, risk taking and innovation self-efficacies. SMEs in North Rift region of Eldoret, Kitale and Kapsabet agreed on the marketing self-efficacy that they can establish a position in the marketplace and also can develop new methods of production or systems (mean responses of 3.53 and 3.52). Further, majority on the management skill of entrepreneurial self-efficacies agreed that they can establish and achieve goals and objectives and can set up strategic plans for the organization, while on financial control, they can develop a financial system and internal controls and can recognize the costs associated with doing business. On matters of risk taking and innovations, they can tolerate unexpected changes in business conditions and can discover new ways to improve existing products/services. According to Bandura and Locke, (2003), the issue of self-efficacy has been extensively investigated, and it has been clearly established in related literature that self-efficacy beliefs can contribute significantly to the level of performance in diverse fields of human functioning including work-related functioning. Several studies have revealed a positive relationship between the level of entrepreneurial self-efficacy and firm performance (Kickul et al., 2009).

Table 4: Descriptive of Entrepreneurial Self-Efficacies

Statement	Mean	Std. Dev	Skewness	Kurtosis	Factor Etraction (loadings)
Marketing ESE					
I can set and meet market share goals.	3.25	1.358	-.396	-.984	.4393
I can set and meet sales goals	3.46	1.188	-.517	-.552	.5939
I can establish a position in the marketplace	3.53	1.152	-.583	-.243	.4455
I can conduct market analysis	3.60	1.147	-.537	-.431	.5326
I can identify new areas and territories for potential growth	3.39	1.281	-.521	-.811	.5111
I can develop new methods of production or systems	3.52	1.260	-.648	-.482	.5069
Management Skill ESE					
I can establish and achieve goals and objectives	3.61	1.245	-.605	-.652	.4158
I can reduce risk and deal with uncertainty	3.47	1.252	-.384	-.903	.3624
I can define organizational roles/responsibilities	3.35	1.327	-.334	-1.002	.5828
I can manage time by setting goals	3.59	1.280	-.552	-.732	.5225
I can identify and build management team	3.39	1.232	-.480	-.674	.5408
I can set up strategic plans for the organization	3.71	1.187	-.690	-.277	.5330
Financial Control ESE					

I can perform financial analysis	3.61	1.253	-.654	-.580	.4175
I can develop a financial system and internal controls	4.06	1.125	-1.306	1.068	.4898
I can recognize the costs associated with doing business	3.72	1.155	-.788	-.101	.4588
I can control costs	3.64	1.252	-.762	-.347	.5174
Risk Taking ESE					
I can make decisions under uncertainty and risk	3.54	1.220	-.517	-.576	.5607
I can work productively under continuous stress, pressure and conflict	3.47	1.199	-.460	-.631	4724
I can tolerate unexpected changes in business conditions	3.65	1.193	-.649	-.396	.5248
I can take responsibilities for ideas and decisions	3.49	1.210	-.480	-.656	.5510
Innovation ESE					
I can find new markets and territories	3.63	1.241	-.670	-.546	.4829
I can develop new business ideas	3.68	1.247	-.715	-.511	.5050
I can discover new ways to improve existing products/services	3.71	1.137	-.763	-.076	.5217
I can develop new methods of production or systems.	3.59	1.221	-.567	-.544	.5036
I can develop new products or services	3.62	1.175	-.686	-.330	.4741

Correlation Analysis

Table 5 presents Pearson correlation coefficients (r)and its significance. The correlation results indicated that all the variables were positively correlated with firm performance. A higher correlation was evident between firm performance (FP) and networking capabilities with $r = .687$, $\rho < .01$ .Firm performance had a positive but lower association with entrepreneurial self- efficacy at $r = .533$, $\rho < .01$ .The study did not exhibit multicollinearity challenge since the highest correlation coefficient $r = .687$.is less than .80.

Table 5: Pearson Correlation Coefficients

Variable (N=304)	**FP**	**NC**	**ESE**
Firm Performance (FP)	1		
Networking capabilities (NC)	.687**	1	
Entrepreneurial Self- Efficacy (ESE)	.533**	.532**	1
**. Correlation is significant at the 0.01 level (2-tailed).			

Test of Hypotheses and Discussion

The study's hierarchical regression analysis, incorporating networking capabilities into the model, provides significant insights. Networking capabilities (NC) were introduced as an independent variable to test its direct effect on firm performance (FP), a test aligned with *hypothesis (Ho1).* The results clearly indicate a direct and positively significant effect of networking capabilities on SME performance (β=0.389, p=0.000), leading to the rejection of Ho1.These findings align with prior research by Bengesi

and Roux (2014), emphasizing the role of networking capabilities in improving SME performance, defined as the ability to initiate, maintain, and utilize relationships with various partners for the firm's advantage. The positive influence of networking capabilities suggests that firms with strong partner knowledge, relational skills, and internal communication are likely to share and harness strategic resources for competitive advantage, fostering improved performance. These results also align with previous studies by Maina et al (2016), Korir (2018), and Kirimi (2021) , which explored various dimensions of networking capabilities and their positive direct effects on venture or firm performance. The findings support the idea that closer relationships among network members facilitate resource sharing, echoing the observations of Seck and Mazzarol (2006). Additionally, the study emphasizes the importance of networking in SME contexts, where it involves building and managing personal relationships with specific individuals in the business environment, as defined by Rogers (2004) and Conway and Jones (2006). Ultimately, networking leads to benefits such as increased employment, knowledge transfer, technology upgrading, enhanced skills, and more stable relationships, in agreement with Archer-Brown & Kietzmann (2018) findings.

The study aimed to investigate the effect of entrepreneurial self-efficacy (ESE) on SME performance, revealing that ESE indeed has a direct and significant positive effect on firm performance (β=0.112, p=0.009), leading to the rejection of hypothesis Ho2.

The study further tested whether entrepreneurial self-efficacy has a moderating effect on the relationship between networking capabilities and SME performance. The study reveal that the interaction of entrepreneurial self- efficacy between the networking capabilities and firm performance was significant with coeff=.101, p = .013.The resultant R^2.638 was significant with F=65.026, p = .000 indicating that the model explains 63.8% of the variance in firm performance. The results of all the three control variables were statistically insignificant with p > .05. The interaction of entrepreneurial self- efficacy between the networking capabilities and SME performance was significant with coeff=.101, p = .013. , Δ **R^2** .008 significant at F=6.243, p = .013. **H_{03} was rejected** and study concluded that entrepreneurial self-efficacy moderates the relationship between networking capabilities and SME performance. The concept of entrepreneurial self-efficacy as a distinctive entrepreneurial personality trait is characterized as a strength of one's belief in his or her capabilities to successfully perform specific tasks and roles in the entrepreneurial process. The study found a great significant moderating role of entrepreneurial self-efficacy on the relationship between networking capability and SME performance. Based on this finding, we argue that an ESE is effective in influencing goal commitment, aspiration levels, task persistence and work attitude. As a distinct entrepreneurial personality trait, entrepreneurial self-efficacy is defined as the strength of one's belief in one's own abilities to successfully perform specific tasks and roles in the entrepreneurial process. The findings conform to the work of Indrawati et al. (2014) who discovered that entrepreneurial self-efficacy moderates the relationship between environmental complexity and entrepreneurial alertness. To capitalize on existing opportunities, entrepreneurs must have a high level of trust and self-confidence. Entrepreneurs with high confidence can maintain a higher level of vigilance in the presence of environmental calamity than entrepreneurs with low confidence (Tony Fu, 2001) The study result is also consistent with the findings of Hmieleski and Corbertt (2008) who found that ESE positively increases the relationship between improvisational behaviour and performance of firms. In another study by Ibrahim and Mahmood (2016) with interaction of ESE, the relationship between strategic improvisation and performance was significant. Building on the previous studies, the current study reinforces their findings and agree that SMEs owners with high belief in their networking capabilities and abilities, tend to be efficient and in turn improve firm performance. ESE of the SME owner is needed to

meet the emerging opportunities and threats as firms continue building network and linkages in order to survive and be sustainable in the current volatile macro environments such as in Kenyan context.

Table 6: Moderation Analysis of Entrepreneurial Self-Efficacy.

(FP)		
	β	**p**
Constant	-.144	.266
NC	.389	.000
SE	.112	.011
NC*ESE	.101	.013
R^2	.638	
Δ R^2	.008	
F	6.243	
P>F	.013	

Figure 2 shows the two lines graphical representation indicating at two levels of low and high levels of NC, that ESE moderates the relationship between NC and firm performance. It reveals that at low levels of networking capabilities among SME firms in the selected towns in North Rift Kenya, with firms having both low and high levels of entrepreneurial self-efficacy, the firms performed same. However, as NC increases, then we see the firm performance significantly increasing with firms having high efficacy but marginally increases with firms having low level of efficacy at the increase in networking capabilities.

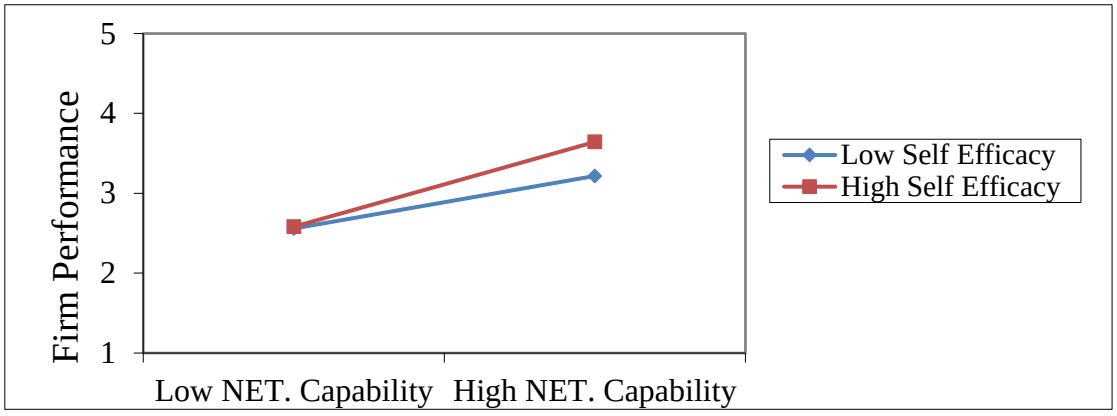


Figure 2 Moderation Graph of effect of ESE between NC and FP

Conclusion and Implications

The findings of the study confirm that networking capabilities, and entrepreneurial self-efficacy have a positive and significant direct effect on SME performance. The study found that entrepreneurial self-efficacy moderates the link between networking capabilities and firm performance in the three regions of North Rift Kenya. Being network capable is critical for establishing trust and confidence with networking partners. SME owners should be willing to share core competitive resources; otherwise, the relationship will be fraught and ambiguous, with no benefits shared by networking partners.

The findings of the study have contributed to existing body of literature by using evidence from Kenya, developing nation. It is clear that SME in developing economies is failing in the first five years of establishment. The study findings contribute to an understanding of how to improve SME performance.

Furthermore, the study findings are consistent with other scholars who have established that networking capabilities and entrepreneurial self-efficacy have a significant direct effect on firm performance. New knowledge has been added to existing literature where entrepreneurial self-efficacy complimentarily moderates SME performance. The study further provides theoretical contribution to the existing scholarly literature where entrepreneurial self-efficacy acts as a moderator and an enhanced predictive power established by moderated analysis.

The findings emphasise the importance of self-efficacy and networking capabilities of the entrepreneurs as a predictor to improved firm performance. SMEs should consider developing policies, allocate resources and come up with strategies that will enhance their networking capabilities. Entrepreneurs should ensure that their employees are involved in the decision-making process and have the capacity and confidence to implement and deliver on strategy. It is important that employees are well trained to enhance their entrepreneurial self-efficacy because high efficacy in employees will increase business performance. Firm owners with high entrepreneurial self-efficacy feel more competent to address and deal with uncertainties risks, and hardships than those with low entrepreneurial self-efficacy. Those with high entrepreneurial self-efficacy anticipate different outcomes than people with low entrepreneurial self-efficacy.

Limitations and Suggestions for further studies

This research used three covariates to determine its effect on the study variables and the results were mixed. Future research should consider other aspects of entrepreneur's profile such as culture, education level and gender as control variables. Furthermore, the study used quantitative data; future studies should consider using mixed method as this may bring out other factors that may influence firm performance since the market environment is always dynamic. Finally, the study used networking dimensions adopted from Bengesi and Roux (2014) and Walter et al. (2006) namely internal communication resources, relational skills, partners knowledge and coordination activities and its effect on firm performance. Future studies should consider other networking elements which have been conceptualized such as aspects of network intensity, range, structure and network dynamics with already local scholarly findings documented (Korir, 2018, Maina et al,2016) to ascertain how they can influence SME performance.

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