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## **Networking towards Performance:**

### **A study of small business women entrepreneurs in Matara District**

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#### **Abstract**

This paper is an empirical investigation of the impact of networking on the performance of small enterprises managed by women entrepreneurs in Matara district, Sri Lanka. The main objective of the study was to determine the impact of networking and to what extent factors of networking contribute to performance changes of small enterprises managed by women. A secondary objective was to find the most influencing networking factor in formulating a composite index of networking. The population of this study was all the women entrepreneurs who have registered with the Chamber of Commerce, Matara district by January 2008.

The correlation results confirmed that networking is significantly correlate with performance of women entrepreneurs managing small and medium scale enterprises. Findings regarding the significance of the relationship between the studied main three variables of networking (network type, supportive role of network and network activity) and performance showed that network type and supportive role of networking were having significant positive relationship while network activity was not having significant relationship.

The multiple regression models, testing the influence of networking index on performance revealed that networking is significantly influencing for performance. However all three factors of networking studied (network type, supportive role of network and network activity) were not significantly affecting for performance. Further it is interesting to note that among the six factors of supportive role of networking, the emotional support is the only significant factor for performance.

The regression model which explains the influence of factors of networking towards the networking index showed that network activity as the most influencing factor and network type as the least influencing factor in formulating composite index of networking.

This result highlights the importance of networking in improving performance of small scale women entrepreneurs in Sri Lanka and this study have practical implications for managerial practice, policy makers, researchers and others interested in the sustained development of Small & Medium Enterprises

**Keywords:** *networking, performance, women entrepreneurs*

## **Introduction**

The business environment today has become very turbulent due to continuous technical change, market uncertainties and high level of competition. The effects of internationalization also known as globalization has played a major role in creating a paradigm shift from the industrial era to the information era. The information and knowledge has become more important and organizations are adopting new strategies to better utilize the tangible assets based on human resources. Work in organizations has become much more relational, interdependent, and collaborative in nature.

Moreover, the current globalization poses a serious threat to small firms in developing countries, which may be isolated by nature of their size and lack of technology. Therefore networking enables Small & Medium Enterprises to overcome this isolation. In this context, networking has become a very important concept.

In previous literature networking has been identified as one of the solutions to problems faced by Small Medium Enterprises (Premaratne, 2001). According to previous literature, there are number of benefits of networking; including risk sharing; obtaining access to new markets and technologies; speeding products to market; pooling complementary skills; safeguarding property rights when complete or contingent contracts are not possible; and acting as a key vehicle for obtaining access to external knowledge (Pittaway et al, 2004). As mentioned by Premaratne (2001), it is clearly evident that the entrepreneur's social network is important for acquisition of resources and performance of his or her company. Against this background, this research studies an impact networking towards the performance of small enterprises managed by women.

## **Problem Identification**

In today's context, managing business successfully is not an easy task. The business world is becoming increasingly complex and dynamic due to globalization and technological advancement. Many people who begin the process of starting a new business fail to achieve their goals, although others are quite successful (Buddhadasa, 1992 as cited in Perera and Alwis, 2005). Prior research also demonstrate that women owned firms were more likely to fail, and had lower levels of sales, profits, and employment than those owned by men (Kalleberg and Leicht, 1991) because factors affected by women are of different dimensions and magnitudes, due to many reasons (Hisrich and Peters, 2002). Further, there is no substantial evidence about Sri Lankan women entrepreneur's performance (Dias, 1989; Jayawera 1996).

One crucial factor to achieve higher performance is networking. Some studies (Aldrich et al 1987) examined the effect of entrepreneurs' networking and found a positive relationship between networking and firm performance. According to Still and Timms (2000), limited access to networking is recognized as a one main barrier for women entrepreneurs' performance. Premaratne (2001) revealed that majority of Sri Lankan entrepreneurs were very weak in maintaining regular contacts and he stressed the need of having more research in small business networking. In the Sri Lankan context, there is lack of awareness of impact of networking towards entrepreneurial performance specially pertaining to women.

Therefore there is a significant research gap in the existing knowledge pertaining to performance variations of Sri Lankan women entrepreneurs in relation to networking. However it is notable that researching those aspects are very crucial and timely need in developing women entrepreneurship in the region and country as well.

Considering the above trends and issues, this research is an attempt to address the following research objective

## **Objectives of the Study**

- To examine the impact of networking on the performance of enterprises managed by women entrepreneurs in Matara district, Sri Lanka
- To identify impact of factors of networking towards the performance changes of small enterprises managed by women
- To find the most influencing networking factor in formulating composite index of networking.

## **Literature Review**

### **The Concept of Networking**

Networking is a process of creating alliances with people and organizations beyond the immediate boundaries of the venture. It is a process of linking up with the right people to get things done, and the difference between a successful and unsuccessful venture often rests on "knowing people in the right places" (Aldrich and Zimmer, 1986).

Networks have been defined as "*reciprocal patterns of communication and exchange*" (Powell 1990). At a conceptual level, networks are descriptions of the connections that allow interactions and influences between parts of a complex system. When considering the effects of the connections, networks refer to the interlinked parts, i.e. the system as a whole.

Networks are based on social relationships, family, friends, neighbours, as well as customers, vendors and creditors. Networks can be classified in differently. One general classification is formal networks and informal networks (Ibarra, 1993). Formal networks are distinct from informal networks in that they are officially recognized or mandated by organisations, and in that the content of their exchanges is rational and task-related, e.g. transactional or cooperative. In business, strategic alliances are typical examples of formal networks. The informal networks, on the other hand, are those where participation is more private (De Heer, 2003).

Moore and Buttner (2007) suggested that networks are providing supportive roles as emotional support, decision making, financial support, operational functions, financial information and financial sources. Foss (1993) found that the most important kind of support for starting one's own business were resources obtained through social networks (material support), emotional support for the idea of starting a business (affective support), and advice on finance, production, and other matters (information support).

### **Types of Networks**

According to Holt (2002, 358-359), mainly there are two types of networks as personal and social. He described about personal and social network using the work of several researchers as follows.

#### **Personal networks**

A personal network consists of individuals within some one's immediate circle of daily relationship. This is an informal network that consists of all the direct, face to

face contacts the entrepreneur has. These include family members, friends, and co-workers with whom a person has close ties (Merton, 1957 as cited in Holt, 2002).

Personal network result from roles in life, such as being part of a family. As role change, personal network change. Entrepreneurs create new roles for themselves by pursuing their ventures, and in doing so, they begin to expand this circle of personal affiliations. If entrepreneurs are good at forming friendships, they may develop personal networks that include business partners, investors, customers, suppliers and lenders. Many of these individuals may be counted simply as friends, not persons to whom, entrepreneurs turn for specific help.

### **Social Networks**

Distinct from personal networks, social networks are described as loosely connected affiliation within the community or industry (Alan et.al, 1986 as cited in Holt, 2002). This distinction does not exclude the strong-tie linkage of a personal network, but only shifts the emphasis away from personal toward professional associations. Perhaps more important, personal networks evolve through casual relationships, whereas social networks are construed as purposely developed. Researchers have found that successful entrepreneurs spend nearly 20 percent of their time developing contracts that constitute social networks (Aldrich et.al, 1986 as cited in Holt, 2002).

Social networks provide access to resources and expertise, and research has shown that majority of successful entrepreneurs use networks advantageously. For example founders use network contacts to gain access to bankers for start-up capital, operating loans and introduction to private investors. They also find networks useful in choosing attorneys, obtaining accounting help, finding suppliers, attracting skilled employees, locating facilities, uncovering market research data, and opening doors to specific customers such as government agencies. Network contacts also lead to beneficial arrangements such as venture planning assistance, access to venture capital, and intelligence on new technology and competitors (Aldrich et al, 1987).

According to Premaratne (2001) there are three type of actors in the entrepreneurial networks as social, support and inter-firm. Social net works consist of actors such as relatives, friends and acquaintances. Supporting networks consist of supporting agencies such as government banks, government agencies and non-government organizations, while inter-firm network include other enterprises both large and small.

## **The Concept of Performance**

There are different views on what performance is. It can be regarded as simply the record of outcomes achieved. On an individual basis, it is a record of a person's accomplishments. Armstrong and Baron (2002) discussed the concept of performance using the work of several researchers as follows. According to Bates and Holton (1995), "Performance is a multi-dimensional construct, the measurement of which varies, depending on a variety of factors". They also states that it is important to determine whether the measurement objective is to assess performance outcomes or behavior. A more comprehensive view of performance is achieved if it is defined as embracing both behaviour and outcomes. According to Brumbrach (1988 as cited in Armstrong and Baron, 2002), "Performance means both behaviours and results. Behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right-the product of mental and physical effort applied to tasks-and can be judged apart from results". Performance is about how things are done as well as what is done. This is the so called 'mixed model' (Hartle 1995) of performance management, which covers competency levels and achievements as well as objective setting and review. In accordance with the research by Armstrong and Baron (2002), it is the model that many organizations are interesting.

## **Performance measurement and Performance in Small & Medium Enterprises**

In general Performance measurement can be viewed as the process of quantifying the efficiency and effectiveness of purposeful action and decision-making (Waggoner et al., 1999). Performance measurement should provide the data that will be collected, analysed, reported and ultimately used to make sound business decisions. As such, performance measurement is a process of monitoring and reporting on how well someone or something is doing. In theory, it is a broad concept applicable to people, things, situations, activities and organizations (Verweire and Berghe, 2004).

"Performance" is operationalized differently in different studies, making cross-comparison difficult. A number of prior studies cite the firm's ability to generate profits as an important indicator of success (Haber and Reichel 2005; Kelleberg and Leicht 1991). According to Srinivasan, Woo & Cooper, (1994), the most frequently used operationalizations are survival, growth in employees, and profitability. Firm growth has also been cited as key measure of performance in prior research (Haber and Reichel 2005). It does not seem to be an accepted method of measuring Small & Medium Enterprises' performance similar to the economic

measures routinely used for large firms. Murphy, Trailer and Hill (1996) suggested that 'Accurate performance measurement is critical to understanding new venture and small business success and failure. When considering performance of small firms, the lack of separation of ownership and management is believed to allow the goals of the owner to become the goals of the firm (Naffziger et al. 1994).

The various measures of business performance include, longevity of survival or more popularly 'age of the enterprise,' sales growth, growth in market share, growth in market scope (local, national or international), growth in investment (in the same unit), additional units created via acquisition & diversification growth in number of employees, profits and so on. Most of these are physical growth and financial growth parameters and have been the traditional measures of entrepreneurial performance. Of late, other measures of performance such as customers' satisfaction, employee satisfaction, image, credit rating, etc. are also becoming increasingly relevant.

([http://www.du.ac.in/course/material/ug/ba/esb/Lesson\\_3.pdf](http://www.du.ac.in/course/material/ug/ba/esb/Lesson_3.pdf))

### **Factors affecting performance of Women Entrepreneurship**

Studies of performance of women entrepreneurs are few (Brush 1992). Sociological theories argue that social structures (workplace, family, and organized social life) affect women's access to entrepreneurial opportunities and may influence performance. Occupational segregation, under representation in upper level management positions, and expectations about family roles may restrict women to certain industrial sectors, as well as affect motivations and goals for their business ventures (Aldrich 1989). Moreover prior research noted that women may lack the professional experience (Ashwin, 2000) or the diverse social network (Aldrich, 1989) needed in order to fully utilize access to information, resources, and social support.

Women entrepreneurs also encounter problems not typically experienced by males (Scott 1986; Hisrich and Brush 1984). Gender stereotypes, along with limited access to networks and mentoring, may create barriers to effectively running a business (Still and Timms 2000).

Kalleberg and Leicht (1991) found that women's businesses were no more likely to fail and were just as successful as those of the men. The study also found that the determinants of survival and success operated in greatly the same way for men and women, "suggesting that the processes underlying small business performance are similar irrespective of the entrepreneur's gender" (Kalleberg & Leicht, 1991).

According to Lerner et al (1997) the differences in social structures across developed and developing countries suggest variation in individual factors affecting performance of women-owned businesses. A comprehensive summary of individual factors influencing performance was noted in a literature review by Cooper and Gascon (1992), which examined such factors as experience, education, occupation of parents, gender, race, age, and entrepreneur's goals. Lerner et al (1997) examined factors affecting performance of Israeli women entrepreneurs using five theoretical perspectives: individual motivations and goals; social learning (entrepreneurial socialization); network affiliation (contacts and membership in organizations); human capital (level of education, business skills); and environmental influences (location, sectoral participation, and sociopolitical variables). Of those five theoretical perspectives, results showed that network affiliation, motivation, human capital, and environmental factors affected different aspects of performance, whereas social learning theory or existence of a role model had no significant effect on performance outcomes.

### **Networking and performance**

Some studies examined the effect of an entrepreneur's networking and found a positive relationship between networking and performance (Manolova, 2007). The exchange of information among entrepreneurs and networking activity is considered vital to managerial and entrepreneurial development; without such support systems, ventures are less likely to be successful or even created (Aldrich et al 1986 as cited in Moore & Buttner 1997). Aldrich and Zimmer (1986) point out the importance of social networks in facilitating and inhibiting the activities of entrepreneurs. A successful entrepreneur needs not only to manage internal operation of his firm, but also to establish external networks.

Bruerderl and Preisendoerfer (1992) found in their research that social network support is related to both, survival and growth of newly founded companies. A network approach assumes that entrepreneur's ability to organize and coordinate networks between individuals and organizations are critical for starting up a company and business success. It was found that formal support sources were hardly used, the institutions mostly mentioned were banks (Birley et al, 1991). Support from informal network such as friends, relatives, previous employers and acquaintances have found to benefit the business.

### **Measuring networking**

To measure individual networking activities empirically, a number of different items have been suggested. As cited in Moore & Buttner (1997) four ideas



proposed by Aldrich et al (1987) , Birley et al (1991), and Aldrich and colleagues (1991) offer a starting point: (a) the propensity to network (who connects with others in trade, professional, and social organizations), (b) network activity (the number of people with whom the owner/manager discusses business and the time spent developing and maintaining contacts), (c) network density (the degree to which the owner/manager reaches out beyond personal friends to discuss business and the size of their personal networks), and (d) network intensity (the number of years an owner has known members of the network, the frequency of interactions, and the quantity of the resources exchanged).

Another concrete proposal is to ascertain the amount of time an entrepreneur invests per month in the creation, the preservation, and the enlargement of his or her personal network. A similar measure is the number of hours spent per week by the entrepreneur to acquire new business contacts and to maintain existing ties (Aldrich and Reese 1993). Another suggestion is to investigate the frequency of communication between the entrepreneur and (actual and potential) network partners per week (Ostgaard and Birley 1996).

### **Women's Network**

Researchers know little about the types of the female entrepreneur net works, their patterns of interaction, or even how their networks are formed (Ibarra, 1993). For women, networks and contacts are clearly important. Moore and Buttner (1997) found over 60 percent of their entrepreneurs to view their work and life as a central point connected to an overlapping series of network relationships that included family, business, and society and that the establishment of cooperative networks is clearly related to success. According to the study done by National Foundation for Women Business Owners(1994), women appear to “derive satisfaction and success from building relationships with customers and employees, having control of their own destiny, and doing something they consider worthwhile.”

Cromie and Birley (1992) found that women are just as active in their networking as men and their personal contact networks are as diverse. However, “females tend to rely heavily upon a male colleague as their prime contact but revert to their own sex for other contacts.” By “contrast, their male colleagues relied almost entirely on members of their own sex for advice.” Moore and Buttner (1997) found that while networks of trusted advisors serve as confidential sounding boards for voicing concerns and sharing solutions, women entrepreneurs consider the personal and emotional support, which mostly comes from spouses or significant others, far more important than financial, operational, or other types of assistance in running their businesses.

While noting the positive effects of utilizing appropriate networks on rates of business formation, survival, and growth, Aldrich (1989) made important distinctions between the content and relevance of men's and women's networks. They described women's networks as organized around spheres of work, family, and social life. Women's networks were largely similar to men's networks in terms of activity and density. However, men reported that their networks included very few women while women were more likely to include men in their networks.

## Research Model and Methodology

### The conceptual model

Based on the extant literature, the conceptual model illustrated in Figure 1 is created to guide the empirical research.

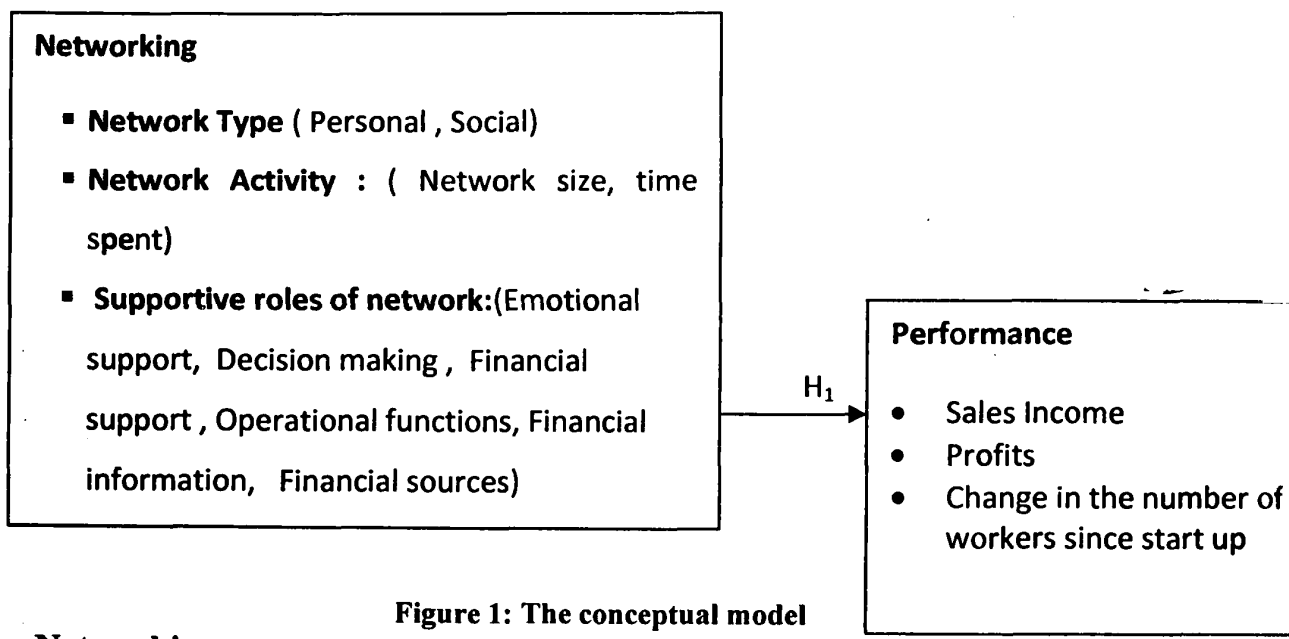


Figure 1: The conceptual model

### Networking

The variable on networking is consist of three sub variables as network type, network activity and supportive role of networking and indicators of measuring each sub variables were described given below

- Network Type

According to Holt (1992), mainly there are two types of networks as personal and social.

**Personal network:** A personal network consists of individuals within some one's immediate circle of daily relationship. This is an informal network that consists of

all the direct, face to face contacts the entrepreneur has. These include family members, friends, and co-workers with whom a person has close ties.

**Social Networks:** Social networks are described as loosely connected affiliation within the community or industry (Alan et.al, 1986). Also social networks are construed as purposely developed.

Here two categories of social networks are identified for this study.

**Support network –** Affiliation with supportive agencies such as banks, government agencies and non government organizations

**Inter-firm Network -** Affiliation with large and small enterprises

- **Network Activity**

To measure individual networking activities empirically, a number of different items have been suggested. One concrete proposal suggest by Aldrich et al (1991) is to measure the number of people with whom entrepreneurs discuss the business and to determine the time spent for developing and maintaining the contacts.

- **Supportive roles of network**

Based on the networking study by Moore and Buttner (1997), following sub variables were used to measure the supportive roles of network

- Emotional support
- Decision making
- Financial support
- Operational functions
- Financial information
- Financial sources

## **Hypotheses Formulation**

Prior researches also confirm the role played by networking. Aldrich and Zimmer (1986) point out the importance of social networks in facilitating and inhibiting the activities of entrepreneurs. A successful entrepreneur needs not only to manage the internal operation of his firm, but also to establish external networks. Some studies (Aldrich et al., 1987, Hansen, 1995) examined the effect of an entrepreneur's networking behaviour on venture performance and generally found a positive relationship between networking and performance.

Hence, following hypothesis can be formulated with regard to entrepreneurial human capital as follows.

**H<sub>1</sub>:** There is a significant positive relationship between the women entrepreneurs' networking and the performance

### The Operationalization of the main and sub Variables

Operationalization of the of the main and sub variables are shown in Table 1

**Table 1: The operationalization of the main and sub variables**

<i>Concept</i>	<i>Variable</i>	<i>Sub Variable</i>	<i>Measurement criteria</i>
Networking	Network Type	Personal	Degree of affiliation with relatives, friends and acquaintances to obtain assistance for business success
		Social (support)	Degree of affiliation with supportive agencies such as banks, government agencies and non government organizations to obtain assistance for business success
		Social (inter-firm)	Degree of affiliation with large and small enterprises to obtain assistance for business success
	Network Activity	Network size,	Number of ties with relatives, friends and acquaintances and other organizations
		Time spent	number of hours spent per week by the entrepreneur to acquire new business contacts and to maintain existing ties
	Supportive roles of network	Emotional support	Degree of emotional support obtained
		Decision making	Degree of support obtained regarding decision making of businesses
		Financial support	Degree of support obtained regarding financial support
		Operational functions	Degree of support obtained regarding operational functions
		Financial information	Degree of support obtained regarding Financial information
	Financial sources	Degree of support obtained regarding Financial sources	

## **Research Approaches**

This research is an empirical study aimed at investigating impact of networking towards performance. Quantitative and qualitative data were collected through survey method and interviews. In the beginning an extensive review of articles selected by the researchers in the field of networking and performance. The two main sources of data analysis are secondary data and primary data that have been used for this research. Primary Data derived from questionnaires. Questionnaires were developed for women entrepreneurs who has been members of Chamber of Commerce Matara.

Secondary Data on women entrepreneurs and enterprises were obtained from Chambers of commerce, in Matara and, Central bank report, publications of Department of Census and Statistics, Center for Women's Research (Cenwor) and search engines like Google and Yahoo. Basically, the purposes of collecting secondary data were to formulate the research question and develop research objectives. This study was heavily depending upon the primary data since research problem is answered based on its analysis. The research problem and specific hypothesis have been clearly identified and descriptive research design is adapted for the study.

## **Population**

The population of this study is all the women entrepreneurs who undertake to organize own and run an enterprise with less than fifty employees and having capital investment of less than Rs. 5 million and registered with the Chamber of Commerce, Matara district by January 2008

## **Sampling Procedure**

The Chambers of Commerce southern province maintained a register of women owned entrepreneurs. There were around total of 120 women entrepreneurs registered at the Chambers of Commerce, Matara by September 2008. The entire registered list was considered for the research and the participants were selected by using four criteria.

Firstly it was considered the definition of small scale enterprises. The Department of Small Industries defines Small and Medium Enterprise as those with capital investment of less than Rs. 5 million and which employ less than 50 employees, Accordingly the sample was selected to represent women owned small scale enterprises in the province having capital investment of less than Rs. 5 million and less than fifty employees. Secondly, the enterprise has to be in operation for at

least two years. This criterion is necessary to ensure availability of data about business performance. Third, the participant has to be the founder and owner of the enterprise and fourth, the enterprise has to be a privately owned business. Fulfilling the above criteria 92 women entrepreneurs (77 percent) were selected for the survey.

### **Questionnaire Design**

Questionnaire was designed to fit the objectives of the study and conceptual framework. When designing the questionnaire, a great deal of thought was given to its comprehensiveness and length. A questionnaire with conceptually clear and concise statements was judged to be desirable for both the respondents and the researcher. Each question consists of many factors based on literature review. Some questions were formulated using the Lickert scale and some were formulated including multiple choices.

### **Data Collection Method**

The data collection methods of this research were separated into two phases.

**Pilot Study:** After performing literature review and formulating research objectives a pilot study was carried out to assess the practicability of the study. The interviewing method was used to conduct the pilot study. Using personal network of the author, ten women entrepreneurs in the Matara District were selected. They were asked to point out any item that was either ambiguous or otherwise difficult to answer. Based on their comments, some items were modified and others were eliminated.

**Survey Research:** A structured questionnaire was used to collect the primary data from the selected sample of women entrepreneurs. After pretest and modifying the questionnaire, the researcher herself went to Chamber of Commerce, Matara several times to do the survey. Questionnaires were distributed among the selected 92 participants personally by the researcher and collected data.

### **Response Rate**

Survey was conducted at the three meetings held at the Chamber during the 05<sup>th</sup> of October 2008 to 18<sup>th</sup> November 2008. In total, 88 filled questionnaires were returned. However, 08 questionnaires were disqualified as the respondents had not completed all the questions in questionnaires. Among the selected sample 86 percent was properly responded.

## Data Analysis

Basically only quantitative analysis was employed for analyzing the collected data. The demographic information was analyzed using simple percentages and frequency analysis. For statistical analysis, the responses in each questionnaire were coded and these scores were captured in a Microsoft excel spreadsheet. Then the scores captured onto a Microsoft excel spreadsheet were imported into Soft Ware Package for Social Sciences (SPSS). Using the SPSS, the multiple regression procedure and correlation coefficient was employed to find the significant impact of the factors identified in the model. The correlation analysis helped in determining both the form and degree of the relationship between the Human Capital, Networking and Performance. Thus, both the strength of the relationship between variables and the level of statistical significance were assessed.

## Measurements

There are three independent variables and one dependent variable and composite indicators were developed for each main variable as follows.

### Networking

Networking includes three sub variables and indicator for each sub variable was computed as follows

#### Indicator for networking type ( $I_{NWTYPE}$ )

Network type was assessed using five question items in the questionnaire each of the five items was presented on a Likert scale ranging from 1= strongly disagree to 5= strongly agree

$$I_{NWTYPE} = \frac{(\text{summation value received for all five items}) * 100}{\text{Maximum value received for all five items among the respondents}}$$

#### Indicator for Supportive Role of Networking ( $I_{SRoleNW}$ )

Supportive Role of Networking was assessed using six question items in the questionnaire aimed at measuring Help in running businesses, Decision making , Financial support, Operational functions, Financial information and Financial

sources. Each of the six items was presented on a Likert scale ranging from 1= strongly disagree to 5= strongly agree

$$I_{SRoleNW} = \frac{(\text{summation value received all six items}) * 100}{\text{Maximum value received for all six items among the respondents}}$$

### **Indicator for Network Activity ( $I_{NWActivity}$ )**

There are three question items in the questionnaire measuring Network Activity as Network size (People), Network size (Organizations) and time spent for networking. Network size is assessed based on the number of ties indicated by women entrepreneurs with people and organization. Time spent for networking is measured by number of hours spent per week by the women entrepreneur to acquire new business contacts and to maintain existing ties.

$$I_{NWActivity} = \frac{\text{summation of (rating for each indicator / maximum rating among the respondents)}}{3}$$

The composite index for networking was developed by computing the average value of summation value calculated for Network type, Supportive Role of Networking and Network Activity.

$$\text{Composite Indicator for Networking} = \frac{I_{NWTYPE} + I_{SRoleNW} + I_{NWActivity}}{3}$$

### **Performance**

Five performance indicators were developed based on the respondent's data of sales income, profits and change in the number of workers since start up. Those indicators are relative income, annual relative growth of income, relative profit, annual relative growth of profit and annual employment growth rate. After summing up all values received for the above five performance indicators, the average was calculated. This value was taken as the composite index for performance.

Each performance indicator was measured as follows.



$$\text{Relative Income} = \frac{\text{Income in 2008}}{\text{Maximum income among the respondents in 2008}} * 100$$

$$\text{Annual relative growth of Income} = \frac{\text{Income 2008} - \text{income at the starting year}}{\text{Maximum value received for income difference among the respondents} * \text{Firm Age}} * 100$$

Income growth is a more valid indicator rather than income figures because of firms from different industries were considered.

$$\text{Relative Profit} = \frac{\text{Profit in 2008}}{\text{Maximum Profit among the respondents in 2008}} * 100$$

$$\text{Annual relative growth of profit} = \frac{\text{Profit 2008} - \text{Profit at the starting year}}{\text{Maximum value received for profit difference among the respondents} * \text{Firm Age}} * 100$$

$$\text{Annual Employment Growth Rate} = \frac{\text{Change in the number of workers since start up}}{\text{Firm Age} * \text{Maximum rating among the respondents}} * 100$$

## Results and Discussion

### Respondents' profile: Descriptive statistics

#### Distribution of respondents across the sectors

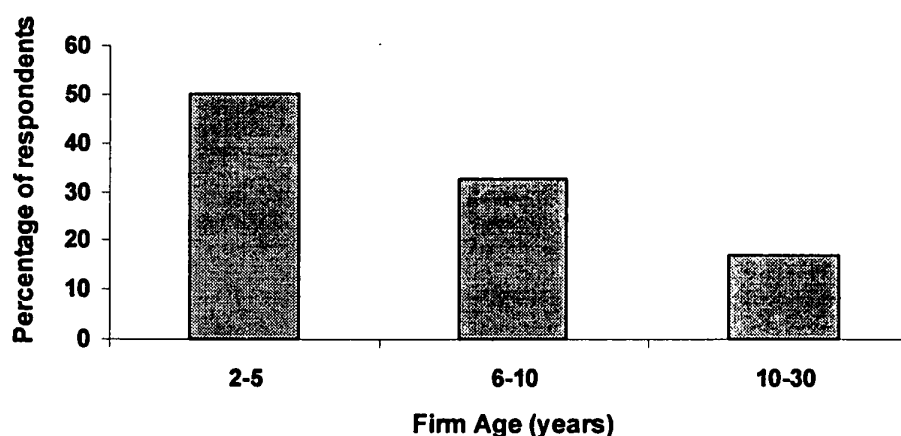
According to the Table 2, maximum number (25%) of women entrepreneurs were engaged in the enterprises pertaining to textile apparel and leather and the second highest number (20%) were in the production of food and beverages. Approximately 14% were engaged in the fishing sector and 11% were in the trading. The other studied enterprises were spread over agriculture, beauty culture, coir related products, construction, wood and wooden product, and service sectors.

**Table: 2: Distribution of respondents across the sectors**

<i>Sector</i>	<i>Number of respondents</i>	<i>Percentages</i>
Enterprises pertaining to textile, apparel and leather	20	25
Production of Food and Beverages	16	20
Trading	15	18.75
Fishing	11	13.75
Agriculture	7	8.75
Beauty culture	4	5
Coir related Products	2	2.5
Miscellaneous	5	6.25
<b>Total</b>	<b>80</b>	<b>100</b>

Source: survey data 2008

### Distribution of respondents across the firm age



**Figure: 2: Distribution of respondents across the firm age (Source: survey data 2008)**

As shown in the figure 2, most of the women entrepreneurs (50%) are having firm age between 2-5 years. Approximately 32% of the enterprises have been operating for 6-10 years and 17% have been operating for 10-30 years. The women entrepreneurs responding to the survey have been in business for an average period of eight years (mean= 7.6, SD=5.8). This result implies that there is a trend to commence enterprises by women.

### Number of employees working in a single business

Numbers of employees working in an average single business are given in Table 3. It shows that more than 60% of sample employed two or less than two employees and over 87 % employed less than five employees. The surveyed sample showed

that single enterprise has employed an average of three employees. (Mean= 2.55, SD=1.67).

**Table 3: Number of employees working in a single business**

<i>Number of employees</i>	<i>Frequency</i>	<i>Percentage</i>
1-2	48	60
3-4	22	27.5
5-6	8	10
7-10	2	2.5
Total	80	100

**Distribution of women entrepreneurs across age groups**

As shown in Table 4, the women entrepreneurs in this study ranged in age from 20 to 60+ years. Most of the women entrepreneurs (35 percent) were in the age category of 40-49, while 28 percent were in the age category of 30-39. Women entrepreneurs in the sample between the age category of 50-59 and 20-29 were 16.25 percent respectively. The average age of the women entrepreneur of the sample was 41 years (SD=8.10).

**Table 4: Frequency Distribution of women entrepreneurs' Age**

<i>Age category (Years)</i>	<i>Frequency</i>	<i>Percentage</i>
20-29	13	16.25
30-39	23	28.75
40-49	28	35
50-59	13	16.25
60 & more	3	3.75
Total	80	100

**Marital Status of women entrepreneurs**

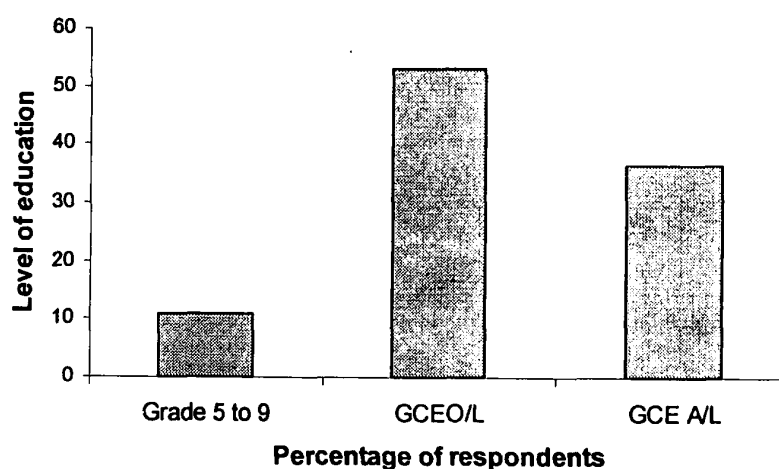
Table 5 shows that majority of the women entrepreneurs (95 percent) are married while 5 percent are single. Among the married women entrepreneurs, the majority (78%) had dependents.

**Table 5: Marital Status of women entrepreneurs**

<i>Marital Status</i>	<i>No. of Frequency</i>	<i>Percentage</i>
Unmarried	4	5
Married	76	95
Total	80	100

### **Education among the respondents**

Figure 3 shows educational levels of women entrepreneurs in the sample. It revealed three levels of education categories among the respondents with all of them indicating they had attained a minimum of grade 5. The highest level of education gained by the majority of women was recorded as GCE Ordinary Level (53%). This was followed by General Certificate of Education (G.C.E) Advance level (36%) and grades 5-9 classes (11%). Any of the women entrepreneurs in the sample is not having a university degree. Among the GCE Advance Level completed women entrepreneurs, 48% had studied their education in commerce while 41% had studied in Arts and 10% in Science.



**Figure 3: Distribution of respondents across level of education**

### **Training among the respondents**

As shown by the Table6, 59% of the sample has received training and 26 % has not received any training.

**Table 6: Training among the respondents**

<i>Training</i>	<i>Frequency</i>	<i>Percentage</i>
Training Received	59	74
Not received any training	21	26
Total	80	100

**Previous occupations among the respondents**

Table 7 indicates that most of women entrepreneurs (78%) in the sample had not engaged in occupation before starting up their enterprises. Only 21% had previous occupations.

**Table 7: Previous occupations among the respondents**

<i>Previous Occupation</i>	<i>Frequency</i>	<i>Percentage</i>
Previous Occupation	17	21.75%
No Previous Occupation	63	78.25%
Total	80	100

**Entrepreneurial Experience in similar or different business**

Table 8 shows that 51% are having previous entrepreneurial experience and 49% are not having. Among the respondents, 26% are having experience only in similar type of business and 13% are having experience only in different type of business. A total of 13% of the sample is having experience in both similar and different type of businesses.

**Table 8: Entrepreneurial Experience in similar or different business**

<i>Experience</i>	<i>Frequency</i>	<i>Percentage</i>
Previous Experience	41	51%
Both similar and different businesses	10	13%
Similar business only	21	26%
Different business only	10	13%
No Previous Experience	39	49%
Total	80	100

## Husband or parents having business among the respondents

**Table 9: Husband or parent owns a business**

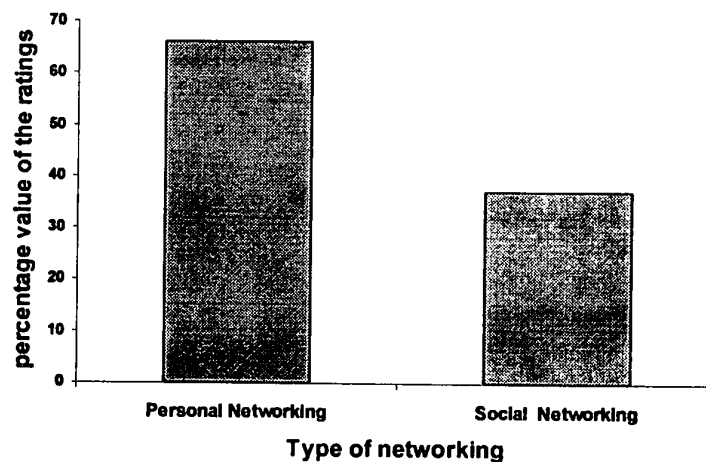
	Frequency	Percentage
Parent or husband owns a business	39	49%
Both parent and husband owns a business	17	21
Only parent owns a business	10	12
Only husband owns a business	12	15
Parent or husband not owns a business	41	51%
<b>Total</b>	<b>80</b>	<b>100</b>

Table 9 indicates that 49% percent of the sample is having a husband or parent who owns a business and 51% is not having. Only parent owns businesses can be found in 21% and only husband owns businesses in 15%. A total of 21% is having both parent and husband who own businesses.

## Networking

### Type of networking among the respondents

Figure 4 indicates that women entrepreneur's are mainly having personal networking than social networking for their business success. Personal networking is accounted for 67% and social networking (supportive agencies and inter-firm) is accounted for 37%.



**Figure 4: Type of networking among woman entrepreneurs**

### Supportive role of networking among the respondents

Figure 5 demonstrates six type of support entrepreneurs obtained for business success through networking. Emotional support which include trust, concern, listening is the highest support (77.9%) respondent obtained through networking. Both operational support and obtaining financial sources are the next support (76.5%) received through networking. Support for decision making and financial information is accounted as 74% and 72% respectively. Among the tested variables, the financial support is the least support respondent received.

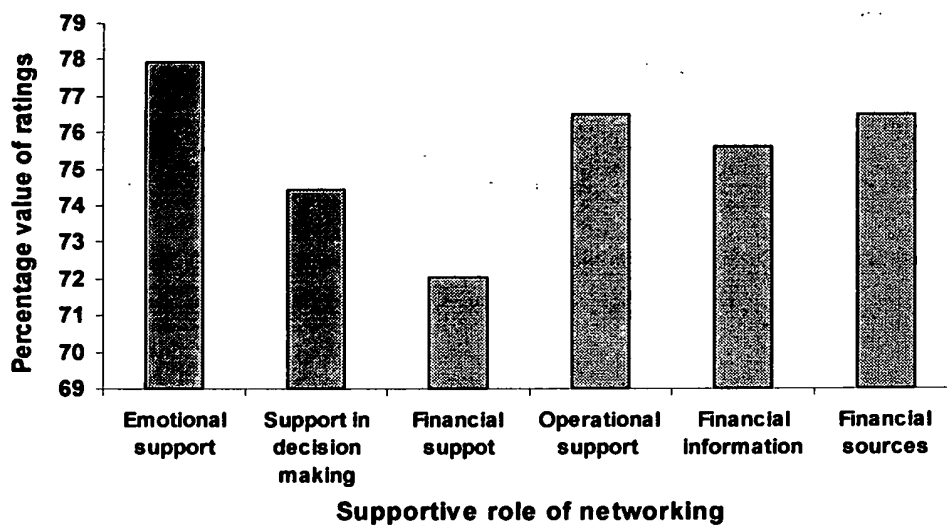
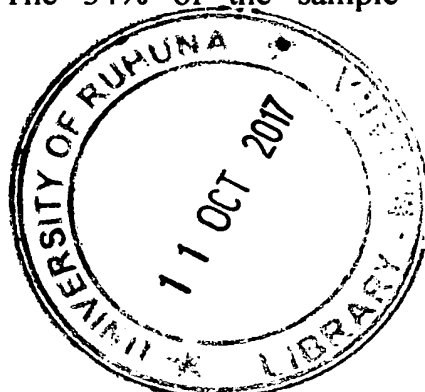


Figure 5: Supportive role of networking among women entrepreneurs

### Performance among the respondents

Figure 6 shows the performance data of women entrepreneurs and three types of performance categories have been identified as follows. Performance below than 30 as low, between 30-60 as medium and above 60 as high. It indicates that majority of respondents (58%) are having low performance and minority of respondents (9%) are having high performance. The 34% of the sample is having medium performance.



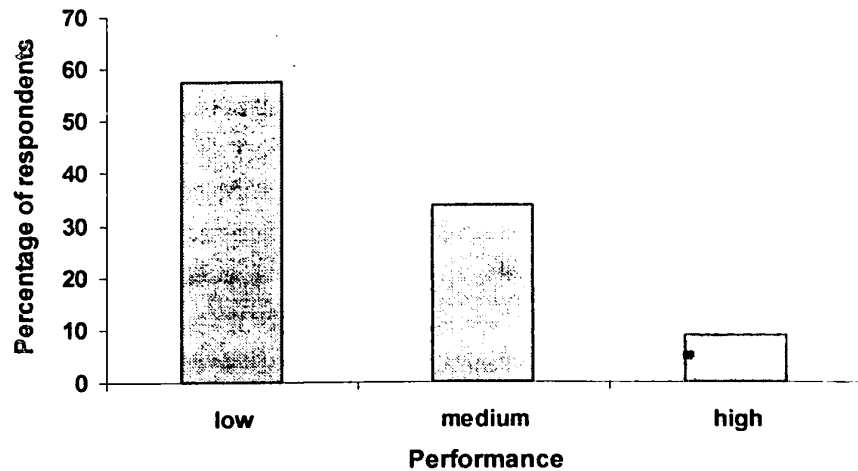


Figure 6: Levels of performance of the women entrepreneurs

### Relationship between networking and performance

The relationship between the performance and variables of networking were examined and the results are shown in Table 10. Of the three main variables of networking, network type ( $r_{nt} = 0.263$ ) and supportive role of networking ( $r_{snw} = 0.223$ ) were having positive relationship with performance at the 5% level. The network activity was not having significant relationship with the performance. However the overall result for networking shows weak positive relationship with the performance ( $r_{nw} = 0.254$ ,  $\alpha = 0.05$ ).

Regarding the network type, two studied sub variables i.e. personal type ( $r_{nwtp} = 0.288$ ) and social type (supportive) ( $r_{nwtss} = 0.236$ ) were found significantly positive relationship with performance at the 5% level although social (inter-firm) type was not positively significantly related with performance.

This implies that relationship with relatives, friends and acquaintances and supportive agencies such as banks, government agencies and non government organizations are more related to performance than relationship with large and small enterprises.



**Table 10: Summary of correlation results between networking and performance**

<i>Parameter</i>	<i>r value</i>
Network Type	0.263*
Personal	0.288*
Social (Support)	0.236*
Social ( Interfirm)	0.048
Supportive Role of Networking	0.223*
Emotional support	0.340**
Decision making	0.154
Financial support	0.164
Operational functions	0.089
Financial information	0.014
Financial sources	0.189
Network Activity	0.107
Network size (Number of people)	-0.057
Network size (Number of Organizations)	0.055
Time spent	0.195
<b>Networking</b>	<b>0.254*</b>

\*\*Correlation is significant at the 0.01 level (2-tailed)\* Correlation is significant at the 0.05 level (2-tailed)

Among the six sub variables of supportive role of networking, only one sub variable, i. e Emotional support ( $r_{es} = 0.340$ ) was found statistically significant at 1% level. Other five sub variables were not significant. This finding generally suggests that emotional support is the only related factor for the performance among the studied sub variables. With regard to sub variables of network activity, time spent (hours per week) to develop / maintain contacts with people and organizations obtained weak correlation and that value was not significant. Network size was measured in two ways as number of people contacting to discuss routine business matters and obtain assistance for the business and number of organizations contacting to discuss routine business matters and obtain assistance. Both factors of network size didn't show positive correlation with the performance. It can be interpreted that it is not so much the quantity of the personal contacts that lead to high performance but rather their quality. With regard to overall findings of networking, there is a weak relationship with the performance ( $r_{nw} = 0.254$ ). But the value is significant at 5% level. Hypothesis ( H1)proposed that there would be a significant relationship between the networking and performance of women entrepreneurs. The results of the correlation analysis between the two variables supported this hypothesis.

## Impact of networking on performance of the women enterprises

Multiple regression analysis was used to assess the impact of networking on performance of women entrepreneurs. A series of multivariate models were developed using a measure of firm performance as the dependent variable and number of independent variables representing various aspects of networking considered in the conceptual framework.

### Firm Performance with networking index

The first model is developed including composite index of networking and composite index of performance as follows

$$Y = a + b_1 X_1 + e$$

Where

Y = composite index of performance

X<sub>1</sub> = composite index of networking

b<sub>1</sub> = coefficient of networking

e = error

Performance = a + b<sub>1</sub> (Networking) + error

**Table 11: Regression findings of firm performance with networking index**

R	0.254
R <sup>2</sup>	0.065
Adjusted R <sup>2</sup>	0.053
Standard Error	18.43501

<i>Analysis of Variance</i>	<i>DF</i>	<i>Sum of Square</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig</i>
Regression	1	1835.518	1835.518	5.401	.023 <sup>a</sup>
Residual	78	26508.263	339.850		

<i>Variable in the equation</i>	<i>B</i>	<i>Standard Error</i>	<i>Beta</i>	<i>T</i>	<i>Sig</i>
Constant	1.739	11.889		.146	.000
Networking	.434	.187	.254	2.324	.023

As shown in Table 11 the coefficient of networking is found statistically significant (β = 0.254, ∞ = 0.023). Thus H<sub>1</sub> is supported. Hypothesis one proposes a positive

relationship between networking and firm performance. Therefore, this study agrees with some previous research done in this regard. (Manolova, 2007).

$$\text{Performance} = 1.739 + 0.434 * (\text{Networking}) + \text{error}$$

**Firm performance with networking type, supportive role of network and network activity**

The second model is developed including three sub variables of networking networking type, supportive role of network and network activity with performance as follows

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e$$

Where

Y= composite index of performance

X<sub>1</sub>= network type

X<sub>2</sub>= supportive role of networking

X<sub>3</sub>= network activity

b<sub>1</sub>= coefficient of network type

b<sub>2</sub>= coefficient of supportive role networking

b<sub>3</sub>= coefficient of network activity

The results of the regression analysis related to model 2 are presented in Table 12

**Table 12: Regression findings of firm performance with networking type, supportive role of network and network activity**

<i>R</i>	.291 <sup>a</sup>				
<i>R</i> <sup>2</sup>	.085				
<i>Adjusted R</i> <sup>2</sup>	.048				
<i>Standard Error</i>	18.47768				
	<i>DF</i>	<i>Sum of Square</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig</i>
<i>Regression</i>	3	2395.527	798.509	2.339	.080 <sup>a</sup>
<i>Residual</i>	76	25948.273	341.425		

<i>Variable in the equation</i>	<i>B</i>	<i>Standard Error</i>	<i>Beta</i>	<i>t</i>	<i>Sig</i>
Constant	10.010	15.117		-.662	.510
Network Type	.294	.191	.194	1.536	.129
Supportive Role of NW	.180	.184	.122	.976	.332
Network Activity	.050	.096	.058	.522	.603

Table 12 indicate that studied all three sub variables of networking i. e networking type, supportive role of network and network activity are not having significant relationship with performance

### **Firm performance with six types of supportive roles of network**

Model four check the effects of the six type of supportive role of network on firm performance

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + b_7 X_7 + e$$

Where

Y=composite index of performance

X<sub>1</sub>=emotional support

X<sub>2</sub>=support for decision making

X<sub>3</sub>=financial support

X<sub>4</sub>=operational support

X<sub>5</sub>=financial information

X<sub>6</sub>=financial sources

b<sub>1</sub>= coefficient of emotional support

b<sub>2</sub>= coefficient of decision making

b<sub>3</sub>= coefficient of financial support

b<sub>4</sub>= coefficient of operational support

b<sub>5</sub>= financial information

b<sub>6</sub>= financial sources

e = error

According to Table 13, it clearly indicates that only emotional support is having significant relationship with composite index of performance ( $\beta = -8.831, \alpha = 0.005$ )

**Table 13: Regression findings of firm performance with six type of supportive role of network**

R	0.405
R <sup>2</sup>	0.164
Adjusted R <sup>2</sup>	0.095
Standard Error	18.13289

	<i>DF</i>	<i>Sum of Square</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig</i>
Regression	6	4654.290	775.715	2.3559	.039 <sup>a</sup>
Residual	72	23673.710	328.802		

<i>Variable in the equation</i>	<i>B</i>	<i>Standard Error</i>	<i>Beta</i>	<i>t</i>	<i>Sig</i>
Constant	12.270	15.196		-.807	.422
Emotional support	8.831	3.058	.332	2.888	.005
Decision making	-.198	2.751	-.010	-.072	.943
Financial Support	.694	2.648	.034	.262	.794
Operational support	1.069	3.961	.043	.270	.788
Financial Information	-5.165	4.097	-.202	-1.261	.212
Financial Sources	5.247	3.418	.230	1.535	.129

### Networking index and all networking variables

Model four check the effects of the three networking variables on networking index to find out which factors of networking are more influencing for composite networking index

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + b_7 X_7 + e$$

Where

Y=composite index of networking

X<sub>1</sub>=network activity

X<sub>2</sub>=supportive role of networking

X<sub>3</sub>=Network type

b<sub>1</sub>= coefficient of network activity

b<sub>2</sub>= coefficient of supportive role of networking

b<sub>3</sub>= coefficient of Network type

e = error

**Table 14: Regression findings of networking index and all networking variables**

<i>R</i>	1.000 <sup>a</sup>				
<i>R</i> <sup>2</sup>	0.999				
<i>Adjusted R</i> <sup>2</sup>	0.999				
<i>Standard Error</i>	0.30915				
	<i>DF</i>	<i>Sum of Square</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig</i>
Regression	3	9730.286	3243.429	33936.717	0.000 <sup>a</sup>
Residual	76	7.264	0.096		

<i>Variable in the equation</i>	<i>B</i>	<i>Standard Error</i>	<i>Beta</i>	<i>t</i>	<i>Sig</i>
Constant	0.503	0.253		1.990	0.500
Network Activity	0.332	0.002	0.655	205.586	0.000
Supportive Role of NW	0.329	0.003	0.383	107.000	0.000
Network Type	0.332	0.003	0.373	103.540	0.000

Table 14 indicates that all factors of networking are having highly significant relationship with composite index of networking ( $\alpha = 0.000$ ). Among the three variables studied, network activity shows the highest beta value ( $\beta = 0.655$ ) while network type shows the least beta value ( $\beta = 0.373$ ). It implies that network activity is the mostly influencing and network type is least influencing factor among the above mentioned three factors in formulating composite index of networking  
 Networking index =  $0.503 + 0.655^{**}$  (Networking activity)  $+ 0.383^{**}$  (supportive role of Networking)  $+ 0.373^{**}$  (Network type) + error

### Summary of the findings and conclusions:

The primary purpose of this research was to examine the impact of networking towards the performance of enterprises managed by women entrepreneurs in Matara district, Sri Lanka. The Pearson correlation coefficient was used to test the significance of the relationship between variables and the multiple regression procedure was used to test the impact of networking on performance.

The findings of the Pearson correlation analysis showed that networking is positively correlate with performance giving the value of  $r = 0.254$  at 5% significantly level. Therefore hypothesis one ( $H_1$ ) is accepted suggesting that networking is significantly related to performance.

Of the three main variables of networking, network type and supportive role of networking were having positive relationship with performance at the 5% level. The network activity was not having significant relationship with the performance. It suggest that network type and supportive role of networking are more related to performance changes than network activity

Regarding the network type, two studied sub variables i.e. personal type and social type (supportive) were found significantly positive relationship with performance at the 5% level although social type (inter-firm) was not positively significantly related with performance. This implies that relationship with relatives, friends and acquaintances and supportive agencies such as banks, government agencies and non government organizations are more related to performance than relationship with large and small enterprises.

The multiple regression models testing the influence of networking index on performance revealed that networking is significantly influencing for performance. The one specific objective was to identify impact of factors of networking towards the performance changes According to the multiple regression analysis, all three factors studied (network type supportive role of network and network activity) were not significantly affecting for performance. In terms of six factors of supportive role of network, only influencing factor for affecting for performance was emotional support.

The regression model which explain the influence of factors of networking towards the networking index showed that network activity ( $\beta = 0.655$   $\alpha = .01$ ) as the most influencing factor and network type as the least influencing factor ( $\beta = 0.373$   $\alpha = .01$ ) in formulating composite index of networking.

Finally it can be stated that networking is positively influencing of performance of women. Although its factors studied (network type supportive role of network and network activity) are having positive relationships with performance, each one is not influencing for performance changes. The emotional support is the most important factor and it is the only factor influencing for performance changes among the supportive roles of net working.

### **Suggestions for further research**

The data analyzed in this study were obtained from the survey of eighty women entrepreneurs registered at the Chambers of Commerce, Matara district. Therefore the conclusions of the study may not be applicable to generalization at the country level. Therefore future research can be conducted by taking samples representing each district of the country.

## Limitation of the study

Though this study obtained valuable results, it has number of limitations. Mainly, the data analyzed in this study are obtained from the survey of eighty women entrepreneurs registered at the Matara District Chamber of Commerce. Therefore, it makes it difficult to generalize the findings to the total population. Another potential problem is that respondents' views would only represent a particular set of industries and will not be representative of all categories of small and medium scale industries. Sometimes findings of this study may vary according to the views of unattended firms.

Next, a limited number of items were measured for each variable. In future studies, more items could be added to assess the important construct, which could increase the validity of variable measurement.

Another potential problem relates to the research questionnaire is that people are not providing true responses when obtaining income and profit data. Further, the questionnaire has many items and it reduces the willingness of filling out the complete questionnaire which may leads to reduce the quality of responses.

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