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Entrepreneurial Networking Skills and Growth of Small and Medium Plastics Manufacturing Enterprises in Nigeria



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Abstract

Purpose: The purpose of this study was to establish the influence of entrepreneurial networking skills on growth of small and medium plastic manufacturing enterprises in Nigeria.

Methodology: Mixed methods research design was applied by the study. The study target population was 18,476 plastics manufacturing SMEs in LAGOS State, Nigeria. Based on Yamane Formula adopted the sample size for this study was 397 respondents. Random sampling was used to select the 392 plastics manufacturing SMEs. The study therefore randomly selected 392 plastics manufacturing SMEs from a list of total lists of these is 18476 plastics manufacturing SMEs in LAGOS State, Nigeria. The managing director/CEO of these enterprises were the main respondents therefore the study administered 392 questionnaires. The study used semi structured questionnaires to collect primary data. The study used SPSS version 27 software to analyse the data. Both descriptive and inferential analyses were carried out.

Results: The inferential analysis results revealed that entrepreneurial networking skills had a significant and positive influence on the growth of small and medium plastic manufacturing enterprises in Nigeria at p<0.05. This indicates that strategic question asking, ability to get referrals and value adding skills are crucial drivers of growth of small and medium plastic manufacturing enterprises. The Coefficient of determination R² of 0.470 showed that 47.0% of Growth of SMEs is explained by entrepreneurial financial skills. The R value for the model was 0.686 and the R² was 0.470. This was a sign that the model was appropriate for establishing the link between entrepreneurial networking skills and the growth of small and medium plastic manufacturing enterprises and, as a result, for drawing the conclusions and suggestions from the study.

Unique contribution to theory, practice and policy: While the existing Social network entrepreneurship theory used in this study was validated, the study recommends that SMEs in Nigeria should form quality networking which will enable them to create social communities shared by stakeholders such as customers, suppliers, other enterprises. According to the study, policymakers and state regulatory organizations should take the lead in formulating favourable legislation and policies that will provide friendly operating environment to enhance the growth of SMEs.

Keywords: Entrepreneurial, Networking, Skills, Growth, SMEs, Nigeria

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INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Small and Medium Enterprises play a great role in economic development in Nigeria (Kowo, Adenuga & Sabitu, 2019). The importance of skills acquisition in developing economies like Nigeria is increasingly generating topics for discourse in the quest for entrepreneurial growth and development (UNDP, 2019). Entrepreneurial skills are increasingly becoming critical since half of the Nigerian population composes of the youth. Any plan for sustainable development should undoubtedly be built around the young populace. The Nigerian Government has been under pressure to diversify its economy, as well as encourage the youth to embrace self-employment through appropriate favorable policies and an environment that facilitates skills acquisition, entrepreneurship and self-reliance (Undiyaundeye & Obudu, 2015).

Initiatives such as STEM educational programmes, investment in vocational training and community colleges, comprehensive apprenticeship programmes and improved access to risk capital have been provided for purposes of unearthing innovations in youths (Olaolu & Obaji, 2020). The National Population Commission (2018) advances that over (80) million youths is unemployed. Most states have dealt with the high rate of unemployment by creating the needed space to ensure their youths are trained, particularly on vocational skills. For instance, the Lagos State Government (LASG) through the Lagos State Employment Trust Fund (LSETF) Employability Support Project in partnership with the United Nations Development Programme (UNDP) trained over 5,000 persons in different skills such as manufacturing, media, healthcare, garment making, construction, hospitality and business support, and acquire skills for business (UNDP, 2019).

Owing to its mass population, Nigeria almost has business opportunities everywhere. Adendorff, Emuze and Vilakazi (2013), established that there was a lapse in entrepreneurial skills in Nigeria due to neglect and unsupportive environment in Nigeria. Most of the skills that would have been used to generate jobs, revenues and improve the nation's economy were wrongly channeled and misused. A comparative study of Nigeria and UK by (Abdul, 2018) established that creative thinking, Problem solving and communication skills were critical for increase sales and competitive advantage amongst SMEs. However, the responses from Nigeria were on the lower scale in contrast to those of the UK.

The development of entrepreneurial skills is significant to spur growth of SMEs given the importance of SMEs in the Nigerian economy (Omolara, 2019). Varied pieces of literature have identified lack of entrepreneurial skills as one of the key impediments to increasing growth of SMEs in Nigeria (Makdissi & Tannous, 2019). As a function, entrepreneurial skills are the lifeline of any business irrespective of size. However, some cross sections of research point to the significance role of entrepreneurial skills like creativity and communication skills towards SMEs growth in Nigeria (Makdissi & Tannous, 2019). Previous literature therefore provides either

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inconclusive or conflicting results on the relationship between entrepreneurial skills and growth of SMEs. This notwithstanding, it is anticipated that for business to thrive in Nigeria, entrepreneurs need ample entrepreneurial skills (Ayiku & Grant, 2021). Makdissi and Tannous (2019) concluded that entrepreneurial skills could serve as an impetus for improving the self-confidence of start-ups and established enterprises in Nigeria. This was in line with assertions by Adendorff et al. (2013), who found that entrepreneur's success was depended on the connection of vital entrepreneurial skills namely personal, interpersonal and basic management skills.

The Federal Ministry of Commerce and Industry (2015), defined SMEs as firms with a total investment (excluding cost of land but including capital) of up to 750,000 Naira, and paid employment of up to fifty persons. SMEDAN (2017) defined SMEs based on the following criteria: small scale enterprises are businesses with ten to forty-nine people with an annual turnover of five to forty-nine million naira, while a medium scale enterprise has fifty to one hundred and ninety-nine employees with a year turnover of fifty to four hundred and ninety-nine million Naira. Nigeria has historically shown lack of commitment to building a strong SME sector compared to other emerging economies due to inability to develop access to finance and financial incentives, basic and technological infrastructure, adequate legal and regulatory framework, and commitment to build domestic expertise and knowledge (Olaolu & Obaji, 2020). In this regard, SMEs have not tapped into their growth potential and thus have not significantly contributed to their expected portion of GDP.

According to National Bureau of Statistics (NBS) and Small and Medium Enterprises Development Agency of Nigeria, the number of enterprises in the MSMEs has increase to 41,543,028 in 2017 (SMEDAN, 2017). Out of this number, small enterprises accounted for 71,288 entities (or 0.17 percent) while medium enterprises were 1,793 entities (or 0.004 percent). Consequently, SMEs make up 73,081 entities with manufacturing accounting for 68.7 percent. The statistic depicts that in 2015, the production volume of plastic in Nigeria reached around 411,000 tons. The contribution of SMEs in Nigeria is recognized as key to the development of the economy owing to its great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large scale industries (Agwu, 2018). A growing number of SMEs in the country, a need to reconcile their policies, programmes and activities became very important and this led to formation of Small and Medium Scale Enterprises Agency of Nigeria (SMEDAN) in 2004.

1.1 Problem Statement

Lack of entrepreneurial skills among SMEs owner and managers in Nigeria has resulted to lack of growth among SMEs. For Instance, government reports on SMEs sector in Nigeria point out that the growth is slow, unsatisfactory and inconsistent in contrast to other emerging economies peers like the BRICKS and Sub-Saharan Africa's (SAA) (SMEDAN, 2019). This growth is not also consistent with the country's SMEs growth potential (Eziashi, 2017). There cannot be a better

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proof of a declining growth of SMEs than the rising national unemployment statistics (Agwu, 2018). The need to enhance SMEs growth and contribution to Nigerian Economy was captured in the nation's vision 2020 where strategies in policy to spur credit access, develop infrastructure, develop competence and offer tax advantages were spelt out (Usman & Tahir, 2018). According to Agwu (2018), Nigeria is a world leader in entrepreneurial spirit, and they believe they have necessary skills and knowledge. However, despite this report, the amount of failed SME has not reduced in recent years. The focus of research in entrepreneurship over the years is on building theory without the consideration or attention on what it takes for a venture to survive. The empirical studies of Okoli, Nwosu and Okechukwu (2021), in their findings, concluded that development of entrepreneurial skills could serve as a measure for improving the self-reliant of startups and established entrepreneurs

Previous researches like Olaolu and Obaji (2020), focused on the influence of entrepreneurial training, risk-taking and innovativeness on SMEs development in Nigeria. The study finding showed that poor entrepreneurial skills set, poor attitude and competition resulted to dwindling growth of SMEs. Pieces of literature have identified lack of entrepreneurial skills as one of the key stumbling blocks to increasing performance of SMEs in Nigeria. Entrepreneurial skills have been proposed as the lifeline of any business irrespective of size. Although there is existence of studies between entrepreneurial skills and SME, most of these were case studies focused on the relationship of one or two skills and performance or growth (Makinde & Agu, 2018). Little research focused on the 'acquired and trainable' skills of entrepreneurial networking skills on growth of SMEs yet significant national (Vision, 2020) efforts have been directed towards developing these skills (SMEDAN, 2019; Omolara, 2018). The reviewed empirical Studies have generally concentrated on various situations and locations; it is still essential that a study be conducted to close the gaps. In light of this, this study aims to determine how entrepreneurial networking skills influences the growth of small and medium plastics manufacturing enterprises in Nigeria.

1.2 Objective of the Study

To establish the influence of entrepreneurial networking skills on growth of small and medium plastics manufacturing enterprises in Nigeria.

1.3 Research Hypothesis

H_o: There is no significant influence of entrepreneurial networking skills on growth of small and medium plastics manufacturing enterprises in Nigeria.

2.0 LITERATURE REVIEW

2.1 Social network entrepreneurship theory

This theory was proposed by Granovetter, (1973). According to this proposition entrepreneur are embedded in a larger social network structure that constitutes a significant proportion of their

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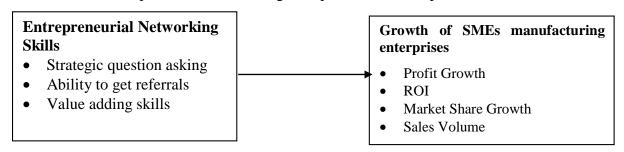


opportunity structure (Kim, Aldrich & Keister, 2006). Eckhardt and Shane (2003), says "an individual may have the ability to recognize that a given entrepreneurial opportunity exists, but might lack the social connections to transform the opportunity into a business startup it is thought that access to a larger social network might help overcome this problem" (pp.333). The literature on this theory shows that stronger social ties to resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation (Aldrich & Zimmers, 1986). Other researchers have suggested that it is important for nascent founders to have access to entrepreneurs in their social network, as the competence these people have represents a kind of cultural capital that nascent ventures can draw upon in order to detect opportunities (Aldrich & Cliff, 2003., Kim *et al.*, 2003).

The entrepreneurial process or entrepreneurship is heavily dependent on the social network where entrepreneurs are driven by opportunity-seeking behavior and not by a simple desire to invest resources (Vismara, 2016). Entrepreneurs are always on the lookout in seeking the highest profit maximization and they can only achieve this by exploiting and capitalizing on opportunities coming their way (Batjargal, Webb, Tsui, Arregle, Hitt & Miller, 2019). One way of sensing and making the most of opportunities is by tapping into one's social network, where a social network is thought to be an actual set of links of all kinds amongst a set of individuals. Social relations are embedded in the economic action/behavior of individuals or firms. This theory informs the relationship between entrepreneurial networking skills and growth of the SMEs. Entrepreneurs with better social networking skills develop social networks that help them to exploit available opportunities in the market place and grow their enterprises (Alnujaidi, 2017). Entrepreneurship is embedded in networks of continuing social relations. Through the complex network of relationship, entrepreneurship is either facilitated or controlled by linkages between entrepreneurs, resources and opportunities which influence the growth of enterprises (Ayiku & Grant, 2021).

2.2 Conceptual Framework

The purpose of using the conceptual framework was to offer a clear image of the association between dependent and independent variables. It illustrates how dependent and independent variables are related. Entrepreneurial networking skills was the independent variable while growth of small and medium plastics manufacturing enterprises was the dependent variable.



Independent Variables

Dependent Variable

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Figure 1: Conceptual Framework

2.3 Research Gaps

Olaolu and Obaji (2020), point to a number of challenges as responsible for dwindling growth of SMEs which include; financial challenges, poor entrepreneurial skills set, poor attitude and competition among others. Pieces of literature have identified lack of entrepreneurial skills as one of the key stumbling blocks to increasing performance of SMEs in Nigeria. Entrepreneurial skills have been proposed as the lifeline of any business irrespective of size (Abdul, 2018). Although there is existence of studies between entrepreneurial skills and SME, most of these were case studies focused on the relationship of one or two skills and performance or growth (Loué & Baronet, 2012). Little research focused on the 'acquired and trainable' skills of entrepreneurial skills of networking on growth of SMEs yet significant national (Vision, 2020) efforts have been directed towards developing these skills (SMEDAN, 2019; Omolara, 2019).

Teirlinck (2018), in Nigeria depicted a significant relationship between the entrepreneur experience and entrepreneurs' success among the small and medium enterprises (SMEs) owners in LAGOS State. The study failed to show a relationship between entrepreneurial training and entrepreneurs' success among the sampled SMEs thus recommending further empirical studies in Nigeria to ascertain the effect of regulatory framework on entrepreneurial success and growth with other variables such as personal qualities and factors. Consequently, this study intends to examine the influence of entrepreneurial skills on growth of SMEs with a moderating role of regulatory framework in the Nigeria.

3.0 METHODOLOGY OF THE STUDY

The study used mixed research design which include both quantitative and qualitative design (Patton, 2002). The target population for this study was all the registered SMEs in Lagos State, Nigeria. According SMEDAN (2019), SMEs make up 73,081 entities in Nigeria with manufacturing accounting for 68.7 percent which translate to about 50206 SMEs in manufacturing industry. Therefore, the population of the study was 50206 SMEs in manufacturing industry in Lagos State, However, the study was limited to plastics manufacturing SMEs accounted for 36.8 percent an equivalent of 18476 SMEs. The sampling frame of the current study consisted of all manufacturing SMEs in Lagos state in Nigeria. The total list of these 18476 plastics manufacturing SMEs was obtained from the Ministry of Commerce and Industry report of 2019 of Lagos State, Nigeria. In the first stage, the study utilized purposive sampling to select SMEs in the manufacturing sector which account for 68.7 percent of all the SMEs in Nigeria. Additionally, the study purposively samples from SMMEs in Lagos State due to the large concentration of these in the state (over 90%) county governments from which county government officials were drawn.

Yamane's (1967), formula was adopted to determine the sample of was 392 respondents. Random sampling was then used to select the 392 plastics manufacturing SMEs. The study therefore randomly selected 392 plastics manufacturing SMEs from a list of total lists of these is 18,476

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plastics manufacturing SMEs. The managing director/CEO of these enterprises were main respondents therefore the study administered 392 questionnaires. The study used semi structured questionnaires to collect primary data This study used both closed-ended questions and open questions to collect the data. The questionnaire was administered to the managing director of SMMEs and or their equivalent. The researcher employed SPSS software to analyse the data. Both descriptive and inferential analyses were performed. Specifically, descriptive statistics included means and frequencies. Inferential statistics included regression and correlation analysis.

4.0 RESULTS AND DISCUSSIONS

4.1 Descriptive results for Entrepreneurial Networking Skills

The study also sought to establish the influence of entrepreneurial networking skills on growth of small and medium plastic manufacturing enterprises in Nigeria. Business networks are critical and where majority of the entrepreneur meet potential customers and investors for their business. Therefore, entrepreneurs must have networking skills which include strategic question asking, ability to get referrals, value adding skills among other that will enable to secure that customer or investor that their business needs. This section therefore presents the results on statement used to measure entrepreneurial networking skills among small and medium plastic manufacturing enterprises in Nigeria.

The respondents were asked strategic question asking is essential in business networking for entrepreneurs. The results show that 36.8% and 42.1% of the respondent agreed and strongly agreed respectively. Those who disagreed and strongly disagreed were 5.3% and 10.5% of the respondent respectively. On whether ability to get referrals through business networking is important in growth of SMEs, the results show that majority as indicated by the mean score of 4.05 agreed and strongly agreed. According to Adendorff *et al.* (2013), networking enables enterprises to create social communities shared by external stakeholders such as customers, suppliers, other enterprises, among others. These actors generate a knowledge-based flow that has been intensively using within enterprises to introduce creative destructions.

The study further asked that respondent whether their firm was member of network of industry players and whether their employees attend conferences, seminars and training provide by industry experts. These statements had mean scores of 3.74 and 3.89 respectively which implied that majority of the small and medium plastic manufacturing enterprises in Nigeria understood the need for entrepreneurial networking skills in the growth of their business. According to Teirlinck (2018), enterprises that create virtual relationships with customers, suppliers, and other businesses gain a competitive advantage hence growth at faster rate.

The study further sought to find out whether the SMEs belonging to business network helps their business to get more quality customers. The results show that 26.3% and 47.4% of the respondent agreed and strongly agreed respectively. These finding implied that networking skills were important for plastics manufacturing SMEs to acquire high quality customers which are essential

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for high growth. The results also show that 26.3% and 52.6% of the respondent agreed and strongly agreed that their business had social network sites where it engages with other members of the business community.

Finally, the study sought to find out from the respondent whether networking enables enterprises to create social communities shared by external stakeholders such as customers, suppliers, other enterprises, among others. The results show that 47.4% and 15.8% of the respondents agreed and strongly agreed respectively. Those who strongly disagreed and disagreed were 21.1% and 10.5% respectively. The finding in this section confirmed that majority of the small and medium plastic manufacturing enterprises in Nigeria had networking skills which helped them get quality customers and investors which enabled them to enhance their growth.

The study findings agree with social network entrepreneurship theory proposed by Granovetter, (1973). According to this proposition entrepreneur are embedded in a larger social network structure that constitutes a significant proportion of their opportunity structure. The study further supports Batjargal *et al.* (2019), who argued that entrepreneurs are always on the lookout in seeking the highest profit maximization and they can only achieve this by exploiting and capitalizing on opportunities coming their way. One way of sensing and making the most of opportunities is by tapping into one's social network, where a social network is thought to be an actual set of links of all kinds amongst a set of individuals. Social relations are embedded in the economic action/behaviour of individuals or firms.



Table 1: Descriptive Results for Networking Skills

| Statements | SD | D | NAD | A | SA | Mean | Std Dev |
|--------------------------------------|------------|--------|---------------|--------|-------------|---------|------------|
| Strategic question asking is | S B | | 1112 | 11 | <i>5</i> 11 | IVICUII | Bev |
| essential in business | | | | | | | |
| networking for | | | | | | | |
| entrepreneurial | 10.5% | 5.3% | 5.3% | 36.8% | 42.1% | 3.95 | 1.28 |
| Ability to get referrals | | | | | | | |
| through business networking | | | | | | | |
| is important in growth of | | 40 === | 40 === | | | 40- | |
| SMEs | 5.3% | 10.5% | 10.5% | 21.1% | 52.6% | 4.05 | 1.24 |
| We add value to our strategic | 15.00/ | 15.00/ | 5.0 0/ | 21 10/ | 10.10/ | 2.50 | 1.74 |
| partners and network | 15.8% | 15.8% | 5.3% | 21.1% | 42.1% | 3.58 | 1.54 |
| Our firm is member of | 10.50/ | 10.50/ | 5 20v | 10 10/ | 21.60/ | 2.74 | 1.20 |
| network of industry players | 10.5% | 10.5% | 5.3% | 42.1% | 31.6% | 3.74 | 1.29 |
| Our employees attend | | | | | | | |
| conferences, seminars and | | | | | | | |
| training provide by industry experts | 15.8% | 0.0% | 5.3% | 36.8% | 42.1% | 3.89 | 1.37 |
| Belong to business network | 13.070 | 0.070 | 3.3% | 30.6% | 42.170 | 3.09 | 1.37 |
| helps our business to get | | | | | | | |
| more quality customers | 10.5% | 5.3% | 10.5% | 26.3% | 47.4% | 3.95 | 1.32 |
| Our business has social | 10.570 | 3.370 | 10.570 | 20.570 | 17.170 | 3.75 | 1.52 |
| network sites where it | | | | | | | |
| engages with other members | | | | | | | |
| of the business community | 5.3% | 15.8% | 0.0% | 26.3% | 52.6% | 4.05 | 1.28 |
| Networking enables | | | 0.00,0 | | | | -1 |
| enterprises to create social | | | | | | | |
| communities shared by | | | | | | | |
| external stakeholders such as | | | | | | | |
| customers, suppliers, other | | | | | | | |
| enterprises, among others | 21.1% | 10.5% | 5.3% | 47.4% | 15.8% | 3.26 | 1.41 |
| Average mean | | | | | | 3.81 | |

4.2 Pearson Correlation Analysis

According to the results in Table 2, the Pearson correlation value for entrepreneurial networking skills and growth of small and medium plastic manufacturing enterprises in Nigeria was r=0.740, p=0.000. These findings also implied that entrepreneurial networking skills had very strong positive correlation with growth of small and medium plastic manufacturing enterprises in Nigeria. The finding implied that improving the networking skills for SMEs entrepreneurs would results to high growth of heir enterprises. The study finding support the finding of Alnujaidi (2017), who found that networking enables enterprises to create social communities shared by external stakeholders such as customers, suppliers, other enterprises, among others. These actors generate

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a knowledge-based flow that has been intensively using within enterprises to introduce creative destructions.

Table 2: Correlation matrix

| | | Entrepreneurial networking skills | Growth of SMEs |
|------------------------|-----------------|-----------------------------------|-----------------------|
| Growth of SMEs | r | .740** | 1 |
| | Sig. | 0 | |
| | N | 304 | 304 |
| ** Correlation is sign | nificant at the | e 0.01 level (2-tailed). | |

4.3 Regression Analysis Results

According to the results in Table 3, entrepreneurial networking skills had β = 0.305, p-value =0.000. Since p was less than 0.05 the study rejected the hypothesis that there is no significant influence of entrepreneurial networking skills on growth of small and medium plastic manufacturing enterprises in Nigeria. The findings revealed that entrepreneurial networking skills had positive and significant effect on growth of small and medium plastic manufacturing enterprises in Nigeria. A unit increase in entrepreneurial networking skills would produce an increase of 0.305 units in growth of small and medium plastic manufacturing enterprises in Nigeria.

The findings of this study were consistent with those of Alnujaidi (2017), who argued that networking enables enterprises to create social communities shared by external stakeholders such as customers, suppliers, other enterprises, among others. These actors generate a knowledge-based flow that has been intensively using within enterprises to introduce creative destructions. Similarly, this study supports Teirlinck (2018), who found that enterprises that create virtual relationships with customers, suppliers, and other businesses gain a competitive advantage hence growth at faster rate. The study further supports Batjargal et al. (2019), who argued that entrepreneurs are always on the lookout in seeking the highest profit maximization and they can only achieve this by exploiting and capitalizing on opportunities coming their way.

Table 3: Regression Coefficients

| Variable | В | Std. Error | Beta | t | Sig. |
|-----------------------------------|-------|------------|-------|-------|-------|
| (Constant) | 1.04 | 0.131 | | 7.971 | 0.000 |
| Entrepreneurial Networking Skills | 0.305 | 0.036 | 0.282 | 8.398 | 0.000 |

a Dependent Variable: Growth of SMEs

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Based on the findings, this study concluded that SMEs in plastic manufacturing that had the ability to get referrals through business networking where owners engage in strategic question asking in their business networking and belong to business network had high potential of growing their

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enterprises. Therefore, entrepreneurs must have networking skills which include strategic question asking, ability to get referrals, value adding skills among other that will enable to secure that customer or investor that that will enhance the growth of the business. Networking skills are necessary in the growth of SMEs regardless of the sector or the level of development.

5.2 Recommendations

Based on the finding, the study recommends that SMEs in Nigeria should form quality networking which will enable them to create social communities shared by stakeholders such as customers, suppliers, other enterprises. It is from this network that SMEs get their customers and investor to further enhance the growth of their enterprises. The study also recommends that SMEs should always join network of industry players to get information regarding the trends in the industry which may be critical in development of their business.

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