IMPACT OF NETWORKING THROUGH THE USE OF ICT ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN TANZANIA: A SURVEY OF SMEs IN ARUSHA CITY

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A SURVEY OF SMEs IN ARUSHA CITY

By

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A Dissertation Submitted to Mzumbe University in Partial Fulfillment of the Requirements for the Award of Masters Degree of Science in Entrepreneurship of Mzumbe University

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CERTIFICATION

We the undersigned certify that we have read and hereby recommend for acceptance by Mzumbe University a dissertation entitled: **Impact of Networking Through the use of ICT on Performance of Small and Medium Enterprises in Tanzania: A Survey of SMEs in Arusha City** in partial fulfillment of the requirements for the award of the Degree of Master of Science in Entrepreneurship of Mzumbe University.

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DECLARATION

I, **Glory Jared Mtei** hereby declare that, this dissertation on "Impact of Networking on Performance of Small and Medium Enterprises in Tanzania: A Survey of SMEs in Arusha City submitted to Mzumbe University for the award of degree of Master of Science in Entrepreneurship at Mzumbe University has not been submitted for any degree at this or other university and that it is my own original work and all the sources that I have used or quoted have been indicated and acknowledged by means of complete referencing.

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LIST OF ABBREVIATIONS AND ACRONYMS

ICT	Information Communication Technology
IT	Information Technology
MSc.	Master of Science
MU	Mzumbe University
PC’s	Personal Computers
SMEs	Small and Medium Enterprise
SPSS	Statistical Package for Social Science Research
UNDP	United Nations Development Enterprises
α	Alpha

ABSTRACT

SMEs are unable to achieve their goals by themselves, they need support and resources from external factors such as other firms, supporting institutions and relatives and friends. thus, studies have argued that the success of small firms depend on the supporting networks(Donckels and lambrecht, 1995)

Realizing this, the researcher decided to assess the impact of networking on the performance of SMEs in Tanzania as the case of Arusha city. Specifically the study assessed the contribution of networking on productivity of SMEs, the role of networking on market accessibility of SMEs, and determined the contribution of networking on profitability of SMEs.

The study used survey research design and it involved 40 SMEs from Arusha city. The structured questionnaires were distributed by the researcher to these 40 respondents (SMEs) for data collection. Convenience sampling technique was used to select 40 SMEs involved in this study. Data collected from survey questionnaire were analyzed by using the statistical Package for Social Science (SPSS).

From the study, it was found that networking through ICT was used by SMEs in their daily activities and was helpful in productivity, market accessibility and profitability of their businesses which included increase of their businesses functionality, increase in profit margin and enabled them to advertise their products and services.

The study concluded that, networking through the usage of ICT usage is vital in SMEs and therefore, there is a need for SMEs support in knowledge management to achieve their business goals. The study hence recommended for ICT trainings and a well-articulated policy which will focus on ICT usage in SMEs specifically on the costs reduction of ICT related equipments.

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INTRODUCTION

1.0 Introduction

In this knowledge-based era, networking has been presented as an important device to overcome the inherent challenges that make SMEs vulnerable because act as ingredient in business success (Levin, 2003:60). A significant number of SMEs fail and one of the key challenges in regard lies in addressing the entrepreneurs' lack of understanding regarding networks and the role they play in a successful entrepreneurial process. This paper therefore assessed the impact of networking on performance of SMEs in Tanzania. This chapter specifically presents the background of the study, statement of the research problems, main research objective, specific research objectives, research questions, scope of the study, significance of the study, limitations of the study and their delimitations, organization of the dissertation, and chapter summary.

1.1 Background of the Research Problem

Small and Medium Enterprises (SMEs) play a significant role in the development of the economy (Msabila, 2012). However, their contribution to the national economy is still relatively small (Msabila, 2012). Due to this, the government has made the development of SMEs a high priority area with a string of development agendas. SME development programs have become a priority in many economies worldwide and have seen an increasing proportion of developing countries embarking on SME policies for economic growth and poverty alleviation (Lonergan et al., 2004). In this knowledge-based era, networking has been presented as an important device to overcome the inherent challenges that make SMEs vulnerable. Networking and the concept of a network have various definitions in the literature reviewed. Network could be stated as a specific set of linkages among a defined set of actors.

However, networks are also often defined as relationships between different actors (Ireland, Hitt, Camp, & Sexton, 2001). Actors in a social Network can be persons, groups, and collectives of organisations. Personal networking is defined as the management of relationships or alliances that the individual has with others in their society (Dubini & Aldrich, 1991).

Networks have been around for as long as people can remember (Ramsey, 2008). The uses of networks in business have proved to be beneficial to number of businesses in varying industries. Social-media websites such as Facebook and linkedIn have a permanent place in business strategy, as the focus is solely built upon the value networks can offer businesses today. SMEs are unable to achieve their goals by themselves, they need support and resources from external factors such as other firms, supporting institutions and relatives and friends. Thus, studies have argued that the success of small firms depend on the supporting networks (Donckels and Lambrecht, 1995). Levin (2003:60) says networking is one of the most crucial ingredients in business success and that shrewd networkers share common ideas with successful business leaders by viewing networking as an investment that eventually yields dividend. He further points out networking are one of the most important tools that can be used in the realm business.

Furthermore Henneberg and Mouzas (2008:100) point that the act of networking and leveraging of contact in any industry has proved to have benefits for the businesses across board. Networks are representative of the value at the company level and customers are the focal point of networks, ultimately resulting in value creation for any business. Therefore network relationships allow entrepreneurs to identify opportunity and resources rapidly. Despite recent reports on the success of information-rich economies, many developing countries including Tanzania are still not catching up with the trend.

It is therefore important to analyze the adoption of networking through the usage of information communication technology (ICT) at the SME level in developing countries. Therefore this research paper assessed the impact of networking on performance of SMEs in Tanzania particularly in Arusha city.

1.2 Statement of the Research Problem

SME development programs have become a priority in many economies worldwide and have seen an increasing proportion of developing countries embarking on SME policies for economic growth and poverty alleviation (Lonergan et al., 2004). Networking has been presented as an important device to overcome the inherent challenges that make SMEs vulnerable because it act as ingredient in business success (Levin, 2003:60). Networking in a small firm context could be defined as activities in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their environment (Carson et al., 1995). A significant number of SMEs fail and one of the key challenges in regard lies in addressing the entrepreneurs' lack of understanding regarding networks and the role they play in a successful entrepreneurial process. Therefore this research assessed the impact of networking on performance of SMEs in Tanzania as a survey of SMEs in Arusha city.

1.3 Research Objectives

The study was carried out in order to attain the following general and specific objectives:-

1.3.1 General Research Objective

The study generally assessed the impact of networking on the performance of SMEs in Tanzania as the case of Arusha city.

1.3.2 Specific Research Objectives

i. To determine the contribution of networking on productivity of SMEs in Arusha city.
ii. To find out the role of networking on market accessibility of SMEs in Arusha city.
iii. Determine the contribution of networking on profitability of SMEs in Arusha city.

1.4 Research Questions

The study was guided by the following specific research questions:-

i. What is the contribution of networking on productivity of SMEs in Arusha city?
ii. What is the role of networking on market accessibility of SMEs in Arusha city?
iii. What is the contribution of networking on profitability of SMEs in Arusha city?

2.2 Scope of the Study

The focus of the study was to assess the impact of networking through the usage of ICT on performance of SMEs in Tanzania. The study was limited only to forty SMEs in Arusha city.

1.5 Significance of the Study

The study will be very significant to different stakeholders including SMEs, researchers, businessmen and other stakeholders in many ways. This study will bring benefits to the general public since it generated new knowledge and awareness on how networking impacts the performance of SMEs and will stimulate more people to employ networking with expectation to increase income in their businesses.

To the practitioners and business community; the findings offered a clear picture on how SMEs can improve their performance and raise their income through the use of networking. Also the findings will assist them on identification of networking related problems which affect SMEs and suggested better ways of dealing with them. To academicians and other researchers; the findings will contribute to the existing knowledge both theoretically and empirically foundation for further similar studies. Furthermore, to the policy makers and the government, the findings are useful during review of relevant ICT policies and improve certain regulatory and administrative areas so as to support SMEs in networking.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

According to Mugenda and Mugenda, (1999:29) "Literature review involves systematic identification, location, and analysis of documents containing information related to the research problem being investigated". Literature review should be extensive and thorough because it gives an overview of what has been said, who the key writers are, what are the prevailing theories and hypothesis, what questions are being asked, and what methods and methodologies are appropriate and useful (emerald insight). In this chapter, the researcher gives introduction, conceptual definition of terms that will be used in this study, discussion of theoretical and empirical aspects of impact of networking on performance of SMEs, research gap, conceptual framework, and chapter summary.

2.1 Conceptual Definitions

According to Mugenda and Mugenda (1999:11) "Conceptual or theoretical definition of variables or terms is a way of specifying precisely what we mean when we use a particular term to refer to a variable". Researcher cannot effectively study a variable without first agreeing on a working definition of the variable, therefore, the following are the key concepts defined in order to avoid ambiguity as were used in this study:-

Assessment Refers to judging or forming an opinion about something (Hornby, 2006:75). In this study the researcher assessed the impact of networking on performance of SMEs in Tanzania as the case of SMEs in Arusha city.

Entrepreneur Refers to an individual who accepts financial risks and undertakes new financial ventures.

Entrepreneurship Refers to a process of innovation and new venture creation via individual, organization, and environment.

Information Communication Technology Referred to forms of technology that are used for communication, creation, transmission, storage, sharing and exchanging information such as computers, internet, telephone (both fixed line and mobile), network hardware and software; as well as the equipment and services associated with these technologies, such as electronic mail, text messaging and radio broadcasts.

Networking Refers to activities in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their environment (Carson et al., 1995). This can be achieved through the use of ICT or other means.

Performance Refers to the accomplishment of a given task measured against preset known standards of accuracy, completeness, and cost.

Productivity Refers to efficiency with which output is produced by a given set of inputs.

Profitability Refers to the surplus remaining after total costs are deducted from total revenue, and the basis on which tax is computed and dividend is paid.

2.3 Analysis of Theoretical Studies

2.2.1 Nature of Network

In the current working world, a network is a term used rather loosely. Researcher such as Svensson (2004) and Salmi (2000) are aware of the need of networks to assist in business strategy, but what constitutes a network has been investigated and recorded in academic literature. Ramsey (2008:6) suggests that networking (which is representative of the actions of using and building network), has been around as long as people have sought out like-minded individuals, whether to share mutual interests or exchange ideas. Networking involves sustained relationships between individuals and business enterprises which are mutually beneficial to all the parties involved (Hallèn and Johanson, 2004:160). Networking involves information and resources sharing, reduction of transaction costs and social interactions that exist between individuals.

This is in line with networking theories such as the transaction cost theory (Commons, 1934), social network theory (Moreno, 1937) and resource dependency theory (Pfeffer and Salancik, 1978). The transaction cost theory proposes that SMEs network in order to reduce the costs of performing market transactions. On the other hand, he social network theories proposed by Granovetter (1973), Coleman (1988) and Burt (2000) suggest that firms network because of the social interaction and relationships that exist between individuals. Thus, there will always be some level of networking among firms because of the social interaction of different individuals in different firms. Lastly, the resource dependency theory proposed by Pfeffer and Salancik (1978) suggests that firms network in order to obtain share resources or information to gain competitive advantages in the market.

The extent of networks has always been considerable, however the question remains as to what constitutes the existence of a network. A network is simply a professional support group of peers that offers reciprocal encouragement, empathy and wise council when needed (Ramsey, 2008:6).

In the corporate world the tangible effects that use of networks has had on positively impacting the bottom line of many businesses cannot possibly be limited to the definition provided above. Support and encouragement and empathy are concepts that do not necessarily describe networks as accurate as possible, particularly in the way they have aided business today. There are other schools of thought, Nieman et al. (2003:168) have indirectly pointed on the significance of the role of networks in business when saying that networking is a useful tool in terms of "know-how" and "know-who" as critical external relationships contribute to business success". The definition provided by Nieman et al. (2003:168) is equally enlightening: "Networks are patterned, beneficial relationships between individuals, groups or organizations that are used to secure critical economic and non-economic resources needed to start and manage a business". The notion of networks fundamentally being based on the relationships which result in benefits to parties in those relationships is one supported by Prenkert and Hallen (2005:384) who state that business networks can be defined as interconnected business relationships with consistent exchange relations.

2.2.2 Components of Network

Holmlund and Tornroos (1997:304) mention that business network consist of set of connected actors in relationship, who perform different types of business activities in interaction with one another. They suggested that there three types of actors operating in a business network these are;

Firm Actors

Firm actors are indicative of actors that perform the production activities within the business network. These actors constitute the production network layer of the network and responsible for all production activities that may need to take place in order to move the business forward.

Resources Actors

Resource actors provide the firm with the resources they require in order to fulfill the production activities. These actors could potentially be bankers or consultants. The important consideration is not the title but rather the resources they provide to the firm actors. Resources could be financial, technological or marketing know-how. Resource actors play a critical role in the business network, as resources are scarce and often difficult to come by. The resource actors, together with the firms' actors, constitute the resource network layer within the business network. Holmlund and Tornroos (1997:304) further suggest that having more actors in the resource network layer than in the production layer makers it more difficult to establish the limits.

Human Actors

Consists of actors on the individual level, and reflects how individuals or groups of actors from different firms in business network can be interconnected. These individuals are important carriers of information and knowledge that the business can utilize, to ensure business processes are that much more efficient and actions taken are objective-driven. After taking account of the research on networks, Byham (2010:65) makes a critical point by saying "one does not have a network unless the people come through it when the need arises"

2.2.3 Types of Networks

Nieman et al. (2003:168) point out that the two predominant types of networks that can be utilized by the entrepreneur are:

Personal Networks

The term personal networks refer to those persons with whom has a direct relationship, and the focus is on the individual (Nieman et al.2003:168). From one definition it is clear that personal networks involve relationships the individual has with others- in this case the entrepreneurs contacts and no one else .

This view is supported by Bratkovic, Antonic and Ruzzler (2009:172) who mention that “personal networks consist of persons with whom an entrepreneur has direct relations and are considered to be more than the sum of individual connections that forms the network” The extent to which certain people or groups are considered to be part of the entrepreneur’s personal network is not quite clear. Bratkovic et al,(2009:172) shed some light on this topic by suggesting that on a day to day basis, the entrepreneur is in contact with family and friends, employees , advisors and partners ,all of whom form part of the entrepreneur’s network.

The information age has ensured that technological developments are now becoming more incremental to business and these developments have directly affected the way individuals, and more specifically entrepreneurs, communicate with their personal networks. With the rapid diffusion of the telephone, mobile phone and email, people have the ability to contact friends and family outside of their immediate surroundings, however, personal networks remain robust inspite of their newly mediated success (Boase, 2008:491). The author contends that the size and diversity of the personal network may dictate the extent to which the entrepreneur uses these mediums to contact individuals within the network. Technological development has facilitated a whole new medium with which to contact individuals in a personal network, and the revolution in information technology has paved the way for a relatively new and effective means of networking, namely through social networks.

Social Networks

Technological change has revolutionized the way people live and do business. The integration of interfaces affords individuals the opportunity to communicate with one another regardless of the distance or physical boundaries. The reality of the matter is that the world is now more interconnected that ever before.” The growing interconnectivity worldwide is nurturing the realization that we are all part of a global community” (Halonen, 2004:8). At the heart of such an awakening is the phenomenon of social networking.

Previously, social networking would merely be regarded as the communication of individuals or groups. The vessel from which to communicate did not take precedence. Social networking services are online communities that focus on bringing together people with similar interests who are also interested in exploring the interests and activities of online communities has facilitated the growth of social networking through social network sites. Social networking websites are growing and evolving every day, and their success depends on whether they satisfy user requirements or not, the economic value and earning capacity of social networking has made it a pressing subject for business and economics (Rizali et al.2011). According to Vitkauskaite (2011), social network sites are best defined as web-based services that allow individuals to construct public or semi public profiles within a bounded system articulate a list of other users with whom they share a connection and view and transverse their list of connections and those made by others within the system. Social networking has really taken off through the medium of social network websites and there have been a number of websites lauched with the aim to facilitate this growing need such as Friendster, myspace, linkedIn, facebook, twitter google buzz and many more and facebook being the site that currently has many users. These numbers and pulling power make facebook a sought-after tool for managers and entrepreneurs. Harris and Rae (2010:8) suggest that businesses are now recognizing the potential of these online communities for the development of their brands and to build relationships with key customers. Facebook provides a means with which to communicate with a number of users and what to communicate is left entirely to the discretion of the business or users.

2.2.4 The relationship between networks and entrepreneurship

(Jackson and Oliver,2003), networktheory has been included in the study of entrepreneurship, and it contends that interdepent relationships, comprising proactive social actors are the appropriate organizational system for entrepreneurial process.

The suggestion that interdependent relationships found through networking is the appropriate system for the entrepreneurial process can further be interpreted as the system which most benefits the entrepreneur in the process of developing a venture.

The benefits attained through utilizing network theory by the entrepreneur, and the relationship between entrepreneurship and networks have been studied and supported to such an extent that it has given rise to a new term, namely entrepreneurial networking.

According to (Witt et al.2008) the term entrepreneurial network refers to the personal network of information contacts and exchange relationships that the entrepreneur can utilize for the purpose of creating and nurturing the business. This does not, however address the concept of entrepreneurial networking , which refer to an action being carried out resulting in the establishment of such a network. (Nieman et al.2003) explain entrepreneurial networking as the active process of setting up and maintaining mutually rewarding and cooperative relationships with other persons or businesses that offer critical support for the development and growth of an entrepreneurial venture.
Further more, (Jackson and Oliver,2003) state that networks are particularly valuable in new venture development and arguing that networks have strategic importance to entrepreneurs, as they compete successfully against large businesses through relying on business contacts, acquaintances and associates within business network.

(Nieman et al.2003) list the following functions that a network may carry out for the entrepreneur throughout the entrepreneurial process:

- Ensuring that goals for growth and the vision of the entrepreneur are realistic
- Increasing the entrepreneur’s level of aspiration
- Providing practical assistance
- Providing emotional support, and
- Providing a sounding board for ideas

Therefore it is the challenges faced by entrepreneurs such as access to resources, market, appropriate technology, start-up and expansion funds that have been examined by a number of researcher to establish a relationship between network and entrepreneurship. Research conducted by (Brush et al.2001) and (Morris et al.2008) suggest that at the highest of the challenges encountered in the entrepreneurial process is the shortage a number of critical resources. The determination to overcome these challenges thus resides with the entrepreneur's ability to construct an efficient resource base, that being a network from which to build and grow business venture.

The challenge resources constraints is further highlighted by (Leung,2003) suggesting that during the start-up phase of the business, objectives are primarily focused around surviving with limited resources. The entrepreneur needs to address the resource problem to ensure the success of the entrepreneurial venture through networking.

2.2.5 Networks and the resource problem

The importance of acquiring resources to build a business and the way in which networks assist in doing so, are noted by (Jackson and Oliver,2003). The authors point out that most new businesses would not be self-sufficient enough with respect to critical resources, and they may therefore have to seek out people or groups with complementary skills and knowledge in order to form an alliance or network.

Brush et al.2001 says that," If the lack of resources is the major challenge facing entrepreneurship, then any way in which networks address shortage of resources would highlight the importance of networks in entrepreneurship. Witt et al.(2008) refer to the importance of networks in tackling this challenge by suggesting that the use of networks for resource acquisition purposes has been shown to be a common practice in start-ups. This view is consistent with that of (Vissa 2010) who suggests that network ties between businesses are present and important because they enable the businesses and start-ups to access resources that may otherwise be difficult to develop or acquire, particularly when facing the task new venture development.

Networks have also been shown to improve entrepreneurial effectiveness by providing access to resources and competitive advantage without requiring capital investment (Slotte-Kock &Coviello,2010). Bratkovic et al.(2009) elaborate on some of the resources the entrepreneur may acquire through the use of networks. These valuable resources the entrepreneur has access to through a network include personal, material and emotional support, information and advice.

Research by Grobler et al.(2002) suggested that an ever-present challenge facing entrepreneurs today is found in interconnectivity of markets resulting in competition globally. Resources constraints pose enough of a treat in local markets, and having to contend with pressures in the form of global businesses increases pressure on the entrepreneur's business. (Shaw,2009) suggests that networks have been found to encourage the pulling and sharing of resources among start-ups, enabling theem to develop new products and with these larger counterpart.

Berggren and Silver,(2009) highlight the importance of networks in facilitating resources acquisition for the entrepreneurial venture, and the need for these resources, by saying that networks provide access to resource and broadening the resource base of start-ups enhances the competitive and survivability of the business.

2.2.6 Evidence of entrepreneurial network success

The use of networks in helping to overcome the resource-constraint challenge which confronts the entrepreneur is believed alleviate the pressure and increase the survivability of the new business(Berggren and Silver,2009)(Jackson and Oliver,2003)and(Witt et al.2008).

Survivability is central to the entrepreneur, particularly in the start-up phase when faced with competition and the need to drive the business with limited resources, and compete with already existing businesses which are already well grounded in the

markets. However, research suggests that networks not only help with the survivability and competitiveness of businesses, but have an impact on the overall success of the entrepreneurial venture as well (Witt et al.,2008).

Bratkovic et al.(2009) support this notion by stating that entrepreneur's personal success and success of their business are often attributed to personal relationships or networks, and these networks are considered to be one of the most important sources for the entrepreneur's business.

It has become increasingly clear that networks within the start-up business are extremely important, if not most important factor in sustaining an entrepreneurial venture (Maniukiewicz et al.,1999). The research by Maniukiewics et al. suggested that the entrepreneur's networking activities, the network size and diversity, accompanied by benefits the entrepreneur can attain from the network. Determine the eventual success of the business.

Therefore networks play a direct role not only in the survivability of the business, but in their overall success of the business. The research and results from the study will test the validity of the above literatures.

2.2.7 Fundamentals of successful networking

Networking offers value to a number of businesses,and to entrepreneurs cultivating a new business as well. The networking does not seem to be all that difficult either. Social network websites have been put to good use in a matter of months people can cultivate thousands of new contacts, which appears to be attributable to exceptional skills in networking being exercised by the user. However, research conducted by Craver (2009:14) and Levin (2003:58) suggests quite the opposite. Certain procedures are necessary to ensure that networks are reliable and effective in time of need.
Craver (2010:14) mentioned that drive-by networking is representative of a means to network that practiced by a number of individuals.

It refers to a brief greeting and a quick exchange of business cards or, in the social network site realm, a click of a button swiftly add another member to the growing list of contacts which build the network.

While aggressive action can be applauded, there is a distinct call for the display of decorum. Such missteps could be costly not only will prospective business associates be repelled by this form of networking, but it may do irreparable damage to the reputation of the individual and business (Craver,2010)

Levin (2003) suggests the following as key to ensure the practice of successful networking:

Find connectors

Connectors are regarded as people who connect individuals with other people. Levin argues that one of the most powerful tool in networking, and frequently neglected aspects of networking, is to find people who can put one in touch with the right individuals. People seek out contacts that are directly representative of someone that may add value, like consultants, bankers, auditors and executives. It is possible to buid a relationship with someone who has those close contacts already. A connector is able to direct people to an array of professionals that add value to the business.

Always follow up

As is the case with large number of individuals utilizing social network sites as a vehicle from which to build a network, the majority of the people in a contact list are hardly ever available when needed. Levin (2003:58) points out that the reason for this that contacts within network are often attained through an exchange of business cards or a request by a friend in case of facebook and hardly any of these contact is made until such a time as these contacts are needed. It is recommended that people become timely and appropriately persistent in following up with contacts and creating a rapport that justifies help being given when required.

Become a resource to expand you power

People who have resources and information have power(Levin ,2003). In order to have contacts that are willing to offer support in times of crisis, one must also have something valuable to give back. Clark(2009:346) supports this notion, saying that networkers should convince others their value and in times demonstrate their value by focusing on the contributions made in other instances.

The likelihood of people assisting one is also related to the skills one possesses, and whether or not one has something to bring to the table that they need at a point in time later on. A networker should be open to offering help just as often as requiring it.

Acknowledge leads, ideas and time

A successful networker should ensure that when time and help are given, the gesture should be acknowledged and reciprocated, if possible. Building an efficient and effective network requires the networker to be representative of a person that others want to help out, and in some cases hire (Clark,2009). A simple acknowledgement goes a long way, and when information comes in that may be helpful to contacts in a network, it should equally be viewed as such and distributed to the individuals who may find its useful.

Understanding enrichment, not entitlement

It was previously mentioned that establishing rapport is one of the ingredients to sound networking (Craver,2010). Levin (2003) suggests that leads, referrals and information are not to be viewed as being part of an entitlement programme, but rather an enrichment programme that is earned by establishing communication and rapport with those individuals in the network. The consistency in views suggests that the networker must work for the efficiency and benefits of the network and that the initial meeting and starting point of the relationship is by no means where its ends.

Reciprocate

Clark (2009:347) mentions that one of the principles of effective networking is that the networker should keep good records. The networker should ensure that ties with all people in the network are strong and sustained. One fundamental rule to ensure that this is in fact the case is to reciprocate the favour." If someone takes the time to connect you with others , be helpful to those people. They will not forget you when you need a fovour"(Levin 2003:59).

Treat people with respect, courtesy and honour

People continue to do business with people they like and trust. Courtesy in business goes a long way to ensure that relationships are kept healthy. The networker must respect each and every person in the network equally. This is a small task to guarantee the help of people in a time of need.

Stay in touch

It is often the case that contacts in a network are only called upon when needed. A sound network goes further than the occasional discussion or request with contacts in difficult times. A networker should communicate with all individuals in the network, particularly when things are going well, to offer support. Sending card or calling periodically is valueable in establishing rapport and letting people know that in principle one is always willing to assist.

From the above research it is clear that the way in which individuals and entrepreneurs in particular, build networks can have an influence on the success of these networks and in turn could directly relate to the extent of the role a network plays in the entrepreneurial process. A strong determinant to the network activity in business lies on reliability and effective ness of the network being created.

2.2.8 Value of networks in business

Byham (2010:64) refer to a study conducted by development dimensions international, investigating just how business networks aided people in business, and what sort of value if any, networks offer. Managers were interviewed and asked what they felt were the most useful outcomes for the business and individuals alike. The three commonly mentioned were:

Sharing of best practices

A number of business have businesses have limited resources that that are often exhausted in such a complex working environment. Spending money on a project that has been done by another unit, or even by a completely separate business is money that the business cannot afford to waste. Networks thus allow businesses to benefit from the best practices by leveraging off similar efforts that have already been carried out. Byham(2010: 66) said " Business networks facilitate the sharing of information that helps individuals avoid repeating work"

Alignment of people or units

Business networks act as an early warning system to notify the different divisions about what is going on in the business. Business networks keeps individuals in touch with what is going on in the business helping management avoid spending money on tasks that have been done or initiative that have been discussed for months. This serves as an effective means of preserving the efforts and resources of the business for projects that have been conceptualized.

Need to make fast and accurate decisions

Business networks aid people in getting crucial information thus helping them to be more successful with the decisions with they have to make. The study undertaken by Development Dimensions international also revealed that networks help people to determine the strategic direction of the business, so that personal or unit efforts can be aligned

Leick (2011:163) argues that a network-type relationship enhances the competitiveness of a business. The author points out that network relationships can aid a business with its marketing potential in locating and attracting important customers. This view is maintained by Henneberg and Mouzas(2008:100) in suggestion that networks emphasize

- Value at the company level
- Inherent connectivity between firms in the marketplace, and
- Final customer are viewed as network costumers

Final customers been viewed as network customers indicates that customers are the focus point of the network in terms of final delivery and ultimately value creation. A customer is the most important asset of the business, and making the customer the focal point of business objectives is crucial to remain competitive.(Fluss, 2008) points that a fundamental truth in the business world is that competitors are always looking to steal your customers and many customers are often on the look out for a better deal. In such a circumstance a business needs to ensure that its customers are well taken care of and made to feel important .

This also applies to entrepreneur in initial stages of new venture and in developing as well. (Halonen,2004) points that" while a growing business needs to constantly capture new customers, the focus and priority should be on pleasing you existing customer base. Companies that fail to nurture and retain their customer base ultimately fail"

Henneberg and Mouzas (2008) mention that maintaining a network perspective in day to day activity is the foundation for overall interaction patterns, as well as direct and indirect relationships between businesses. Further pointing out that such a perspective implies a focus on upstream and downstream exchanges and interactions, including final customers and their specific preferences.

From the entrepreneurial perspective, customers at the early stages of the business are critical to help sustain the business through the following months.

The resources made available through the relationships formed with others, helps push the business forward in really trying times. Network-based collaboration is considered particularly beneficial for smaller businesses and start-ups, as it provides access to complementary resources and facilitates the exploitation of economies of scale(leick,2011).

2.2.9 Theories of Networking and their Impact on SMEs

Various authors have proposed varying theoretical constructs to networking across many disciplines.

Transaction Cost Theory

The Transaction Cost Theory, which was formulated by Commons (1934) and reinforced, by Coase (1937); Arrow (1969, 1974) and Williamson (1985; 1991) provide an exquisite understanding of small business networking. Arrow (1969:48) defines transaction costs as the costs involved in running the economic system. Premaratne (2002:34) defines transaction costs as all costs involved in a transfer of goods and services from one unit to another.

The original work on transaction cost analysis was done by Coase (1937) in his book titled “Nature of the firm”. However, detailed analysis of this work can be found in Coase (1988) *“The Nature of the Firm: Meaning”*. According to Coase (1988) there are always transaction costs for carrying out market transactions. Therefore, an enterprise would prefer transactions to be organized within the enterprise if the cost would be less than the cost of carrying out the transaction in the market. As the additional costs of transactions within the enterprise exceeds the cost of carrying out the transaction through the market or in another enterprise, an enterprise will prefer the transactions to be organized outside the enterprise (Coase, 1988:19).

Thorelli (1986) further discusses the transaction costs theory to small business networking. Thorelli (1986:37) states that business enterprises exist due to their ability to minimize transaction costs and take advantage of economies of scale.
Thorelli (1986:42) suggests that the existence of transaction costs, therefore, leads to the rational for the creation of linkages between small enterprises.

The transaction costs approach (TCA) to networking is best suited for small enterprises as they lack the resources necessary to compete with large corporate enterprises. The rationale behind the TCA approach to networks is that market costs or transactions are usually prohibitive for small enterprises to overcome individually. Networking should, therefore, be viewed as an important business dimension given the resource constraints and limitations SMEs work within (Gilmore *et al.*, 2006:278).

Resource Dependency Theory

The resource dependency approach in relation to enterprise networking was formalised by Pfeffer and Salancik (1978) and provides a different perspective to from the transaction cost theory to small business networking. The central premise of the resource dependency theory is the interdependency of business enterprises. Specifically, Pfeffer and Salancik (1978) argue that the effectiveness and performance of business enterprises is highly dependent on the enterprise's external environment. Interdependence is necessary because no one actor (enterprise) entirely controls all of the conditions necessary for the achievement of desired outcomes (performance). All business enterprise actions and outcomes are thus based on interdependent causes or agents in the external environment (Pfeffer and Salancik, 1978:40).

However, the interdependency of a business enterprise on its external environment leads to uncertainty. This uncertainty derives from the lack of coordination of activities among social units of the enterprise and the external environment. In order to overcome the problem of interdependence and uncertainty, business enterprises attempt to increase the level of coordination between themselves and their external

environment. With the need to improve performance and increase coordination between the enterprise and its external environment, there is formation of linkages. These linkages may involve enterprise exchanges and transactions which may be monetary or physical resources as well as information exchanges with external groups or enterprises (Pfeffer and Salancik, 1978:43). Furthermore, Pfeffer and Salancik (1978:145) observe that linkages will stabilize an enterprise's exchange with its external environment and reduce uncertainty.

Social Network Theory

According to Premaratne (2002:38) the logic of the social network theory lies in that individuals in any society are involved in a number of social relationships with each other. Moreno (1937) introduced and formalised the social networking theory. Since its introduction, the social networking theory has continued to change and develop. Cartwright and Harary (1956) "graph theory", introduced mathematical formula in Moreno's (1937) theory. Milgram (1967) and later Watts and Strogatz (1998) developed the "six degrees of separation" theory. The "six degrees of separation" theory suggests that people are interconnected and the number of contacts required to reach any other person is as little as six (Kleinfield, 2002:62).

However, in relation to social networking theory relevant to small business networks, Birley (1985, 1990) suggest that firms that have been started as a life-style venture are expected to have strong network. Aldrich and Zimmer (1986) propose four application of social network concept applied in entrepreneurship first, increasing the salience of group boundaries and identity leading individual within in the group to form new social and action-set which increase the likelihood of entrepreneurial attempt by person within the group. Second the increase in connectedness between individual through information brokers facilitate the spread of information and resources. Third, diversity will broaden the scope of opportunities.

Fourth, increasing ties to those contacts with more access to social resources and more entrepreneurial opportunities.

In this context the study will consider how networks of social relations facilitate linkage between aspiring entrepreneur, resources and opportunities.

2.2.10 Performance of SMEs

The aim of this section is to comprehensively discuss the concept of performance in relation to SMEs. A wide variety of definitions of firm performance have been proposed in literature (Barney, 2002, cited in Mackey, Mackey and Barney, 2007:819). Investopedia (2011) defines performance as a measure of how well a firm can use its assets from its primary mode of business and generate revenues. Performance can also be defined as the accomplishment of specified business objectives measured against known standards, completeness and cost (Business Dictonary, 2011).

According to Schayek (2011) SME performance may be measured using objective, subjective, or operational measures. Richard, Devinney, Yip and Johnson (2008) suggest the goal approach as a composite measure of SME performance. The goal approach measures performance using financial (objective) and non-financial measures (subjective) measures.

Financial (Objective) Measures

Financial measures of performance can be referred to as the results of a firm's operations in monetary terms (Business Directory 2011). According to Kellen (2003) financial measures of performance are derived from the accounts of a firm or can be found in the firm's profit and loss statement or the balance sheet. In addition, financial measures are also referred to as objective measures because they can be individually measured and verified. Financial measures include return on assets (ROA), return on equity (ROE), sales growth, and profitability growth.

However, Schayek (2011) argues that most SME owners/managers are very sensitive about disclosing information relating to their firm's financial performance. In addition Watson (2007:860) suggests that because most SMEs are not required to report and publish their financial records, it is difficult to obtain, directly, the financial figures on sales and profitability of most SMEs. This problem may be more prevalent in developing countries, where despite the high failure rate of SMEs; limited follow up is conducted on how they perform annually. Therefore, most research studies such as Lechner, Dowling and Welpe (2006) and Watson (2007) have developed the use of a five point Likert scale which measures sales growth and profitability growth as financial performance measures. A similar technique is used by Sawyerr *et al.* (2003) Thrikawala (2011) and Watson (2011). This approach is implemented as it avoids the direct approach of asking for sales or profitability figures but infers the performance, indirectly, through the responses on the level of satisfaction with sales and profitability growth of the firm.

However, sales and profitability growth should not be viewed in isolation as profits and sales may increase as a result of some underlying factor such as price increases or sales promotions, respectively, and not due to the improved performance of the firm or its products. Thus it is essential to introduce non-financial measures of performance in conjunction with financial measures in order to fully measure performance.

Non-Financial (Subjective) Measures

Non-financial measures are measures not found in charts of accounts of a firm (Kellen, 2003). The non-financial measures are also known as the subjective performance measures of performance. Using the subjective performance measures, Like scaling questions are used to measure firm performance from the top management perspectives (Selvarajan, Ramamoorthy, Flood, Guthrie, MacCurtain and Liu, 2007, cited in Marimuthu, Arokjasamy and Ismail, 2009:266). The use of non-financial measures of performance supplements accounting measures and gives data on progress relative to customer requirements or competitors and other non-financial objectives

that may be important in achieving profitability. In addition, non-financial measures can provide indirect, quantitative indicators of a firm's intangible assets such as intellectual capital and customer satisfaction and loyalty which are driver of success (Ittner and Larcker, 2003:1). Non financial measures include employee growth, customer satisfaction, satisfaction with performance compared to competitors, and overall satisfaction.

2.3 Analysis of Empirical Studies

In this section the researcher discussed the empirical literature review on the impact of networking through the usage of ICT on performance of SMEs.

2.3.1 ICT usage and Business Productivity of SMEs

Productivity is a measure of the efficiency of a person, machine, factory, system, etc., in converting inputs into useful outputs (OECD, 2004). The computation of Productivity involves dividing average output per period by the total costs incurred or resources (capital, energy, material, personnel) consumed in that period. Productivity is a critical determinant of cost efficiency. Recently there have been many challenges and variations in the forces for productivity during the last decade. One that has acquired substantial attention over the past few years is concerned with the impact of information and communication technology on productivity growth of firm performance (OECD, 2004). The widespread diffusion of the Internet, the mobile phone and the broadband networks shows how influencing these technologies have become.

According to little theoretical and empirical evidence, ICT claimed to offers benefits for a wide range of business processes and improves information and knowledge management within the firm, leading to better performance. Firms can manage their processes more efficiently and, as a consequence, they increase their operational efficiency.

Moreover, it is claimed to reduce the coordination costs of the firm because of lower procurement and inventory costs and closer coordination with suppliers (Tachiki *et al*., 2004; and OECD, 2004), further adds that, communication based on ICT and the Internet can also improve external communication, reducing the inefficiencies resulting from lack of co-ordination between firms, and increasing the speed and reliability of information processing and transfer.

However, according to the literature review on the impact of ICT on the firm performance, it has seen to be the diversity of theoretical approaches and empirical evidence on the role of ICT in the improvement of the firm performance. Solow (2009), remarked that 'people can see the computer age everywhere but in the productivity statistics'. Research on the 'Solow paradox' since then has thrown the contribution of computers, software and telecommunication hardware into sharper relief. There is now persuasive evidence that the information and computer technology (ICT) investment boom of the 1990's has led to significant changes in the absolute and relative productivity performance of firms, sectors and countries. Wolf (2001), in his study on determinants and impact of ICT use for African SMEs, mentions that the focus on production processes might be too narrow and those ICTs might exert their influence through product-quality improvements and improved services. He put it further that, ICTs might additionally help SMEs in the administration of their businesses and enhance procurement and marketing processes. Schubert and Leimstoll (2007) conducted a quantitative study regarding the co-relationship between ICT usage and SMEs business operations. His research was conducted using 38,016 companies with number of employees ranging from 10 to 249 and grouped in such that 30% were CEOs, 35% were CIOs, 24% as other executives in commercial and technical areas, and 11% had other functions in the company. His study shows that "(i) SMEs are using ICT in their daily business, especially in field like financial and accounting, human resource management; (ii) there is a high degree of inter-organizational ICT usage; (iii)ICT is strongly rooted in management, that is high involvement and skills of managers; and (iv) ICT can successfully supports

competitive strategies if well used. Information and communication technologies (ICTs) make large, medium and small companies more flexible. Especially, the importance of ICTs for SMEs is increasing in time since the share of SMEs in countries is about 95-98 % and they have some difficulties to finance and manage their companies, enter market and produce their goods and services. In general, all the studies analyzed about impacts of ICT on productivity contain the idea that, to achieve a more competitive position, the firm should complement ICT investments with an appropriate use of these technologies, for which, implicitly, complementary resources are required.

2.3.2 Networking through ICT usage and Market Accessibility

From the study titled ICT in Marketing: A Study of The Use of Internet and Mobile Phones in five Selected Companies in Dublin by Paulina explain how ICT impacts marketing accessibility for a business. According to Paulina *et al;* (2007), companies still fall short of their target, despite advancements in ICT marketing. Information and communication technologies (ICTs) like mobile phones, computers and Intranet are considered important for creating competitive advantage. Despite their rapid deployment rates, only a few studies mainly from the information technology (IT) and engineering literature have been devoted in uncovering the factors that influence the diffusion of new information technologies and their proper use within an organization.

Similarly, empirical studies regarding the impact of ICT diffusion and their proper use in organizations seem limited. A research by Butler (2005), indicated that the increasing popularity of the internet as a business tool can be attributed to its current size and prospected growth, as well as its attractive demographics. The internet's potential to provide an efficient channel for advertising and marketing efforts is overwhelming, and yet no one is really sure how to use the internet for these activities.

Even in advanced economies, for example, Canada, mobile marketing is still an emerging technology, Kinetix Media Communications (2013). In an attempt to fill this research void, the study examined the implementation of these ICT facilities and their impacts in the business performance.

2.3.3 Networking through ICT usage and Business Profitability of Es

Profitability means the surplus remaining after total costs are deducted from total revenue, and the basis on which tax is computed and dividend is paid. It is the best known measure of success in an enterprise (Solow, 2009). The same author argued that, ICT can impacts the profitability of SBEs in many aspects including being one of the significant input factors for both formal and informal SBEs and contribute positively to revenue generation. Mobile phones have overtaken computers as tools in supporting the running of SBEs, given their prevalence and accessibility. Mobile phones and internets are used right across the business operations. This situation has arisen by default rather than through regulatory intervention. Hallberg (2000), in his paper concern ICT market-oriented strategy for SMEs argues that, when a new technology, product or service emerges, individuals evaluate both its economic profitability and other variables - degree of risk, decrease in discomfort, savings in time and effort and immediacy of rewards and go for it. In additional to that, Ofafa and Kiveu (2013), assert that, ICT improves the market level of business enterprises. According to the study conducted by Kärrberg and Liebenau (2009), Information and communication technologies continued to make businesses more efficient in the conduct of key tasks as well as more productive overall. Besides, Solow (2009) comes up with the following impacts of ICT on profitability:-

- ICTs are significant input factors for both formal and informal SMEs and contribute positively to revenue generation.
- Mobile phones have overtaken computers as tools in supporting the running of SMEs, given their prevalence and accessibility.

- Mobile phones and internets are used right across the business operations. This situation has arisen by default rather than through regulatory intervention.

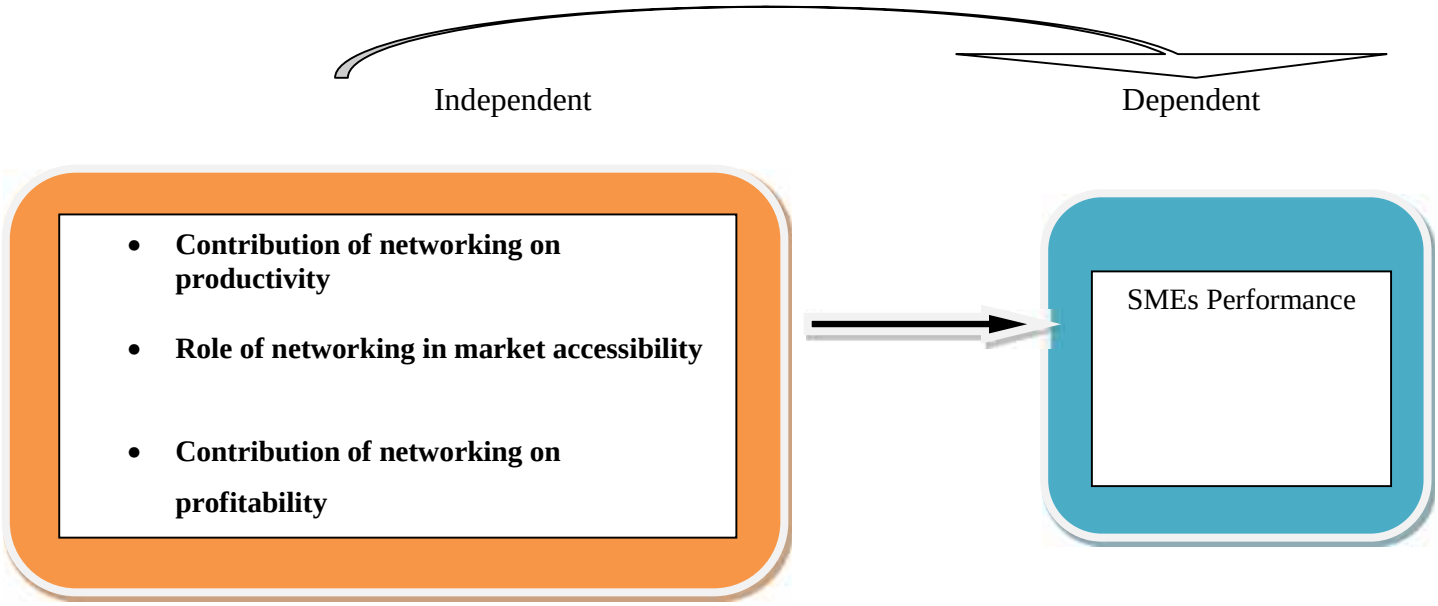
2.4 Research Gap

The gaps observed here are that, there are no and or very little scholarly research in the Impact of networking through the usage of ICT in SMEs performance especially in the productivity, profitability and accessing market in Tanzanian context. As can be seen from the review of various researchers above, their studies focused on the ICT determinants and adoption factors in SMEs, the relationship of ICT and SMEs, the barriers to ICT implementation in SMEs the challenges of ICT in SMEs, and the general impacts of ICT on Entrepreneurs but none of the study has investigated on the impacts that networking through the usage of ICT has brought in SMEs which call for the matter to be addressed by this paper.

2.5 Conceptual Framework

Conceptual framework is used to provide a common language for the research design and as a basis in this presentation. This is the set of broad ideas and principles taken from relevant fields of inquiry and used to structure a subsequent presentation (Reichel and Runey, 1987). In this study, the researcher developed a conceptual framework which will be constantly reviewed throughout the research process so as to meet the research objectives. For the purpose of this study, the researcher will not be able to concentrate on all variables but only to dependent variable SMEs performance which depends on networking (personal networking and social networking). This study aimed at examining the impact of networking on performance of SMEs in Arusha city. Therefore in description of the model the researcher showed how SMEs performance is influenced by networking. When independent variables change dependent variable also change to respond accordingly.

Figure 2.1: Conceptual Framework



Source: Developed by the Researcher (2014)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents how the study was designed and conducted. Research methodology as a systematic approach through which research is undertaken includes the research methods and procedures that will be employed in conducting this study. In this chapter the researcher described research design, the organization as a case, area of study, study population, sample size and sampling techniques, types and sources of data, data collection methods, reliability and validity issues, data analysis methods, and chapter summary.

3.1 Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedures (Kothari, 2011). It is a master plan specifying the methods and procedures for collecting and analyzing the required information (Zikmund, 2003). In this study the researcher used survey research design in assessing the impact of networking on performance of SMEs in Tanzania. The survey design was used because they are used frequently to describe attitudes, beliefs, opinions, and other types of information. Also used when large population is involved in the research as (McMillan and Schumacher, 2006:25).

3.2 Area of Study

The study was conducted to SMEs which are located in Arusha city. Arusha city is found in the northern part of the United Republic of Tanzania.

Figure 3.1: A Sketch Map of Arusha District

Source: https://www.google.co.tz/search?q=a+map+of+arusha+district&rlz (2014)

3.3 Study Population

Basically in this study, the population involved all SMEs in Arusha city. These include SMEs dealing with different businesses such as SMEs dealing with merchandise, manufacturing, and service oriented.

3.4 Sample Size and Sampling Techniques

Sampling ensures that the sample comprises of elements of the population considered for actual inclusion in the study or it can be viewed as a subset of the measurements drawn from a population in which the researcher is interested.

In this study the sample will be studied in an effort to understand the impact of networking on performance of SMEs in Tanzania particularly in Arusha city.

3.4.1 Sample Size

It should now be obvious that, dealing with all members even of the smaller accessible population would still involve a tremendous amount of time and resources (Mugenda and Mugenda, 1999). Researcher therefore further selects a given number of members or cases from the accessible population as a sample size. The determination of the sample size is an important thing in any research study. If the sample size is too small the larger the possibility of error and if the sample size is larger the less the possibility of error (Murthy and Bhojanna, 2008:38) but the researcher spend much time and resources. In determining the sample size, the researcher considered three important aspects namely availability of population, method to be used, and resources available for facilitation of the specific study as was said by Charles (1995) and come up with the sample size of 40 SMEs as summarized in the Table 3.1.

Table 3.1: SMEs Sample Size Distribution

SMEs	**Number**
Merchandise Businesses	20
Manufacturing Businesses	10
Service Oriented Businesses	10
Total	**40**

Source: Researcher's Analysis (2014)

3.4.2 Sampling Procedures

The researcher used convenience sampling,(Zikmund,2003) refer to sampling by obtaining units or people who are most conveniently available. In accordance with the definition of convenience sampling, respondent who were conveniently available and representative of an economical sample were selected for this study.

3.5 Types and Sources of Data

Data may be classified as primary data and secondary data; in this study the researcher collected and used both primary and secondary data. Primary data are the data which the researcher prepares for a specific study i.e. data collected for the first time. These data were needed because they generated new and original information. The researcher collected these data through questionnaires.

In this study, the researcher also collected and used secondary data. Secondary data were collected through document analysis of SMEs such as Financial reports, sales reports to know the trend of sales and profits. These data were so important to be used in this study since statistical information and records were useful to answer the research questions of the study. It does not also exhaust people's good will by re-collecting readily available data and allowed for large scale studies on a small budget. Secondary data are also having some disadvantages because they are not made for the researcher's study but for other uses therefore, the researcher did not take them directly instead modified them to be more useful for this study.

3.6 Data Collection Methods

In this study the researcher used various data collection methods depending on the type of information required, who were having that information, how complex were those information, and also how confidential were those information. The researcher collected data through questionnaires and document analysis as methods.

3.6.1Questionnaires

Questionnaires are commonly used to obtain important information about the population (Mugenda and Mugenda, 1999). In this study the researcher prepared questionnaires and the questionnaire pivoted around the determination of the contribution of networking on productivity of SMEs, the role of networking on market

accessibility, and determination of the contribution of networking on profitability of SMEs.

The questionnaire were divided into three sections (parties) namely respondents' information, part two for assessment of impact of networking on performance of SMEs, and the last part for recommendations. Close ended questions, matrix questions, and open ended questions were used in these questionnaires. The questionnaires were distributed to forty (40) SMEs (respondents). This method was applicable to give the respondents enough time to go through the questions and give out what to their best knowledge were appropriate answers. The researcher also used this method of data collection so as to obtain information which could not be obtained from other methods of data collection.

3.6.2 Document Analysis

Secondary data are collected by other sociologist, government departments, official bodies, or individuals and then re-used. Document analysis as one of the way of collecting secondary data involves gaining of data through a range of documents and making formal evaluation of the documents that will be for the contents analysis. In this study the analysis. In this study, the researcher collected secondary data through document analysis of SMEs documents including financial reports, sales reports to know the trend of sales and profits. These data were so important to be used in this study since statistical information and records were useful to answer the research questions of the study.

3.7 Data Analysis

Data obtained from the field were in raw form and were difficult to interpret. Such data were summarized, organized, and checked to ensure the completeness, accuracy, clarity, and consistence. Marshall and Rossman (1995:111) indicates that, data analysis brings order, structure, and meaning to the mass of data and it is a time consuming, creative, and fascinating process.

The process facilitated proper recording and enabled the researcher to discover the relevance of each data that were collected consistence with the research objectives.

Due to the nature of this study, qualitative data analysis techniques were used. The data were analyzed on item by item basis putting into consideration the importance of each item under the study. The researcher used Statistical Package for Social Science Research (SPSS) software as an instrument of data analysis before giving interpretation so as to show the impact of networking on performance of SMEs. The researcher used tables, charts, bar line, and graphs; the use of descriptive methods for data analysis was done purposely to increase the validity and reliability of data to be collected and used in this study. The descriptive method of data analysis assisted researcher to come up with a number of conclusion and recommendations of the study.

CHAPTER FOUR

RESEARCH FINDINGS, INTERPRETATION, AND DISCUSSION

4.1 Introduction

This chapter presents the research results, interpretation, and discussion of the summarized findings. It is divided into two parts whereby the first part is a descriptive analysis and the other part is an analytical part. In the descriptive analysis, frequencies, tables, graphs, percentages, and descriptive narrations were used in explaining various aspects in the study so as to answer each research question and to ensure that the research objectives were realized.

4.2 Sample Size and Number of Responses

The totals of forty (40) questionnaires were distributed and both forty questionnaires were returned and all of them seemed to fit to be used for the purpose of this study. No any questionnaire was having redundant information or with the gaps in more than 10%. From the analysis, the following are the findings about the sample size and number of responses as summarized in the table 4.1:-

Table 4.1: Sample Size and Number of Responses

	SMEs	Sample Size	Responses
Valid	Merchandize	20 (50%)	20 (50%)
	Manufacturing	10 (25%)	10 (25%)
	Service	10 (25%)	10 (25%)
Total		40 (100%)	40 (100%)

Source: Field Data (2014)

As can be observed from the Table 4.1, forty (40) questionnaires were distributed to SMEs in Arusha city and both of them were received. This was attributed by a good administration of the questionnaires by the researcher.

There are some questionnaires which were not full filled by the respondents particularly in the section of open ended questions which needed explanation. This was due to the fact that some of the respondents were busy with their businesses.

4.3 Demographic Characteristics of the SMEs

In this section information such as nature of business, when the business started, when the business started using ICT in networking, and kinds of ICT used in networking of SMEs formed the basis for the detailed analysis of the characteristics of the population (SMEs) involved in this study.

4.3.1 Nature of Business

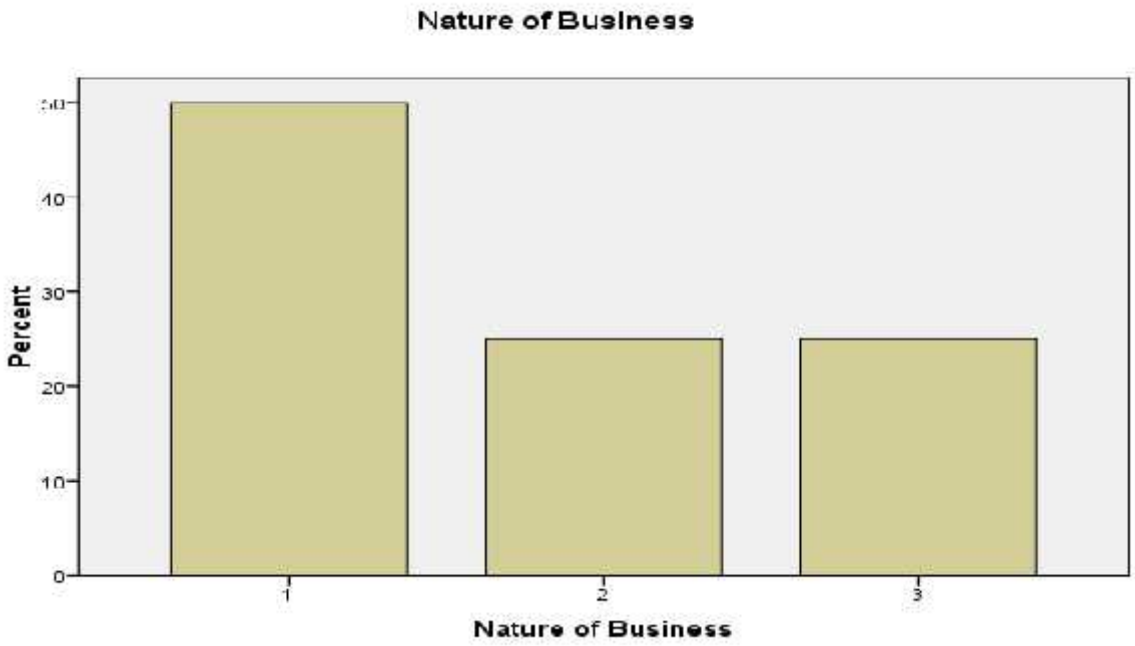
The researcher reported that, this study involved SMEs dealing with various business activities in Arusha city including manufacturing, selling merchandise, and those providing services (Table). From the respondents, it was reported that 20 (50%) of the SMEs involved in this study were dealing with merchandise business, 10 (25%) of the SMEs were dealing with manufacturing business activities and also 10 (25%) of the SMEs were dealing with provision of services as indicated in the Figure 4.1.

Table 4.2: Nature of SMEs Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Merchandise	20	19.2	50.0	50.0
	Manufacturing	10	9.6	25.0	75.0
	Service Oriented	10	9.6	25.0	100.0
	Total	40	38.5	100.0	

Source: Field Data (2014)

Figure 4.1: Nature of SMEs Business



Source: Field Data (2014)

4.3.2 Time When the SMEs Started

The researcher reported that the SMEs in Arusha city started from different periods and from the study it was revealed that among the SMEs involved in this study 8 (20%) started between 1 to 3 years ago, 19 (47.5%) started between 4 to 7 years ago, 7 (17.5%) started between 8 to 10 years ago, and 6 (15%) started more than 10 years ago as indicated in the Table 4.3.

Table 4.3: Time When SMEs Started

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 to 3 years	8	7.7	20.0	20.0
	4 to 7 years	19	18.3	47.5	67.5
	8 to 10 years	7	6.7	17.5	85.0
	Above 10 years	6	5.8	15.0	100.0
	Total	40	38.5	100.0	

Source: Field Data (2014)

4.3.3 Kinds of ICT used in Networking by SMEs

The researcher reported that SMEs in Arusha city used different ICT in networking their businesses including internet, cell phones, and computers. From the study, it was reported that 8 (20%) of the SMEs were using internet and most of them were manufacturing SMEs, 10 (25%) of the SMEs were using cell phones and most of them were merchandising and service oriented SMEs, and those which were using both internet and cell phones were 17 (42.5%) of which most of them were manufacturing and service oriented SMEs (Table 4.4).

Table 4.4: Kinds of ICT used in Networking by SMEs

		Frequency	Valid Percent	Cumulative Percent
Valid	Internet	8	20.0	20.0
	Cell Phones	10	25.0	45.0
	Computers	5	12.5	57..5
	Internet and Cell Phones	17	42.5	100
	Total	40	100.0	

Source: Field Data (2014)

4.3.4 Time the SMEs Started Using ICT in Networking

From the study it was indicated that although these SMEs in Arusha city started in different times also some of them did not start using ICT in networking immediately after being started.

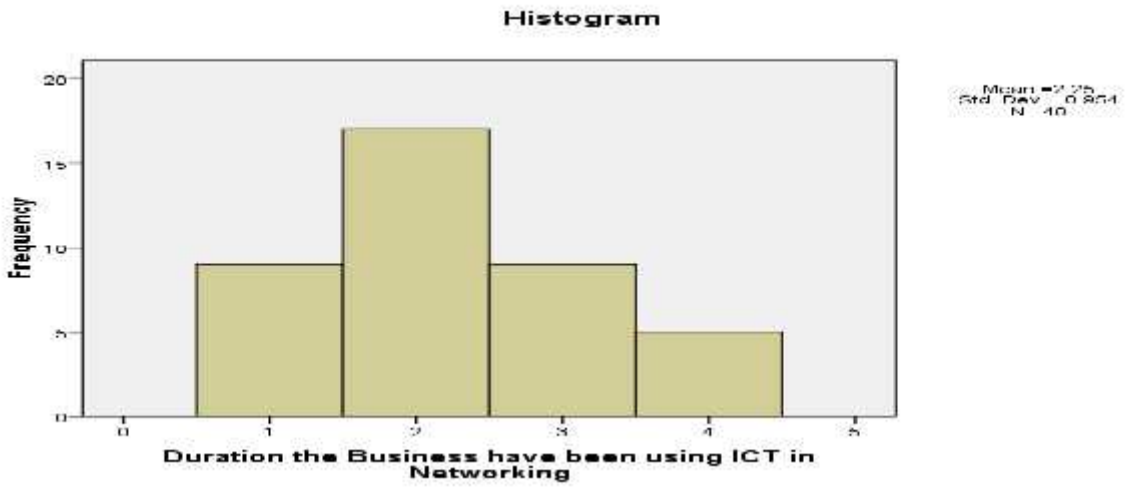
The researcher reported that 9 (22.5%) of the SMEs started networking in less than one year, 17 (42.5%) of the SMEs started networking between 1 to 3 years as indicated in the Table 4.5. the researcher also reported that, 9 (22.5%) between 3 to 5 years, and 5 (12.5%) were more than 5 years in use of ITC in networking as one of marketing strategy in doing business as indicated in the Figure 4.2.

Table 4.5: Duration the Business have been using ICT in Networking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 years	9	8.7	22.5	22.5
	1 to 3 years	17	16.3	42.5	65
	3 to 5 years	9	8.7	22.5	87.5
	More than 5 years	5	4.8	12.5	100
	Total	40	100	100	

Source: Field Data (2014)

Figure 4.2: Duration the Business have been using ICT in Networking



Source: Field Data (2014)

4.4 The Contribution of Networking o Productivity of SMEs in Arusha City

The first objective of this study was to assess the contribution of networking through the usage of ICT on productivity of SMEs in Arusha city. In so doing the researcher considered operation of business, business improvement, business success, and also tested to know if networking reduced productivity and brought some hindrance to businesses. The researcher used the Likert scale of five points which included strongly agreed, agreed, neutral, disagreed, and strongly disagreed (Table 4.6). Findings from the study generally revealed that networking through the usage of ICT among SMEs in Arusha city increased their productivity (Table 4.6).

4.4.1 Networking has Made it Easy for Operating the Business than Before

An efficient networking system simplifies the operations of the business. When asked whether this was practical in their business, 5 (12.5%) respondents strongly agreed, 10 (25%) respondents agreed whereas 25 (62.5%) respondents were neutral (Table 4.6). Only 37.5% of the respondents agreed that networking through the usage of ICT eased their business operations. Although a big percent were neutral still there were no respondents who disagreed. The findings shows that networking has increased business productivity since 12.5% strongly agreed, 25% agreed. The findings coincide with the literature findings by Beckinsale and Ram (2006), that, the perceived benefits of networking through ICT adoption often include focus on improving business efficiency; operational effectiveness and the need to reach out for new markets and opportunities. The literature and the findings show that, networking improves business productivity. According to the study by Matambalya and Wolf (2001) in Kenya and Tanzania showed that, enterprises that use different forms of ICT in networking rate their effects mostly positive. It is clear that one of the advantages of networking through the usage of ICT in the business operations is that it increases quality of the production and simplifies business operations of which lead to effectiveness and efficiency.

4.4.2 Satisfaction of Networking Usage on Business Improvement

Respondents also showed their level of satisfaction by the networking through ICT usage in their daily business operations. Table 4.6 shows that, 5 (12.5%) of the respondents strongly agreed, 10 (25%) respondents agreed whereas 25 (62.5%) respondents were neutral. Again, only 37.5% of the respondents acknowledged that networking has improved operation of their business. The findings show that, a moderate number of SMEs supports that, networking has satisfied them in improving businesses. The literature findings by Karrberg and Liebenau (2009) supports this by the argument that, networking through ICT continue to make businesses more efficient in the conduct of key tasks as well as more productive overall.

4.4.3 Networking Contribution in Business Success

Another important aspect was to assess if respondents were realized any benefit due to networking through the usage of ICT in their business. Findings revealed that, 5 (12.5%) of the respondents strongly agreed, 10 (25%) respondents agreed whereas 25 (62.5%) of the respondents were neutral. Again, only 37.5% acknowledged that networking has contribution in the success of their business. Moreover, the literature shows that, networking through the usage of ICT has reduced the coordination costs of the firm because of lower procurement and inventory costs and closer coordination with suppliers (Tachiki *et al.,* 2004; and. OECD, 2004), further add that, communication based on ICT and the Internet can also improve external communication, reducing the inefficiencies resulting from lack of co-ordination between firms, and increasing the speed and reliability of information processing and transfer. Therefore, both primary and secondary findings show that, networking has led to the improvement of business operations.

4.4.4 Networking through ICT Usage has Brought Many Hindrance and Challenges

This study also assessed the perception of the respondents to whether networking through the usage of ICT brought challenges and unnecessary cost to their business. Findings showed that, 6 (15%) respondents strongly disagreed, 31 (77.5%) respondents disagreed, and only 3 (7.5%) respondents were neutral as indicated in the Table 4.6. Thus, over 82% of the respondents did not see networking as a source of unnecessary additional cost to their SMEs. Like many other technologies, ICT might have its challenges which might negatively impact the production of the business. The negative impacts of ICT in the production can take many forms such as jamming of software, communication breakdown, and unnecessary queuing of information. During this study however, no evidence of these and other impacts were found. The study correlates with Msabila (2012), in her research on impacts of ICT to entrepreneurs focused on the challenges it brought them and the study revealed that, entrepreneurs were having obstacles which hinder them not to utilize ICT fully which was lack of resources and skills to do so. Furthermore, Arendt (2008) presented the results of the research into barriers to ICT adoption to entrepreneurs, by arguing that, the major issue was not the access to ICT but rather lack of appropriate education, knowledge and skills on the part of managers and employees. It is evident that SMEs suffer from the problem of a lack of human resources needed for using ICT. Therefore this indicates that entrepreneurs lack enough resource to assist them to use ICT in their businesses.

4.4.5 Networking has Lowered the Productivity of SMEs

The last part in this category assessed to whether in some aspects networking has lowered the productivity of the SMEs. As summarized in Table 4.6, 2 (5%) respondents were neutral, 33 (82.5%) respondents disagreed, and 5 (12.5%) respondents strongly disagreed.

Thus, while 5% were neutral, 95% of the respondents supported that networking through the usage of ICT did not lowered the productivity of their businesses. This was supported by the study done by Beckinsale and Ram (2006), which showed that, networking improves productivity. Therefore, networking improves productivity and it doesn't lower productivity level of the firm.

Table 4.6: The Contribution of Networking o Productivity of SMEs

Contribution of Networking on Productivity	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Easier operation	5(12.5%)	10(25%)	25(62.5%)	-	-
Improved business	5(12.5%)	10(25%)	25(62.5%)	-	-
Business success.	5(12.5%)	10(25%)	25(62.5%)	-	-
Challenges and costs	-	-	3(7.5%)	31(77.5%)	6(15%)
Lowered the productivity	-	-	2(5%)	33(82.5%)	5(12.5%)

Source: Field Data (2014)

4.5 The Role of Networking on Market Accessibility of SMEs in Arusha City

The second objective of this study was to the role of networking on market accessibility of SMEs in Arusha city. Networking through the usage of ICT offers many marketing related advantages; however, due to time hindrance this study the researcher considered accessibility on new markets, safe financial accessibility and payment mode, wide marketing coverage, improved and up to date marketing strategies, and reduced adverts costs as basis for analysis. The researcher used the Likert scale of five points which included strongly agreed, agree, neutral, disagree, and strongly disagree (Table 4.7). Findings from the study generally revealed that networking through the usage of ICT among SMEs in Arusha city facilitated market accessibility of SMEs as indicated in the Table 4.7.

4.5.1 Networking Lead to Accessibility on New Markets

Another important aspect that could be easily impacted by a properly programmed networking system is market accessibility. Networking through ICT is one of the major marketing uses for accessibility of market information and opportunities. This includes internet advertised tenders, requests, supplies and demands. From the study, it was reported that, 10 (25%) respondents were highly satisfied, 15 (37.5%) respondents were reasonably satisfied, 10 (25%) respondents were neutral, 4 (10.0%) respondents were dissatisfied and 1 (2.5%) respondent was highly dissatisfied (Table 4.7). This showed that, networking improves market accessibility and these findings coincide with Ofafa and Kiveu (2013) in their empirical evidence from Kenya that asserts that, networking through the usage of ICT improves market accessibility. Moreover, Beckinsale and Ram (2006), assert that, networking improves market efficiency. Therefore, both the literature and the findings from this study support that, networking improves marketing activity.

4.5.2Safe Financial Accessibility and Payment Mode

The second issue was to assess if networking through the usage of ICT help to access o access finance and quick payment mode by the SMEs. Findings revealed that, 10 (25%) respondents were highly satisfied, 15 (37.5%) respondents were reasonably satisfied, 6 (15%) respondents were neutral, 4 (10%) respondents were dissatisfied and 5 (12.5%) respondents were highly dissatisfied. Thus 62.5% supported that networking helps to access fund and act as good means of payment. The findings coincide with the findings by Panos (2013) which indicated that, networking through ICT in financial services through mobile money transfer and other electronic machines have simplified the means of payment.

4.5.3 Wide Marketing Coverage

Another aspect was to assess whether networking increased the marketing coverage. A properly designed networking system easily increases the marketing coverage by opening the business to many customers and suppliers. For example by having its product advertised on yahoo, the firm meets with all yahoo users globally. Findings from the study revealed that, 10 (25%) respondents were highly satisfied, 15 (37.5%) respondents were reasonably satisfied, 10 (25%) respondents were neutral, 2 (5%) respondents were dissatisfied, and 3 (7.5%) respondents were highly dissatisfied (Table 4.7). Thus, over 60% of the respondents supported that networking widen up their marketing coverage as indicated in the Table 4.7. The findings correlate with the literature study by USAID (2013), that, networking through ICT increases the market coverage for business people, hence wide coverage.

4.5.4 Improved and up to Date Marketing Strategies

The study also assessed if networking was perceived as improved and up to date marketing strategies. Networking through ICT also provide enterprises with newly up dated marketing strategies. This includes commercial websites, social networks and other official websites of the enterprises. During this study 62.5% of the respondents supported that networking bring up to date marketing strategies while 12.5% of the respondents did not. Findings further revealed that, 10 (25%) respondents were highly satisfied, 15 (37.5%) respondents were reasonably satisfied, 8 (25%) respondents were neutral, 2 (5%) respondents were dissatisfied, and 5 (12.5%) respondents were highly dissatisfied (Table 4.7). The empirical evidence by the researcher was in line with the reviewed literature which states that, networking by ICT has revolutionized the marketing strategies and people can even lay down better marketing strategies which are very simple to execute, (USAID, 2013). Furthermore, Beckinsale and Ram (2006), assert that, networking through ICT improves market efficiency and strategies.

Therefore, both the literature and the findings from the study support that, networking improved and up to date the marketing strategies which increases marketing efficiency of firms

4.5.5 Reduced Adverts Costs

Another important marketing based issue studied was whether networking reduces adverts costs. In regards to this, findings showed that, 5 (12.5%) respondents were highly satisfied, 20 (50%) respondents were reasonably satisfied, 5 (12.5%) respondents were neutral, 5 (12.5%) respondents were dissatisfied and 5 (12.5%) respondents were highly dissatisfied. Thus, 62.5% of the respondents were satisfied. This means the findings suggested that, networking reduces the advert costs. The findings correlate with the literature reviewed from Mwakaje (2010) which asserts that, networking through ICT helps to decrease cost of the price for products due to decrease in operational costs, increases sales volume, and wide market access. It is clear that with the immergence of networking through ICT as a marketing zone definitely additional cost might be incurred. If these cost increase they may in turn become marketing burdens. During this study it was found that respondents do not see ICT as adding excessively costs. Nevertheless, those SMEs with ICT working properly believe that ICT offers more marketing advantages than disadvantages.

Table 4.7: The Role of Networking on Market Accessibility of SMEs

Role of ICT on Market accessibility	Highly satisfied	Reasonably satisfied	Neutral	Dissatisfied	Highly dissatisfied
Information accessibility on new markets	10(25%)	15(37.5%)	10(25%)	4(10%)	1(2.5%)
Safe financial accessibility and payment mode	10(25%)	15(37.5%)	6(15%)	4(10%)	5(12.5%)
Wide marketing coverage	10(25%)	15(37.5%)	10(25%)	2(5%)	3(7.5%)
Improved marketing strategies	10(25%)	15(37.5%)	8(20%)	2(5%)	5(12.5%)
Reduced adverts costs	5(12.5%)	20(50%)	5(12.5%)	5(12.5%)	5(12.5%)

Source: Field Data (2014)

4.6 The Contribution of Networking on Profitability of SMEs in Arusha City

The third objective of this study was to the role of networking on market accessibility of SMEs in Arusha city. In so doing the researcher considered increase in volume of sales, extending customer base, increase in income from large sales, decrease in profit due to costs of ICT implementation, and reduced costs. The researcher used the Likert scale of five points which included strongly agreed, agree, neutral, disagree, and strongly disagree (Table 4.8). Findings from the study generally revealed that networking through the usage of ICT among SMEs in Arusha city contributed positively to the profitability of SMEs as indicated in the Table 4.8.

4.6.1 Increased Volume of Sales

The researcher assessed whether networking has contribution on the profitability of the businesses particularly in the increase in volume of sales. A properly designed and implemented networking system through ICT may increase production and attract customers; hence increases the volume of sales. Findings indicated that, 5 (12.5%) respondents strongly agreed, 20 (50.0%) respondents agreed, 5 (12.5%) of the respondents were neutral, 5 (12.5%) respondents disagreed whereas 5 (12.5%)

respondents strongly disagreed (Table 4.8). This means that majority of the respondents agreed that networking helps to increase volume of sales. The findings correlate with the literature reviewed from Mwakaje (2010) which asserts that, networking through ICT increases sales volume due to wide market access and decreases costs of operations which in turn raises the profit margin.

4.6.2 Extending Customer Base

The study also investigated whether networking extends customer base. A well planned and implemented ICT marketing campaign attracts more customers and eventually increases the sales due to an extended customer base. Findings showed that, 4 (10%) respondents strongly agreed, 20 (50%) respondents agreed, 7 (17.5%) respondents were neutral, 4 (10%) of the respondents disagreed whereas 5 (12.5%) of the respondents strongly disagreed. Hence the findings suggested that, networking extends customer base and the findings were supported by the findings of Hallberg (2000) in his paper concerning ICT market-oriented strategy for SMEs which argued that, when a new technology, product or service emerges, individuals evaluate both its economic profitability and other variables - degree of risk, decrease in discomfort, savings in time and effort and immediacy of rewards and go for it.

4.6.3 Increased Income from Large Sales

Another issue studied was whether networking increases income due to large sales. With the use of ICT an entrepreneur can accesses to information that will lead to getting low cost source of capital. This includes loans with low interest rates and timely issued loans. In addition to borrowing cost ICT made payment easy and reliable. Thus, an entrepreneur can conveniently transfer money online within a short time. Findings showed that, 6 (15%) respondents strongly agreed, 20 (50%) respondents agreed, 5 (12.5%) respondents were neutral, 4 (10%) respondents disagreed whereas 5 (12.5%) respondents strongly disagreed (Table 4.8).

These findings suggest that, networking increases income from the large sales made and they were supported by the findings from the study conducted by Solow (2009), on impact of networking on businesses of which the impacts of networking on profitability was found. Networking through ICTs are significant input factors for both formal and informal SMEs and contribute positively to revenue generation.

4.6.4 Decrease in Profit due to Costs of ICT Implementation

Another aspect of profitability was whether networking has a negative impact. At first respondents were asked if profit decreases due increased costs of ICT implementation. Regards to this, findings showed that, 3 (7.5%) respondents agreed, 9 (22.5%) respondents were neutral, 17 (42.5%) respondents disagreed whereas 11 (27.5%) respondents strongly disagreed. This means that, networking through ICT does not decrease profit of SMEs. The findings correlate with the literature reviewed from Mwakaje (2010) which asserts that, networking increases sales volume due to wide market access and decreases costs of operations which in turn raises the profit margin.

4.6.5 Reduced Costs

Another usefulness of networking in regards to profitability is reduction of cost. The profits of business firms may increase because of reduced costs. ICT helps reduce cost in marketing, transaction and communication in general. Findings showed that, 4 (10.0%) respondents strongly agree, 25 (62.5%) respondents agreed, 4 (10%) respondents were neutral, 5 (12.5%) respondents disagreed whereas 2 (5.0%) respondents strongly disagreed (Table 4.8). The findings show that 62.5% of the respondents agreed on the costs reduction due to networking through ICT usage. Findings correlated with the literature reviewed from Mwakaje (2010) which asserts that, networking helps to decrease cost of the price for products due to decrease operational costs, and increases sales volume, and wide market access

Table 4.8: The Contribution of Networking on Profitability of SMEs

Contribution of Networking on Profitability	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Increases volume of sales	5(12.5%)	20(50%)	5(12.5%)	5(12.5%)	5(12.5%)
Extended customer base	4(10%)	20(50%)	7(17.5%)	4(10%)	5(12.5%)
Increases income	6(15%)	20(50%)	5(12.5%)	4(10%)	5(12.5%)
Decreases profit	-	3(7.5%)	9(22.5%)	17(42.5%)	11(27.5%)
Reduces costs	4(10%)	25(62.5%)	4(10%)	5(12.5%)	2(5%)

Source: Field Data (2014)

CHAPTER FIVE

CONCLUSINON AND RECOMMENDATIONS

5.0 Introduction

This chapter presents summary of key findings, conclusion and recommendations of the observations of what have been discussed in chapter four also the researcher gives areas for future and further studies.

5.1 Summary of Research Findings

Due to the nature of the study findings were found but in line to the three objectives of the study and the following were the major findings:-

i. Networking through the usage of ICT has contribution in the productivity of small business enterprises by simplifying business operations (such as banking, material ordering, product design and machine operations), providing good quality of operations and, by offering safe financial accessibility and payment means.

ii. Networking plays a big role in the market accessibility for SMEs such as information accessibility on new market opportunities (e.g., new buyers, new demands and new prices), offering a wide marketing coverage (e.g., a simple commercial advert in yahoo is visible to all yahoo users), and by providing an improved and up to date marketing strategies.

iii. Networking through usage of ICT has contribution on the profitability SMEs by increasing volume of sales, extending customer base (through advertising campaign on commercial and social websites, social media, and official website of the business), reducing costs of operations(e.g., transaction costs, marketing costs, and communication cost). And generally the study found that, no way by which networking has becomes a burden in SMEs

5.2 Conclusion

The study concluded that, networking through the usage of ICT is very vital for SMEs in Tanzania, especially in their daily activities in the productivity, market accessibility, and profitability which include increase of their business functionality, increased profit margin and enable them to advertise their product and services worldwide. However, there were many possibilities for the SMEs to gain more advantages by engaging further ICT into their business. But they were having obstacles that hindered them not to utilize ICT fully which were the lack of resources such as capital for acquiring the high costs ICT systems and the skills to operate the systems. Lack of skills applied in both the technical and business areas and made the IT strategy approach gaining advantage largely unworkable to SMEs.

Therefore the findings from this study indicated the need for SMEs support in knowledge management to achieve the ICT goals. This support could be in terms of education and training, developing new tools and methods for acquiring and managing knowledge of ICT in SMEs and reduction of costs of ICT related equipments. Hence, to make ICT meaningful for SMEs in Arusha and Tanzania at large. These challenges need to be dealt upon vigorously to ensure all identified challenges are under control.

5.3 Recommendations

Recommendations form an important part of this study. From different findings of the study, the following are the recommendations:-

I. **To the Government**: There should be reduction of the cost of ICT related equipments; this study found that only few SMEs were able to acquire ICT system for networking purposes due to high cost. The main reason why many SMEs were not using ICT was that the acquisition cost was relatively high mainly due to VAT. The author therefore, recommends that there should be reduction of VAT on items

such as computers, scanners, fax machine and printers to encourage entrepreneurs to implement ICT in their entrepreneurial activities.

II. **To Policy Makers**: ICT trainings and a well-articulated policy which will focus on ICT usage in SMEs specifically on the costs reduction of ICT related equipments.

III. **To SMEs and Community**: To educate themselves on the use of the ICT related equipments; this study found that many entrepreneurs did not use ICT due to the fact that they did not know well how to use the related equipments such as computers, scanners and fax machines. Therefore the author recommends that entrepreneurs and community as a whole should take initiatives to educate themselves on how to administer ICT in order to avoid missing full ICT utilization opportunities in their business and or reduce experts hiring charges.

5.4 Areas for Future and Further Studies

Study findings indicate that, most of the SMEs owners in Arusha city appreciate that networking through the usage of ICT is very crucial for their business operations as lead to widens market, simplify market accessibility, and improve business operations etc. But from the findings it was revealed that few SMEs were using internet particularly manufacturing SMEs and those dealing with merchandise and services were mostly using cell phones. This was contributed by various factors including know how (knowledge on how to use ICT equipments), therefore the research recommend further and future research to be conducted on area of education to entrepreneurs on how to use ICT to see if it will improve their business operations.

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APPENDICES

Appendix I: Questionnaire for SMEs

No ☐

Dear respondent,

I am a Student of Mzumbe University doing Masters of Science degree in Entrepreneurship. In pursuit of the above, I am conducting a research on Impact of Networking on Performance of Small and Medium Enterprises in Tanzania as part of partial fulfillment of requirements for the award of the mentioned degree. I kindly ask your valuable time to respond fairly without mentioning your name to the questions below. The data that will be used for academic purpose only.

Part One: Information

Please read the questions below and respond by either a tick (√) and/or fill in the blanks in the space provided.

1. What is the nature of business?

Merchandise Business	( )
Manufacturing Business	( )
Service Oriented Business	( )

2. When was this business started?

1-3 years	( )
4-7 years	( )
8-10 years	( )
More than 10 years	( )

3. For how long have you been using ICT in your business operations?

Less than one year	( )
1-3 years	( )
3-5 years	( )
More than 5 years	( )

4. What kinds of ICT is your business using in networking?

Internet	( )
Cell phones	( )
Computers	( )

Part Two: Contribution of Networking on Business Productivity:

5. In the questions below (i-v), please rate the extent of your perception concerning the impacts that networking through the usage of ICT has brought in to your business productivity by choosing the following answers:-

Key to the Questionnaire Codes

1	2	3	4	5
Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**

	Contribution of Networking on Business Productivity:	**1**	**2**	**3**	**4**	**5**
i.	Networking has made it easy for operating the business than before it.					
ii.	I am very satisfied with the extent that networking helps improve my business operations					
iii.	I feel that networking has greater contribution in my business success					
iv.	I perceive it that networking brought many hindrance, challenges and unnecessary additional costs in small businesses					
v.	Networking has lowered the productivity of small businesses					

Others (Please Specify)

_____

_____

Part 3: Networking (ICT) and Market Accessibility

6. In the questions below (i-v), Please rate the extent of your perception concerning networking impacts on small business marketing accessibility by choosing the following answers:

Key to the questionnaire codes

1	2	3	4	5
Highly satisfied	**Reasonably satisfied**	**Neutral**	**Dissatisfied**	**Highly dissatisfied**

Networking Role on Market Accessibility:		**1**	**2**	**3**	**4**	**5**
i	Information accessibility on new market opportunities					
ii	Safe financial accessibility and payment mode					
iii	Wide marketing coverage					
iv	Improved and up to date marketing strategies					
v	Reduced adverts cost					

Others (Please Specify)

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_____

Part 4: Networking and Profitability

7. To what extent has your business been impacted in terms of profit in the following as

a result of networking using ICT tools? (Please evaluate each item by ticking the appropriate button).

Key to the questionnaire codes

1	2	3	4	5
Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**

Contribution of Networking on Business Profitability:		**1**	**2**	**3**	**4**	**5**
i.	Increased volume of sales					
ii.	Extending customer base					
iii.	Increased income from large sales					
iv.	Reduced costs e.g. transaction, marketing					
v.	Decrease in profit due increase costs of ICT implementation.					

Others (Please Specify)

_____

7. What are your recommendations on networking through the usage of ICT on performance of SMEs in Tanzania?

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Thank you so much, I real appreciate your contribution in this study