

THE EFFECT OF NETWORKING ON PERFORMANCE OF
MEDIUM SIZE ENTERPRISE IN ETHIOPIA

By

BELAY ASEFA

ARESEARCH THESIS SUBMITTED TO DEPARTMENT OF ECONOMICS TO
AS A PARTILA FULFILMENT OF THE REQUIRMENT FOR MS_c DERE_E IN
ECONOMICS (DEVELOPMENT ECONOMICS

JAN 2019

WOLKITE, ETHIOPIA



SCHOOL OF GRADUATE STUDIES
COLLEGE OF BUSINESS ANDECONOMICS
DEPARTMENT OFECONOMICS

ARESEARCH THESIS SUBMITTED TO DEPARTMENT OF ECONOMICS TO
AS A PARTILA FULFILMENT OF THE REQUIRMENT FOR MS_c DEREER IN
ECONOMICS (DEVELOPMENT ECONOMICS)

BY

BELAY ASEFA

MAJIOR ADVISOR: BEDASSA WOLTEJI (PhD)

JAN 2019
WOLKITE, ETHIOPIA

Declaration

Belay Asefa declare that this thesis entitled: “THE EFFECTS OF NETWORKING ON PERFORMANCE OF MEDIUM SIZE ENTERPRISE IN ETHIOPIA” is outcome of my own effort and study and that all sources of materials used for the study have been dulyacknowledged.

To the best of my knowledge, this study has not been submitted for any degree in this Universityor any other University. It is offered for the partial fulfillment of the degree of Master of Economics.

By: (Belay Asefa) -----


Signature-----

Date-----

ADVISORS' APPROVAL SHEET
SCHOOL OF GRADUATE STUDIES
WOLKITE UNIVERSITY
ADVISORS' APPROVAL SHEET
(Submission Sheet-1)

This is to certify that the thesis entitled “THE EFFECTS OF NETWORKING ON PERFORMANCE OF MEDIUM SIZE ENTERPRISE IN ETHIOPIA” submitted in partial fulfillment of the requirements for the degree of master’s with specialization in, developmental economics the Graduate Program of the Department/School of and has been carried out by Badassa Woletji (PhD), Id. NoGSE 137/2009, under my/our supervision. To the best of my knowledge, is an original work and not submitted earlier for any degree either at this University or any other University.

Therefore I/we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the department.

Bedassa Woteji (PhD)		-----
Name of major advisor	Signature	Date
Hayatu Mude (MSc)	-----	-----
Name of co-advisor	Signature	Date

SCHOOL OF GRADUATE STUDIES

WOLKITE UNIVERSITY

EXAMINERS' APPROVAL

SHEET

=====
We, the undersigned, members of the Board of Examiners of the final open defense by Belay Assefa have read and evaluated his/her thesis entitled "THE EFFECTS OF NETWORKING ON PERFORMANCE OF MEDIUM SIZE ENTERPRISE IN ETHIOPIA", and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfillment of the requirements for the degree. of Master in Developmental Economics.

Name of the Chairperson -----Signature----- Date-----

Name of Internal Examiner Solomon F Signature----- Date-----

Name of External examiner Admasu PhD Signature----- Date-----

SGS Approval Signature----- Date-----

Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the School of Graduate Studies (SGS) through the Department/School Graduate Committee (DGC/SGC) of the candidate's department.

Stamp of SGS Date: -----

Acknowledgments

This study would not have been possible without assistances from various people. I would like to thank my advisor BedassaWoltije (PhD), co-advisor Hayatu mude for his unreserved intellectual guidance and untiring assistance instrumental for the strength of this research work. The sympathetic treatment he advised me has served as an inspiration for the successful completion of thisstudy

My warmest and profound thanks go to my friends Mifetah Abedela, Teshome Amedo for their support and encouragement throughout my study. Equally so, my sincere and special thanks also go to my wife W/orBerhane kassaw and my sons Yabsirat and liyat who supported directly or indirectly thesis work.

I am also highly grateful to all the respondents for their support in giving the required information to the study.

ABSTRACT

In order to stay competitive in business and improve performance, medium size enterprise firms to understand how, when and with whom to networked to improve on their performance and increase their market share and worthiness of their firms. The general objective of this study was to evaluate the effects of networking on performance of medium size enterprise firms in Ethiopia medium size enterprise need to work in collaboration with others. It is necessary to create chain that gives value for business through networking. The purpose of this study was to test the impact of networking on the business performance of medium size enterprises in Ethiopia. The questionnaire survey method was used in this study to collect data from respondents. The data was collected from 128 samples of respondents recognized through stratified random sampling technique and the collected data was analyzed using ordered probit model: which is one of nonlinear models used for analyzing data measured on ordinal scale. This research paper identifies the relationship between enterprise and the concerned stock holder improved business networking enterprises increased their performance IN this survey study it was found that networking with financial institutions, business connection, trade linkage and quality of the relationship in network positively and significantly related with business performance of medium size enterprises. In addition to this, firm age was positively and significantly related with business performance of medium size enterprises. This was indicated with regression co-efficient of the variables the result of this study recommends the need for government and other stakeholders to improve the networking skills of medium size enterprise to significantly improve business performance

Keyword *networking and performance, trade linkage, connection, resource acquisition capability*

List of Acronyms

CEO	Chief executive officer
FEMSEDA	Federal Micro and Small Enterprise Development Agency
ICT	Information Communication Technology
MSE	Micro and Small enterprise
SME	Small and Medium Enterprises.
UNIDO	United nation international development organization
VIF	variance inflation facto

Table of Contents

List of Acronyms	VIII
APPENDICES 1	X
1. INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem	2
1.3 Research Questions	5
1.4 Objectives of the Study	5
1.4.1 General objectives of the study	5
1.4.2. The specific objectives of the study are	5
1.6. Significance of the Study	5
1.7 Scope of the Study	6
1.8 ORGANIZATION OF THE STUDY	6
2. REVIEW OF RELATED LITERATURES	7
2.1 Overview and Concept of Networking	7
2.2 Definition of Business Network	9
2.3.1 Horizontal Networking	10
2.3.2 Vertical Networking	10
2.4 Theories Related to Networking	11
2.5 Networking and medium size enterprise	11
2.6 Review of empirical Related Previous Studies	12
2.7 Knowledge Gap	18
2.8 Conceptual Framework of the Study	18
3 RESEARCH METHODOLOGY	20
3.1 Description of the Study Areas	20
3.2 Research Design	21
3.3 Instrumentations	21
3.4 Population sample and sample size determination	23
3.4.1 Sample Size Determination	24
3.5 Description of Variables for the Study	25
3.6 Method of Data Analysis	26

3.7 Econometrics Model Specification	26
Table Function of control variables	28
4. PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS	29
4.1.2 Quality of the Relationship and Resource Purchase Capability	34
Table 4.1.3 Mean Value of Firm Age and Firm Size	35
Table 4.1.4 Reliability Analyses of Variables of the Study Using Cronbach's Alpha	36
4.2.3 Content Validity	36
4.2.4 Construct Validity	37
4.3 Specification Tests of the Model	37
4.3.1 Heteroskedasticity Test	37
4.3.2 Multicollinearity Test	37
4.4 Ordered Probit Model Test Result	38
Table 4.4.1 Ordered probit model test result	38
4.6 Summary of Findings	39
5. CONCLUSION AND RECOMMENDATION	42
5.1 Conclusion	42
5.3 Recommendations for Practical Application	42
5.4 Directions for Future Research in this study	44
Bibliography	45
APPENDICES 1	48
APPENDICES 2	56
APPENDICES 3	57
APPENDICES 4	58

Lists of Appendixes

<u>APPENDICES 1</u>	50
<u>APPENDICES 2</u>	62
<u>APPENDICES 3</u>	62
<u>APPENDICES 4</u>	63

1. INTRODUCTION

1.1 Background of the Study

The current business situation makes obstacles for medium enterprises. In order to stay competitive in business, medium enterprise needs to work in collaboration with others. To do this in today's the so-called a "one village" world it is necessary to create chain that gives value for the stakeholders through networking. Different writers define networking. For example, Easton (1992) defined networking as exchange dimensions in two or more connected relationships. Lewis, (1990) defined network by dividing in to two parts: vertical network and horizontal network. Vertical network is formed for the objective of solving for example like marketing problems with buyers, suppliers, producers. Vertical networks are also termed as marketing channel networks. But horizontal network is formed between competing firms (like similar enterprises operating in given sector) for co-operation purpose. In addition to this, Shibre et al., (2003) also defined horizontal linkage: associations formed with similar enterprises located in a given geographical area having aim of like: joint purchase of raw materials. While linkage formed between small scales, medium and large enterprise for purpose of subcontracting network is known as vertical network (Shibre et al.,2003).

Took soon and Mudor (2012), finding show that the business network would statistically significant and positively associate with export success and export penetrations. Institutional network will also statistically significant but shows a negative association with export performance. However, knowledge network will not associate with both dimensions of export performance.

Took soon and Mohamed (2010) also found that external resources that contribute positively to export performance are financial institutions, and business associates. Even though the government agencies we also statistically significant but show a negative association. Trade association and knowledge association are not associate with export performance.

The Ethiopian SMEs in the current period is highly influenced by the lack of integration among SMEs themselves and with other external resources starting from resources like government in giving enough training and support on their constraints, suppliers of raw material, customers, and financial institutions and with other stakeholders. Many researchers put their effort on analyzing the effect of business networking in maximizing performance of SMEs and solving problem related to their business operation Ge et al., (2009) studied the impact of networking and resource acquisition on the performance of SMEs. This study was conducted by taking a total sample of 227 firms from the three cities in china and found that resource acquisition capability and resource acquisition outcome of the network were positively related with firm performance.

Ge et al., (2009) study the impact of networking and resource acquisition on the performance of SMEs. This study conduct would be taking a total sample of 227 firms from the three cities in china and found that resource acquisition capability and resource acquisition outcome of the network were positively relate with firm performance. But very little is known about the impact of networking on the domestic business performance of medium size enterprise (which would change from Micro and Small Enterprises) in Ethiopian case. Thus, the purpose of this study to present networking practice and measuring the effect of networking on the performance medium size enterprise in Ethiopian economy. may lead to a better understanding of the effects of networking on the performance of medium size enterprise in Ethiopian.

1.2 Statement of the Problem

Medium enterprise development programs have become a priority in many economies worldwide and have seen an increasing proportion of developing countries embarking on medium size enterprise policies for economic growth and poverty alleviation. Networking in firm performance medium size enterprise context would be define as activities in which the enterprise leaning medium size enterprise owners put together and manage personal relationships with individuals in their relationship. A significant number of medium size enterprise fail and one of the key challenges in regard lies in addressing the enterprise lack of understanding

regarding networks and the role they play in a successful entrepreneurial process. Therefore, this the effect of networking on performance of medium enterprise.

The fundamental factors of a firm's performance and strategy are the inside organization properties. However, only fixing on internal organizational properties manages the advantages that a firm may possess due to its being connected to an external network (Dyer and Singh, 1998). Because, through business relationship various value chain activities like market knowledge can be gained by the firms. In turn these speed-up growths of firms by maximizing business performance through identifying customers need and modifying suitable solution, being experience in domestic as well as international market by reducing uncertainties involve in the market place (Basile,2012).

Anderson and Narus, (1990) argued that, the scarce resources acquired through the business relationships are products, services, money, information, know-how and personnel. Especially for small and medium size enterprises business network relationship is much important than large business in a way that in solving their constraints like marketing, finance , management skills and for sharing resources and capabilities with others (Johnson and Scholes,2005) .Even though the above is true, according to (FEMSEDA,2010) the aim of the government among other is creating employment opportunity, increasing export, generate hard currency and reduce import substitute goods through small and medium size enterprise. But, the sector is disadvantaged by problem of mainly market linkage between and among other stakeholders(FEMSEDA,2010).

Lewis (1990) stressed the opportunities for co-operation for solving marketing problem, improving production efficiency, or exploiting a market opportunity through resource mobilization and sharing. To the contrary, in the Ethiopia case, most of the studies done on networking were exploratory in nature, for example that of firew et al.(2003) involved in identifying the networking related problems of enterprises during their operations specifically, focusing on the form and extent of linkage among firms and with other institutions. They were not explanatory in nature that investigates the impact of networking on the performance of small and medium sized enterprises. In addition to this, most of these studies focused on studying the

networking practice and problems of enterprises as general (without focusing on micro, small, medium or large enterprises). Since medium sized enterprises are a bridge between small and large firms, knowing in detail about the impact of networking on medium sized enterprises gives insight for concerned bodies on how to fast-track the growth of small and medium sized enterprises, and to lay down the base for the expansion of large industries or to bring industrialization. Thus, the purpose of this study was to understand the current practice of networking relationship and to measure the effect of networking on the business performance of Medium Sized Enterprises in the manufacturing sector in Ethiopia

Even though the previous studies had their own contribution in investigating the networking performance of SMEs, there were limitations that might affect the reliability and validity of the result of the study in terms of methodology used, data analysis, and conclusion drawn. The major one: the existence of different arguments about the effect of networking on the performance of SMEs, the use of incorrect statistical tests for the type of measurement scales employed in the study, the low response rate of the respondents and a focus on a single sector were among the major ones. In addition to this, many studies have been done on the impact of networking on the performance of SMEs, but little information available on the impact of networking on the performance of SMEs investigated in the Ethiopia case. Especially, most of the studies investigated the networking and export performance relationship on SMEs. But very little is known about the impact of networking on the domestic business performance of medium sized enterprises. (Which were transformed from Micro and Small Enterprises) in Ethiopian case. Thus, the purpose of this study was to identify the existing networking practice and measuring the effect of networking on the performance medium sized enterprises in three regional state and Addis Ababa. This study may lead to a better understanding of the impact of networking on the performance of medium size enterprises to the Ethiopian enterprises as well as to the world of literature and for all concerned bodies.

1.3 Research Questions

To address the above-reference subjects in the statement of the problem section, this study focuses on the following research questions:

1. what type of networking do medium size enterprise in manufacturing sectors involve?
2. What are the effects of network age on performance of medium size enterprise?

1.4 Objectives of the Study

1.4.1 General objectives of the study

The general objective of the study is to examine the effect of networking on the performance of medium size enterprise in manufacturing sector in Ethiopia

1.4.2. The specific objectives of the study are

- Examining the effect of networking
- To categorize in what types of different networking relationships medium size enterprise involve.

1.6. Significance of the Study

This study was delivering evidence of a networking and performance relationship to the Ethiopian Medium size enterprise as well as to the world of literature and for all concern stakeholders. Especially medium enterprise and responsible body Further the study would release response for government policy makers in how to solve networking problems of medium size enterprise in Ethiopia

1.7 Scope of the Study

This study restricted itself in using only owner manager or manger in order to collect data for the study through questionnaire. In order to investigate the effect of networking on the performance of enterprise ranging from 2009 up to 2010 year, this study restricted to medium sized enterprises which were operating in the manufacturing sector in Ethiopia

1.8 ORGANIZATION OF THESTUDY

The research thesis had five chapters. Chapter one is organized as the nature of the problem and background of the study, statement of the problem, objectives of the study, significance, scope, limitations of the study, organization of the study. Chapter two discusses the key concepts used in the paper to place the problem in a theoretical and empirical perspective as well as conceptual framework and related studies. Chapter three is focuses on the research design and methodology, specifically, research design, research method, study population, sample size and sampling techniques, data collecting instruments and method of data analysis. Chapter four describes the result and discussion of the data. Finally, chapter five summarizes the main findings, conclusions as well as commendations

2. REVIEW OF RELATED LITERATURES

2.1 Overview and Concept of Networking

Networks are the arrangement among members of the network in order to receive and disseminate different kinds of knowledge and resources. (Sternberg; Bechmann, cited in Li et al., 2013). There are two major issues that determine whether a firm in the network really benefited from the network involved in it: network structural and relational characteristics. Structural characteristics of the network focuses on the capability of the network in giving to its members a favorable environment for getting support, resources, and information, the significance of the information and a network members awareness of partners who can give support and have a required knowledge. Elements of the network structure are the size of the network (the number of networks a given enterprise linked with), density of the network (the number of members in each network) and network centrality: related with whether or not the information within the network is disseminated among members of the network equally or not (Salaf and Greve; Ghosal and Nahapiet; Granovetter; Burt, cited in Li et al., 2013). The relational characteristic of the network emphasizes the quality of the relationship, stability of the network and the strength of the relationship exist between networking partners (Granovetter; Burt, cited in Li et al., 2013). Doyle (cited in C Kenny, 2009) defined Networks as systems of relationships between entrepreneurs and the outside world particularly valuable to the small business sector.

Pyke (cited in C Kenny, 2009) found that through engaging in alliances and other co-operative arrangements, small firms can gain individual strength and independence. Cooperation among SMEs has various advantages: the advantage of achieving economies of scale, sharing of information about the latest techniques and technologies of manufacturing, efficient distribution of activities, increase the size of production capacity (Mitford Cited in C Kenny, 2009). In order to survive in the business, SMEs have two alternatives: one to grow, second co-operate in networks. But networks are modern alternative for SMEs to get access to the sources which they would be unable to obtain by acting alone (Doyle cited in C Kenny, 2009). Rutashobya and

Jaensson (cited in C Kenny, 2009) have shown that the benefit of networks is: access to foreign market information and access to foreign markets.

Conway et al., (2001); Conway and Jones (2006) identified four components for networking these are: actors, links, flows and mechanisms. The actors are the individuals that make up the network. They can be human beings, computers, places and organizations. The links are the arches that connect individuals. The flows indicate the exchanges that occur between the actors within the network: flows of information, advice, money, goods, power, friendship, etc. The mechanisms of the network are the modes of interaction employed by the actors within the networks. They include face-to-face interactions, meetings, planning, and joint participation like in trade fairs or business seminars. Cooperating with other firms can be an approach to managing internationalization risks and uncertainties through domestic inter firm networks. According to Lin and Lawton (cited in C Kenny, 2009), domestic inter firm network positively correlated with a perceived uncertainties and risks associated with internationalization.

Generally, network includes a variety of different relationships among business units or firms, such as strategic alliances, joint ventures, long-term supplier-buyer agreements, trade associations, relationship among similar enterprises, institutional relationship, industrial districts, franchising and other similar agreements or contracts. And the aim of the network is to give the firm access to information, resources, markets and technologies and facilitates the acquisition of advantages from economies of scale, learning. In addition to this, there are internal firm factors which affect the networking ability of SMEs in terms of acquiring knowledge which is mainly from outside environment by the firm by itself. One of these known as absorptive capacity of the firm: it describes the source of knowledge of the firm in absorbing knowledge (market information) from 10 external sources.

A firm can get knowledge from outside environment through the research and development activities and by having human power equipped with knowledge, experience related to scanning changes in technology and market (Giuliani and Bell, 2005). Since SMEs are small in their size and financial capacity, it is not suitable for them for acquiring knowledge through research and

development activity rather they rely on upgrading their human resources with knowledge and experience and making them active for searching knowledge through collaborating with external firms and institutions (Gottardi, 2000). Thus, absorptive capacity of the firm internally increases the firm networking ability for acquiring knowledge by the business itself other than pushed by other external body and in turn improves performance of firms (Laursen and Salter, 2004). Because of long year of existence in the business a firm may have an experience in a networking relationship with different type of institutions and firms. In the literature reviewed, firm age increases the networking relationship of SMEs and has an impact in improving business performance firms (Watson, 2002; Ravichandran and Lertwongsatien, 2005). Firm size also identified as being improving the performance of enterprises and affects the relationship between networking and business performance of SMEs, (Maskell, 2001; Goerzen, 2007).

2.2 Definition of BusinessNetwork

The process of developing and activating your relationships to increase your business, enhance your knowledge, expand your sphere of influence or serve the community."

The changes may seem small, but they are significant. When one "activates" relationships, it's a much more dynamic, interactive, give-and-take type of engagement with others than simply "using" the relationships. Using is a one-way street, while activating is a major two-way highway. It's just much more powerful, truer to who we are -- or need to be -- today, if we want to succeed at truly engaging with our relationships. People who network in this way show markedly better results than the "users."

Business networking is a marketing method by which business opportunities are created through networks of like-minded business people. There are several prominent businessnetworking organizations that create models of networking activity that, when followed, allow the business person to build new business relationship and generate business opportunities at the same time(Raymond Chip Lambert)

“Business Networking is the process of developing and activating your relationships to increase your business, enhance your knowledge and expand your sphere of influence.”

Successful networking of any kind starts with the genuine desire to build relationships for the purpose of giving and receiving business. If you are only networking to gain and not to give, you'll never be successful .Dr. Ivan mis ner

2.3 Type of Networking

In a broad classification networking classify in two major categories: horizontal and vertical networking with their respective forms of establishments. Two criteria will identify for strategic networking: the first one is the nature of the agreement among the partners and the second is position of the networking along the entire value chain (Inkpen and Tsang ,2005).

2.3.1 Horizontal Networking

Inkpen and Tsang (2005) explained horizontal networks: firms work together that have a similar core business and join forces to achieve a very specific goal. This network can be among firms working in the same industry or producing complimentary products. Firms working with these 11 types of network for example like: retailers linked in franchising networks who are interested in selling products by adopting a common working system. Ghuari et al., (2003), also define horizontal network as “relationship among firms who want to solve a common marketing problem, improve production efficiency, or exploit a market opportunity through resource mobilization and sharing.”

2.3.2 Vertical Networking

Ghuari et al., (2003), defined vertical network as relationships between suppliers, producers and buyers, aiming at a solution for marketing problems, improved production efficiency, or the exploitation of market opportunities. In other dimension vertical networks are a network of firms working together that includes a large range of business activities (Inkpen and Tsang, 2005).

2.4 Theories Related to Networking

There are three major types of theories in the firms networking literature: resource dependency theory, transaction cost theory and social network theory. The resource dependency theory argues that firms enter in network of relationship to gain access to scarce resources. Unlike the resource dependency theory, transaction cost theory describes that collaboration among firms is undertaken for the aim of minimizing transaction cost in doing different marketing activities. Social network theory emphasizes the importance of trust, commitment in investing resources and times for the network are crucial for the successful relationship within network. (Sahakijicharn, 2007; Casals 2011) The question of what constitutes a theoretical contribution is raised by Corley and Gioia (2011), who argue that the dimensions of both originality and utility need to be assessed with the former being either revelatory or incremental, and utility being regarded as either scientifically or practically useful. They accept that “incremental improvement is arguably a necessary aspect of organizational research” and would see our contribution as being in this field, rather than revelatory. They argue however that the research has contributed two ways. The first is in a practical way: for they offer insights into how managers need to focus on improving both their network structure and networking behaviors to improve performance.

The second is in terms of methodology, for they have shown how two different research methods, structural equation modeling and social network analysis, can be combined to produce insightful results. Social network theories have mainly focused on the consequences of network structure (Borotian Foster, 2003; Hoang and Antoncic, 2003).

2.5 Networking and medium size enterprise

UNIDO (cited in Zeinalnezhad et al., 2011), lack of resources is one of the main problems of medium size enterprise. These enterprises are incapable of capturing market opportunities that need large production quantities, homogeneous standards, and regular supply. Also, they have difficulties in achieving economies of scale in the purchase of inputs. UNIDO also argued that medium size enterprises can solve problems with respect to economies of scale and scope

force by their size by being link into national, regional and global networks of firms and value chains. Network firms may enjoy higher growth rates and better performance (Baum, *et al.*, 2000; Zhao and Aram, 1995). Marketing networks also affects firm's strategic choices and performance (Batjargal and Liu cited in Hossein et al., 2011; Peng and Luo, 2000). Networking significantly positively associated with firm survival. In addition to this, formal and informal network are associated with firm survival, but that only formal networks are associated with growth (Watson, cited in Hossein et al., 2011). In Ethiopian case, according to the Federal Micro and Small Enterprise Development Agency [FEMSEDA] (2017): Micro and Small enterprise Development Policy and Strategy under MSE policy support on market expansion and marketing supply system the government arrange to realize market network for SMEs and to allow actions in sub-contracting networking with medium and large enterprise. To do this the government accept the support strategy of inter-firm business linkage.

2.6 Review of empirical Related Previous Studies.

Several writers put their discovery on the effect of network relationship on the business performance of medium size enterprise. It will be tried to gather those empirical studies relating this study topic in the following manner:

According to Gauret al, (2003) on their study of: Using Network to Solve Export Marketing Problems of SMEs from developing countries, using a qualitative model by reviewing several literatures on the export grouping and subcontracting networks, they identified that clearly defined marketing problem or opportunity, commitment for networking and trust-based relationship among members were the determinant factors for successful export network organization.

According to Chen et al. (2007), by using mail survey of 104 firms in Taiwan, tested the impact of external network: business network and partners network on the export performance of Taiwan firms. In their study, they found that business network and network partners were positively and significantly related with export performance. Babakus and Yavas (2007), studied

the impact of foreign and domestic networking on the performance of firms, and found that foreign networking had a significant positive impact on performance, while domestic networking did not. They used a total of 193 samples of firms from Finland, Sweden and Norway in order to collect data for the study. Yiu et al., (2007), by collecting data from the 274 firms in china using mail survey; they argued that business network ties and institutional network ties were positively related with international venturing. Sahakijpicharn (2007) studied the impact of social relationship on how it affects the business performance of Sino-Thai SMEs. The variables investigated under this study were strength of ties in the type of network, network embeddedness(quality), business uncertainty and business performance. A total sample of 298 SMEs will use and the collected data analysis through kruskal-walis test, multiple regression, factor analysis and a multiple discriminant analysis. All variables under the study were measured by questionnaire

on seven-pointlikert scale. The result of the study revealed that family relationship tie strength was stronger than friend relationship. In addition to this, strength of tie in the network positively related to the network embeddedness (quality of relationship) while the network embeddedness (quality) in turn positively related with business performance. In this study strength of tie and business uncertainty are negatively related and business uncertainty in turn negatively related with business performance.

According to Pongapanich and phitya-Isarakul (2008), on the title of business network and export performance of Thai exporters, they found that Business network of growers, exporters, freight providers to importers are important for competitive and export performance of Thai fruit exports. The method of data collection used for the study was mail survey and interview with Thai fruitexporters.

According to Parida (2008), studied small firm capabilities for competitiveness empirically by taking samples from Swedish small ICT related firms. The units of analysis for the study were small firms. The data was collected by interview and questionnaires from the CEOs of small firms. In this study variables were measured on a seven-point Likert scale. The independent

variables for the study were ICT capability and dynamic capability. Dynamic capability in turn composed of absorptive, adaptive and networking capabilities. Sub elements such as coordination activity, relational skills, partner knowledge and internal communication within network were constructs for measuring networking capability using Likert type scale. There are two dependent variables namely: entrepreneurial orientations and firm performance. Finally, it will be found that dynamic capability had significant relationship with entrepreneurial orientation and firm performance specifically ,networking capability had strong relationship with firm performance. But ICT capability had weak relationship with firm performance and entrepreneurial orientations. The research hypothesis and items for questionnaires were analyzed by hierarchical regression, factor analysis. This study used only two 20 years of data for analysis purpose this might affect the validity of the result of the study because of the collected data lacks depth and breadth.

According to Nazer and Salem (2009) reviewed literature on firm level determinants of export performance. They identified that firm's characteristics: foreign contacts and networking, management characteristics and marketing strategic capabilities. In the reviewed literature they found that a frequent contact that an enterprise had with its networking resources had determinant factor for export performance. They further noted that the foreign networking a firm has with foreign entities had a significant positive influence on the export performance.

According to Ge et al., (2009) studied the impact of networking and resource acquisition on the performance of SMEs. This study was conducted on the three cities in china. A total sample of 227 firms were surveyed through personal interview and questionnaires designed on a five-point Likert scale. The collected data analyzed by descriptive statistics, correlation and structural equation modeling and finally it was found that networking intensity was positively related with resource acquisition capability and resource acquisition outcome. In addition to this, there was a positive relationship between networking range and resource acquisitions capability and resource acquisition outcome. Adding to this, resource acquisition capability and resource acquisition outcome were positively related with firm performance. The criticism against sampling method employed in this study was: the study did not present the reason how and why the three cities of

china selected for data collection purpose. In addition to these, the study did not tell us which type of networking resources had positive or negative impact on the performance of SMEs.

According to Took soon& Mohamed (2010) on the title of: Achieving Financial Export performance the Contribution of External Resources for the Thailand Manufacturing Exporting Firms in the Agro based sector. The study identified the five external resources that influence the export performance of Thailand agro based exporting firms. The research methodology used in this study was the cross-sectional study using structured mail survey. According to the interview from managers, a total of 15 organization were identified as being capable of enhancing exporters effort to venture into international market. Finally, five dimensions of networking were identified, and respondents were asked to indicate in what extent that they have committed resources towards establishing relationship with these organizations on five-point Likert scale ranging from: 1=not at all to 5= a great extent. The measurement of export performance will: export sales growth and export profitability using a Likert scale of ranging from: 1= much below expectation, to 5= much above expectation. The collected data analyzed through descriptive statistics, Pearson correlation and regression. It will finally be found that external resources that contributed positively to export performance will: financial institutions and business associates. Even though the governmental agencies will also statistically significant but show a negative association. Trade association and knowledge association will not be associated with export performance.

According to Che sinik et al., (2010) on their study of: Influential factors for SMEs internationalization: evidence from Malaysia. They found that firm characteristics like: resources, skill and ability of owner manager; Industry sector like intense competition and market attractiveness; external influence, and motivational factors were influential factors for SMEs internationalization in Malaysia. But they found that the most influencing factor was networking that firm has with its relevant institutions and business associates like government, small or large business, local or foreign partners, friends, colleagues and relatives. The method of data collection used in the study were expert panel and exploratory study. The panel consisted of 32 experts including: academicians, policy makers, governmental agencies, the chamber of

commerce and research institutes. The exploratory study by Delphi technique was used through telephone and e-mails. The limitation of this study was that it did not use business men working in the business as respondents it only used panel of experts: this may affect the understanding of the impact of networking relationship on performance of business men. The other limitation of this study was that, the study did not use statistical method of data analysis this may increase the researcher bias in interpreting the result of the study and may affect the acceptance of the research finding.

According to Behyan (2011), on the title of: Conceptualizing Export Performance Influences of Internationalizing and Social Network, found that social network and foreign partnership had positive effect on the internationalization process, knowledge of foreign market opportunities, international experience and international knowledge. In addition to this, the relationship between social network and export performance had positive effect on the export performance and its indicators such as sales growth, profit growth and so on. But the study did not tell us the impact of formal networking relationship (domestic supporting institutions for SMEs) on the performance of SMEs: it was focused only studying the impact of foreign partnership and interpersonal relationship on the performance of SMEs.

According to Took soon and Mudor (2012) studied the relationship between networking resources and export performance among SMEs in Thai exporting the agro based sector. The objective of the study was to suggest the idea of how networking resources relate to export performance. To achieve the aim of the study, the total of 16 organizations were identified as being capable of enhancing exporters effort to venture into international market. Interview through email was made with managers resulting 10.09% response rate. The finding showed that the business network statistically significant and positively associated with export success and export penetrations. While institutional network was also statistically significant but shows a negative association with export performance. However, knowledge network was not associated with both dimensions of export performance. The conclusion drawn from this study is questionable in its external validity because of two reasons: in one hand small number of firms

responded to the survey, on the other hand the study only focused on the single sector: agriculture

According to Li et al., (2013) studied the impact of network characteristics on the performance of firms in a mold industry working in the province of china called Zhejiang within cluster. The study investigated the influence of network structure: centrality and network relational characteristics: tie strength, tie stability, and tie quality on the performance of firms within cluster ties and extra cluster ties. The study used a total of 252 sample firms and measured the variables of the study on a multi- item Likert scale ranging from 1= totally disagree to 7=totally agree. The data was analyzed using descriptive statistics and regression equation. The study finally found that the extra-cluster tie had a significant effect on performance than in-cluster tie even though in -cluster tie had also positive effect on performance. Elements of network characteristics had weak impact on the relationship between extra-cluster ties and performance, while network structure, network characteristics including tie strength and tie stability had significant impact on the relationship between in-cluster ties and performance. But in general speaking, tie stability had a positive influence on performance, while tie quality had a negative impact. The major limitation of this study was that the sampling unit in which the data was collected limited to the specific single sector: mold industry. Thus, this situation might affect the generatability of the result of the study to the othersectors.

According to lam et.al., The results of this study reveal that emotional intelligence can be consider as an antecedent to structural holes and centrality in entrepreneurial networks. This study's findings contribute to network theories, explaining why some entrepreneurs can obtain a central position in a network structure or span structural holes, while others do not. Previous studies have the relationship between emotional intelligence and SME performance (e.g. Lam and Kirby, 2002; Wong and Law, 2002; Akgün et al., 2007), but the mechanism through which this occurs will not clear. This study suggests that network structure fully mediates the relationship between the emotional intelligence of CEOs and their firms' performance. In addition, this study adds to the literature on emotional intelligence theory by showing that emotionalintelligencecanenhanceentrepreneurialstyle.Afinalcontributionofthisstudyisto

shed light on the fully mediating role of external networking behavior in the relationship between emotional intelligence and SME performance

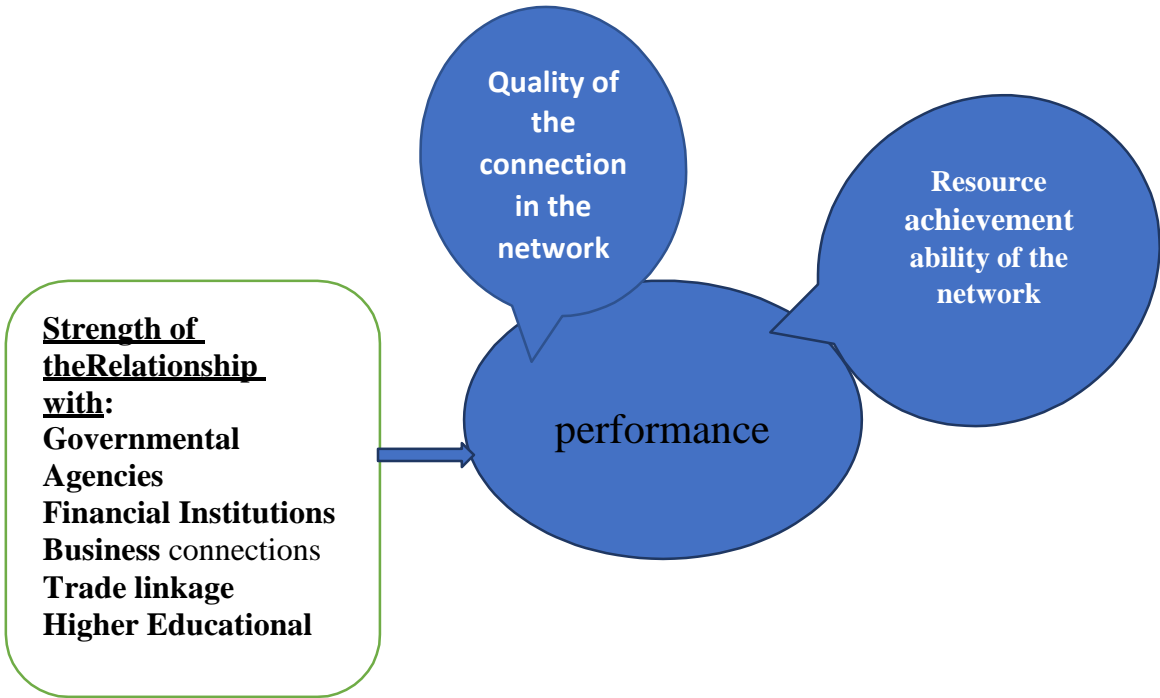
2.7 KnowledgeGap

Even though the above review literatures on the networking performance of medium size enterprise Would its own influence in giving awareness about the strong correlation between networking and performance of it could not be outflow from the below criticism as present below:

Most of the authors absorbed on investigating the effect of networking on the export performance of medium size enterprise. But the studied trainings do not tell us about the impact of networking in nice-looking performance of medium size enterprise in developing countries like Ethiopia which are mainly focuses in doing business locally.

2.8 Conceptual Framework of theStudy

There are many networking factors that have impact on the business performance of medium size enterprise as try to describe briefly in the literature review part. Based upon the literature, the relationship with different type of networking resources (formed with financial institutions; higher educational institutions governmental agencies, business connections and, trade relations and resource purchases ability and quality of relationship in network are independent variables for this study, while dependent variable is business performance. Based upon review of related literature discuss above the conceptual framework of this study present below:



3 RESEARCH METHODOLOGY

3.1 Description of the Study Areas

Ethiopia's location gives it strategic dominance as a jumping off point in the Horn of Africa close to the Middle East and its markets. Landlocked, it borders Eritrea, Somalia, Kenya, South Sudan, and Sudan its tiny neighbor, Djibouti, is also its mail port. Ethiopia's huge population of 110 million is the second most populous nation in Africa, after Nigeria. Although it is the fastest growing economy in the region, it is also one of the poorest. Ethiopia's government aims to reach lower-middle-income status by 2025. Ethiopia's economy experienced strong, broad-based growth averaging 10.3% a year from 2005/06 to 2015/16, compared to a regional average of 5.4%. According to official statistics, Ethiopia's gross domestic product (GDP) is estimated to have rebounded to 10.9%. The expansion of agriculture, construction and services accounted for most of this, with modest manufacturing growth. Private consumption and public investment explain demand-side growth, the latter assuming an increasingly important role. The economic growth rate recently declined to about 8%. The government is implementing the 2nd phase of its Growth and Transformation Plan (GTP II). GTP II, which will run to 2019/20, aims to continue work on physical infrastructure through public investment projects, and to transform Ethiopia into a manufacturing hub. Growth targets are an annual average GDP growth of 11%; in line with manufacturing strategy, it also hopes the industrial sector will grow by an average of 20%, creating jobs.

This study will conduct selected three regions in Ethiopia and Addis Ababa city administration; Addis Ababa Latitude and longitude coordinates is the capital of Ethiopia and one of the largest cities in the continent, with the population of about 4 million people? It is a home of numerous international enterprises and organizations, thus plays an important role on the world's arena. Kombolcha is a city and woreda in north-central Ethiopia. Located in the Debu Wollo Zone of the Amhara Region, it has a latitude and longitude of 11°5' N 39°44' E. Industry area: Hawassa, also called Hawassa, is a city in the Great Rift Valley of central Ethiopia. It lies at the eastern edge of large Lake Hawassa, with its resident hippos. Hawassa city lies on the geographical

coordinates of 7° 3' 0" N, 38° 28' 0" E Hawassa has a population of 133,097 making it the biggest city in Southern Nations, Nationalities and industry park(area)

ALEM Gena is a town in central Ethiopia. Located in the Mirab Shewa Zone of the Oromia Region, it has a longitude and latitude of 8°55 N 38°39 E with an elevation of 2369 meters above sea level. ALEM Gena is one of four towns in ALEM Gena woredaon medium level enterprises operating in the manufacturing sector. the target population of this study will medium level enterprises .In this study data will collected from the medium level enterprisesprimarily, because of their better capacity for wider networking relationship with various types of external resources from domestic to abroad cooperates result from their large size and better growth capacity and opportunities than micro and small enterprises, next; they have better experience in networking because of their long year life in the business starting from being micro level until they reach to the medium size enterprises status in current time, third; the exact operational place But, medium sized enterprise have clearly listed address of contact data gain from regional and city administration micro and small enterprisesbureau.

3.2 Research Design

used cross-sectional research quantitative approach in research design in finding the network relationship relate with features of firm performance medium size enterprise and to examine how these factors related to business performance. Survey method of data collection would use to make inference about population characteristics from statistically choice samples (Babbie 2001). Relatively the less cost requirement and quickness in collection of data are among others that will reasons for selecting survey method of data collection for this study (Creswell, 2003). This study organizes in cross-sectional research approach since for survey method a cross-sectional research approach is a best choice than a, longitudinal study (Saunders2007).

3.3 Instrumentations

The data collect from the managers of medium size enterprise in Ethiopia three regional state cityandAddisAbaba.Therewilltworeasonsforusingmanagersofmediumsizeenterpriseto

collect data for this study: primarily, to manage respondents more fruitfully in data collection process. Next, mostly in the medium size enterprise situation, owner of the business manages and resolves on the business relate issue including having networking with different kind of organization: appropriate to gain data for this study. In this study, primary source of data would used and collect from managers of enterprise through questionnaires.

The Likert scale questionnaire would develop from previous studies and measure based on ordinal scale. Items for questionnaires for calculating independent variables: strength (extent) of relationship that medium size enterprises have with external resources will measure based on a 5 -point Likert scale ranging from 1=not at all, to 5=at a great extent will modifies from the study of (Took soon and Mohammed,2010).Quality of relationship in the network also another independent variable will measure by a multi- item Likert scale questionnaire ranging from 1= strongly disagree to ,5 = strongly agree, which will modifies from the study of(Li et al.,2013). Resource acquisition capability of the network variable would measure by a multi- item Likert scale questionnaire ranging from 1= strongly disagree and, 5 = strongly agree, which would measure from the study of (Ge et al., 2009). The dependent variable performance would measure by a multi- item Likert scale questionnaire dealing with financial and no-financial performance measures (composite measure of performance) ranging from 1= strongly disagree to ,5 = strongly agree, (Li et al.,2013).

A combination of financial and no-financial performance measures on a multi-item Likert scale employee in this study because of the following reasons: firstly, it is hard to get quantitative measure of performance a country like Ethiopia where up-to-date way of recording financial result which is explains profit or loss statement un skill (they can guess it, but it may not be exact because it is difficult to prove it).Secondly, mostly this enterprises are not require to publish and report their financial results to the disturb governmental bodies(Li et al.,2013;Watson,2007).

Schayek (2011), argued that the use of composite financial measure of performance have many advantages over using either of the two measure of performance: in one hand a single type of

measures cannot tell us confidently whether a firm operating in a better performance or not, on the other hand composite measure of performance accelerates the response rate of the respondents. Because of these reasons a composite financial measures performance will use in this study. To confirm that satisfies rationality of the study (to check items of questionnaires accurately measure the concepts.

3.4 Population sample and sample sizedetermination

The sample frame consists of medium size enterprise performance of Ethiopian manufacture sector. to generate hard currency to the country leads to industrialize is to be a backbone for a given country economic growth since the sector is a main place for domestic entrepreneurs to promotion their revolution and exporting skill to the international a market, secondly a special focus is to give by Ethiopian Federal Micro and Small Enterprise Development Agencies and recognize as being a key a source of economic growth in substituting importer goods and having potential for export market and in generating a satisfactory environment for transforming to large scale industries [FEMSEDA],2017.

selected 200 enterprises in the manufacturing sector would identify from three regional state and Addis Ababa admin Micro and Small-Scale Enterprise Bureau which would transform to medium level enterprise in from micro and small enterprises in 2009 and 2010. The main standard for addition in the total population is that they must be manufacturers of the products they sell and meet the standards of addition under SMEs manufacturing sector category set by Ethiopian Federal Micro and Small Enterprise Development Agency, 2017. Since this study has access to list name of population for the study, a single stage sampling design (the samples will select from the total population once at regional level and Addis Ababalevel

without the need of re-sampling for the regional or Addis Ababa) is using to sample from total population (Creswell, 2003).

The probabilistic sampling technique will use for this study because of its ability in giving equal chance for selecting respondents from the total population (Creswell, 2003). Stratify random sampling method will working by stratifying the sampling frame proportional to the size of subsectors in the total population of manufacturing sector that includes textile and garment, leather and leather products, food processing and beverage, wood and wood product , and plastic products : for selecting representative samples having a true proportion of respondents (look more how it will doing in sample size determination part below) from the total population of 200enterprises(Creswell, 2003, ([FEMSEDA], 2017). There will two centers of stratifications of the population in to stratum: first, to gain in accuracy of the estimate of the characteristics of the whole population since the elements of population will heterogeneous in the type of business they are include (it needs inclusion of respondents from all types of business). Second, to estimate the business type result on the performance of medium levelenterprise.

3.4.1 Sample Size Determination

To select samples 200 enterprise in the manufacturing sector, a formula develops by Rosemary and Chizoba (2011) which is modified from the Yamane’s formula would used as can be see below

$$n = \frac{n}{n(e)^2 + 1} = \frac{200}{1 + 200(0.05)^2} = 133.33 = 134 \text{ approximately}$$

Where n = sample Population, e- margin of error (0.05 at 95% confidence level), 1= constant.

Depending upon the sample size calculate the above number of medium size enterprise from separately subsector proportional to the size they have in the total population of 200 enterprise

which medium level enterprise from micro and small enterprise in 2009 and 2010 based on the data gain from the different regional state south region; Oromia region; Amhara region state and Addis Ababa Micro and Small-Scale Enterprise Bureau. The mechanism uses in this study to determine the number of samples from each subsectors base on their proportion in the total population will presented in the table below.

Table Allocation of Samples for Early Stratum (Planned Sample of Respondents)

Manufacturing Sector	Population		Proportionate Stratified Random Sampling	
	Frequencies	Percent	Frequencies	Percent
Textile and Garment	45	0.225	30	0.225
plastic and plastic product	30	0.15	20	0.15
Lather and leather products	65	0.325	44	0.325
Wood and wood product	35	0.175	23	0.175
Food processing and Beverage	<u>25</u>	0.125	17	0.125
Total	<u>200</u>	1.00	<u>134</u>	1.00

Source: Developed for the research, 2018.

To choose exact respondent from each subsector based on their proportion in the total population: a lottery method will use. Then a total of 134 questionnaires distribute to the owners or managers of medium size enterprise in three regional state and Addis Ababa based on the sample size determination and initial distribution to the stratum (sub sectors) will do in the above.

3.5 Description of Variables for the Study

The objective of this study was to measure the impact of networking on the business performance of medium size enterprises working in manufacturing sector in three regional state and Addis Ababa city admin. The seven independent variables for this study namely were:

strength of relationship (extent) enterprises had with governmental agencies, financial institution, trade associations, knowledge institutions and business associates, and resource acquisition capability of the network and quality of relationship in the network. The extent(strength) of relationship medium sized enterprises had with this networking types was measured by Likert scale, while the resource acquisition capability of the network and quality of relationship in the network was measured by a multi item Likert scale (Took soon and Mohammed ,2010; Li et al.,2013; Ge et al., (2009). In this study three control variables believed to be influence performance of medium size enterprises other than hypothesized independent variables. This were firm age measured by log of the number of years the firm is in the operation (Watson, 2002; Ravichandran and Lert wongsatien, 2005), firm size measured by log of the number of employees. al.,2013). The dependent variable performance of medium sized enterprises was measured by Likert scale to investigate the influence of networking on the financial performance of medium sized enterprises for the past twoyears.

3.6 Method of DataAnalysis

To investigate variables of the study a descriptive statistic: mean, standard deviation, median, frequency and percentage would used. For checking internal reliability of scales that used to measure constructs, reliability test would make by Cronbach alpha by considering the cutoff point of 0.7and above (Hair et al., 2006). Discriminate validity would test by variance inflation factor (VIF) to solve the problem of multi co -linearity among independent variables (Hair et al, 2006). To test the hypothesis of the study, efficient ordered probit model would used. For the investigation purpose, computer software program of STATA.13 would uses for this study.

3.7 Econometrics Model Specification

The econometrics model show below will consider for calculating the effect of networking on the performance of medium size enterprise working in three regional state and Addis Ababa city.

In this study non-linear order. There are a few reasons for choosing nonlinear model in this study other than linear models such as multiple regression models. unequal difference between ranks of ordinal variables unlike with interval and continuous scales which have equal difference among results of variables resulting in a linear relationship between independent and dependent variables analyze with multiple regression model since multiple regression model needs the fulfillment of linearity assumption among variables making it easy to use for interval and continuous scale data (quantitative data in nature). But, in this study since ordinal scale of measurement uses, which reveals unequal difference among ranks of ordinal responses reflecting non-linear relationship between independent and dependent variables that needs non-linear model for analysis.

Secondly, the beta coefficient of linear multiple regression model reflects only the linear contribution (it only assumes that each unit change in independent variables has a fixed effect on dependent variable) of independent variables on the dependent variables while non-linear models describes the nonlinear impacts of independent variables on the dependent variables through marginal effects. Unlike linear models which show the direction of the effect of coefficients of independent variables on the dependent variable, marginal effects in nonlinear models show how the probabilities of each outcome change with respect to changes in the independent variables. Although order probit and logit model reveals similar result in the research work, in this study because of the normality assumption of the order probit model, with mean “0” and standard deviation of “1,” (Storchmann, 2005). The observed value of Y_i is depending upon latent variable Y^* value based on the following five values of observedcategory:

$$y_i = 1 \text{ if } y_i^* \leq \mu_1$$

$$y_i = 2 \text{ if } \mu_1 < y_i^* \leq \mu_2$$

$$y_i = 3 \text{ if } \mu_2 < y_i^* \leq \mu_3$$

$$y_i = 4 \text{ if } \mu_3 < y_i^* \leq \mu_4$$

$$y_i = 5 \text{ if } y_i^* > \mu_4$$

Where cutoff points are: $\mu_1, \mu_2, \mu_3, \mu_4$ and the cutoff points and residual ε is following a standard normal distribution. The cutoff points and ε is estimated using the maximum likelihood method. The order probit model for this study seems the following:

$$Y = \beta_0 + \sum_{i=1}^N \beta_i X_i + \varepsilon, \quad \text{where}$$

Y is dependent variable,

β_0 is intercept term, β_i the coefficients of

X_i in dependent variables, X_i independent variables,

ε error terms of the model.

Y is dependent variable measure by a multi-item Likert scale. To measure the performance of medium size enterprise, the model indicating the impact of independent and control variables on performance as described below:

$$Y(perf) = \beta_0 + \beta_1 GOV + \beta_2 FIN + \beta_3 BUC + \beta_4 TL + \beta_5 KI + \beta_6 FIA + \beta_7 QRN + \beta_8 ACB + \beta_9 RAC + \beta_{10} PRO + \beta_{11} FIS + \varepsilon.$$

Table Function of control variables

Name of variable	Function
Firm age	To control for the impact of firm age
Firm size	To control for the impact of firm size
Absorptive capacity of the business	To control for the impact of absorptive capacity of the business

4. PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS

Gerber –Nel et al., (2005) defined that the major purpose of using descriptive statistics is to simplify and summarize large amount of data into a manageable form. In this study descriptive statistics of mean, standard deviation, median, frequency and percentage uses. For presenting the collects data graphs (bar chart) and tables use. The reason why median, frequency and percentage use in this study for their suitability for describing ordinal type of questions while mean and standard deviation are uses for describing type of questions which continuous scale are. In the tables below, descriptive statistics of the collect data for the study are present.

Table 4.1 Number of samples use in the study

Sector type	Number of samples	Proportion of sector sample from total sample taken
Textile and Garment	30	23.43%
Plastic and plastic product	20	15.6%
Lather and lather product	42	32.81%
Wood and wood product	23	17.97%
Food processing and Beverage	13	10.19%
Total	128	100%

Source: own survey, 2018

As it is present above from the total 134 propose number of samples to distribute questionnaires and to collect data, only 128 actual numbers of samples are collected from the distribute 134 total number of questionnaires indicating that the response rate are 96percent.

Table 4.2 Networking Problems of Sampled Firms

Variable name	Category	Variable code	Frequency	Percent
Type of the business	Textile and garment	1	30	23.43%
	Leather and leather products	2	42	32.81%
	Wood products	3	23	17.97%
	Plastic and plastic product	4	20	15.6%
	Food processing and beverage	5	13	10.19
Networking problems	Networking problem 1	1	41	32.03%
		2	48	37.5%
		2	33	25.78%
		4	6	4.68%
	Networking problem 2	1	38	29.68%
		2	50	39.29%
		3	31	24.21%
		4	9	7.03%
	Networking problem 3	1	8	6.25%
		2	60	46.87%
		3	49	38.28%
		4	11	8.59%
	Networking problem 4	1	39	30.46%
		2	43	33.59%
		3	31	24.21%
		4	15	11.71%
Networking problem 5	1	26	20.31%	
	2	63	49.22%	

		3	35	27.34%
		4	4	3.13%
	Networking problem 6	1	6	4.68%
		2	72	56.25%
		3	44	34.37%
		4	6	4.68%
	Networking problem 7	1	16	12.50%
		2	70	54.68%
		3	36	28.13%
		4	6	4.68%
	Networking problem 8	1	14	10.94%
		2	75	58.59%
		3	29	22.66%
		4	10	7.81%
	Networking problem 9	1	44	34.75%
		2	32	25%
		3	28	21.87%
		4	24	18.75%

Among 128 respondent's interviewees about the type of industry sector they are operating, 30(23.43%) of firms are belong to the textile and garment, 42(32.81%) of firms in leather and leather products, 23(17.97%) are in wood products, 20(15.6%) are in plastic and plastic product, 13(10.19%) are in food processing and beverage. Identifying the type of business medium size enterprises working helps for weather the type of business influences the networking performance of enterprises and for investigative in what kind of business enterprises involve.In

this study, most of the enterprises are working in leather and leather product followed by textile and garment sector. In these two sectors most of entrepreneurs absorb might be because of high profit opportunity of the sector than the others. Regarding measuring the problem and barriers medium enterprise faced in networking with external resources:

Lack of finance and collaboration problem among medium enterprise. Networking(problem 1) are highly serious problem for 41(32.03%) respondents, moderately serious problem for 48(37.5%), somewhat serious problem for 33(25.78%), and not a problem for 6(4.68%) respondents. Lack of getting the require support from concern body's networking (problem 2) are highly serious problem for 38(29.68%) respondents, moderately serious problem for 50(39.29%), somewhat serious problem for 31(24.21%), and not a problem for 9(7.03%) respondents. A problem of no cluster area or shed provided by government networking(problem 3) are highly serious problem for 8(6.25%) respondents? moderately serious problem for 60(46.87%), somewhat serious problem for 49(38.28%), and not a problem for 11(8.59%) respondents. Networking problem of low awareness about networking benefit networking (problem 4) are highly serious problem for none of the respondents, 39(30.46%) moderately serious problem for 43(33.59%), somewhat serious problem for 31(24.21%), and not a problem for 15(11.71%) respondents. Problem of getting raw material supply as per the firm need networking (problem 5) are highly serious problem for 26(20.31%) respondents, moderately serious problem for 63(49.22%), somewhat serious problem for 35(27.34%), and not a problem for 4(3.13%) respondents. Partners search and selection problem by networking (problem 6) are highly serious problem for 6(4.68%) respondents, moderately serious problem for 72(56.25%), somewhat serious problem for 44(34.37%), and not a problem for 6(4.68%) respondents. Lack of skills of personnel networking (problem 7) Are highly serious problem for 16(12.50%) respondents, moderately serious problem for 70(54.68%), somewhat serious problem for 36(28.13%), and not a problem for 6(4.68%) respondents.

A problem of lack of trust when working with others (problem 8) are highly serious problem for 14(10.94%) respondents, moderately serious problem for 75(58.59%), somewhat serious problem for 29(22.66%), and not a problem for 10(7.81%) respondents.

Lack of favorable condition in promoting products through exhibition or trade fair networking (problem 9) are highly serious problem for 44(34.75%) the respondents, moderately serious problem for 32(25%), somewhat serious problem for 28(21.87%), and not a problem for 24(18.75%) of interviewee respondents.

4.1.1 The Type and Extent of Networking

Concerning the question of the extent or strength of relationship with the external resources for the last two years ranging from the 2009 up to 2010, 4.69% of the respondents did not have any relationship, 15.63% of them at some extent, 23.40% of moderate extent and, 56.28% of them have at great extent of relationship with governmental agencies. Most of the medium sized enterprises have a great extent of relationship with governmental agencies. This a great extent of relationship might be recognized to presence of awareness creation programs about the type of service accepted by governmental supporting agencies to the enterprises.

Financial institution of sampled respondents 2.34% of them did not have any relationship, 8.75% of them at some extent, and 31.25% of them at moderate extent, and 57.66% of them have a great extent Relationship with financial institution. most of the enterprises choose a great extent relationship option to express the extent of relationship they have with financial institutions for the last two years. This might be related to a higher (per the need of the enterprises) support given by financial institutions to the medium size enterprises in terms of financial requirements via debit and other related factors.

Of sampled respondents 5.47% of them did not have any relationship, 19.53% of them at some extent, and 35.94% of them at moderate extent, and 39.06% of them have at great extent

relationship with trade linkage. Most of the enterprises have at a great extent of relationship with trade linkage. his could be related to a good opportunity of promoting the benefit of these linkages towards the performance of enterprises. Of sampled respondents, 5.47% of them did not have any relationship 7.97% of them at some extent, , and 35.01% of them at moderate extent, and 51.28% of them had at great extent relationship with business connection. Most of the

enterprises have a great extent of relationship with customers, suppliers, similar enterprises, and sub-contracting relationship with large firms. But, in order to improve the performance of enterprises at a great extent it is necessary to have relationship with business connection away from a great extent. Of sampled respondents 0.78% of them did not have any relationship, 8.59% of them at some extent, and 35.16% of them have at moderate extent, and 55.47% of them had at great extent relationship with knowledge institutions. The result of extent of relationship with knowledge institutions implies that the knowledge sharing between enterprises and knowledge institutions was almost be present this might be because of knowledge institutions were strong in community service program: in introducing new ways of production process, in promoting new products.

4.1.2 Quality of the Relationship and Resource purchase Capability

Regarding the quality of the relationship in the network for the last four years ranging from the 2009 up to 2010, 10.16% of the respondents strongly disagree 21.09% of the respondents disagree, 20.31% of the respondents neutral, 23.44% of the respondents agree and 25% of the respondents strongly agree about the quality of the relationship in the network. The result shows that most of the respondents are strongly agree about the quality of relationship. This condition might be related to some problems related to trusted relationship especially with similar enterprises. Relating to the resource purchase capacity of the network medium sized enterprises involved for the last four years ranging from the 2007 up to 2010, 2.3% of the respondents strongly disagree, 11.7% of the respondents disagree, 22.7% of the respondents neutral, 60.2% of the respondents agree and 3.1% of the respondents strongly agree about the resource acquisition

Capacity of the network in terms of tangible and intangible resources. Most of the respondents were agree about the benefit of the network in providing resources as per the requirement of their operation.

Table 4.1.3 Mean Value of Firm Age and Firm Size

Mean Value of Firm Age

. sum FIAFIS

Variable	Obs	Mean	Std. Dev.	Min	Max
FIA	128	11.89063	2.450243	7	22
FIS	128	26.71094	8.859491	11	54

Source: own survey, 2018.

The two other variables in this study other than absorptive capacity of the business and industry type effects firm age and firm size are accessible in descriptive statistics of mean and standard deviation in the table above. The mean age of firms and firm size were 11.89 and 26.71 with the standard deviation of 2.45 and 8.85 respectively. As shown above, on the average, medium size enterprises are in the operation for the 11, 89 years. In addition to this, according to the outline table above, medium size enterprises have 26.71 employees on the average as time of this study data was collected.

4.2.1 Construct Reliability

Zikmund(2000),defined that the aim of instrument reliability test is for measuring internal constancy of items that measuring a given construct and for testing a unidimensional of items of questionnaire for checking whether or not items measuring a single construct or not. In this study reliability test was made by Cronbach alpha as a measure of internal consistency and reliability of the questionnaire was used, the closer the alpha into 1.00 the greater the internal consistency and with a score of over 0.7 indicating reliability of the instruments(George and Mallery 2006).

This could easily be applicable to another sample to test the reliability and internal consistency of the results was made by Cronbach alphas coefficient for all items satisfied the minimum requirement thus certainly suitable for this study objective.

$$\delta = \frac{K}{K-1} \left(1 - \frac{\sum_{l=1}^K \sigma^2 Y_l}{\sigma^2 x} \right)$$

Table 4.1.4 Reliability Analyses of Variables of the Study Using Cronbach's Alpha

the study	Number of items	Coefficient of reliability
performance	7	0.85
Quality of the relationship in the network	3	0.80
Resource acquisition capacity of the network	3	0.81
Absorptive capacity	6	0.84

In order to minimize the research errors and more to strengthen the reliability of the study, response error (accidentally filling incorrect answers to questions by respondents) and non-response error (a problem of not contacting the respondents) a telephone follow-up to respondents, a use of self-administered questionnaire and a pilot test was made to items of questionnaire.

4.2.2 Validity

Validity is about the extent that an instrument is measuring what it is planned to measure. In this study the validity of a questionnaire was measure by content and construct validity.

4.2.3 Content Validity

Content validity measures whether individual items of test measure the construct. In this study the content validity of the questionnaire was tested by pilot test with 3 other researchers and with 5 medium sized enterprises managers and checked for incorrect instruction, unclear questions, ambiguous words and phrases (Churchill, 2002). Finally, the result of the test was included to the

final revised questionnaire and the content validity of all variables included in the study was confirmed.

4.2.4 Construct Validity

Construct validity is focused on the extent in which a construct is measured by a test. The construct validity was measured by factor analysis, discriminate validity and reliability test. (Sharfman and Fernando, 2008; Hair et al.,2006

4.3 Specification Tests of the Model

Before running the ordered probit model to the study, three assumptions of the model were tested namely: Heteroskedasticity, and Multicollinearity tests. The results were presented below.

4.3.1 Heteroskedasticity Test

In order to test whether an error term is Heteroskedastic or possesses unequal variance: meaning checking by robust the regression for whether a parameter judge to be significant when it is not, white general test was used because of its applicability for non-linear and normally distributed data. But as it is presented above the p-value is greater than 0.05 indicating that the error term is homoscedastic (not heteroskedastic) or having equal variance. the model was not violated Heteroskedasticity.

4.3.2 Multicollinearity Test

Since the VIF value is less than 10 and there is no a problem of co linearity among independent variables. Therefore, Multicollinearity assumption was achieved. Appendices 5

4.4 Ordered Probit Model Test Result

Table 4.4.1 Ordered probit model test result

PER	Coef.	Dy/dx	p>[x]
FIA	-2789374	-.1106878	0.001
FIS	-.0222083	.0088127	0.209
GOV	-.6770327	.2686597	0.000
BUS	-.2932076	.1163504	0.017
FIN	.3667804	-.1455456	0.015
BUC	.075401	-.299206	0.575
TL	1.996834	-.7923822	0.000
HEI	.2540269	-.1008028	0.038
QRN	.4571497	-.1814058	0.000
RAC	-.3721338	.1476699	0.004
PRO	-.324576	.128798	0.016

Source: own computation using STATA (13)

Looking at the results of ordered probit model in table, using p-value less than 0.05 most of the hypotheses were confirmed depending upon the evaluations obtained. The model significance level is $p=0.0000$ and the chi-square is 113.15 and the model log likelihood (LL test) was -37.20.

The first hypothesis networking with firm age is positively and significantly related with performance confirming our hypotheses, performance increased by 1% FIA increased by 27.89% while the second hypothesis networking with firm size is positively and significantly related with performance confirming our hypotheses. Performance increased by 1% FIS increased by 22.20% third hypothesis government agency positively and significantly related with performance confirming our hypothesis. The fourth hypothesis networking with absorptive capacity negatively and insignificantly related with performance rejects our hypothesis.

The fifth hypothesis networking with financial institution positively and significantly related with performance confirming our hypothesis. performance increased by 1% FIN increased 36.67% by the sixth hypothesis business connection of the network is positively and

insignificantly related with performance rejection our hypothesis, while the seventh hypothesis the trade linkage is positively and significantly related with performance confirming our hypothesis.

knowledge institution is positively and significantly related with performance confirming our hypothesis performance increased by 1% knowledge institution increased by 25.40 % nine quality relation in the network is positively and significantly related with performance confirming our hypothesis performance increased by 1% quality relation quality relation to the network increased by 45.71% is. ten and eleven resource acquisition capacity and profit positively significant confirm our hypothesis.

4.6 Summary of Findings

Networking with Governmental agencies is positively and significantly related with performance of medium size enterprises confirming the hypotheses. This was in line with previous studies reviewed in the literature part. actuality that the Governmental agencies was found to be significant for the performance of Medium size enterprises might be recognized to firstly, to have of enough business support program by governmental agencies related to skill development, collecting market information, the transfer of technology, basic managerial training, general advice and so on. Secondly the kind of support service given for enterprises might not be as per the need (weakness side) of manufacturing firms. Thirdly, might be because of rendering unequal support programs for medium size enterprises depending on the strength of governmental agencies located at three different regional state and AddisAbaba.

Networking with Financial institutions is positively and significantly related with business performance confirming the hypotheses. This result supports the prior research of Took soon & Mohamed (2010), indicating that the relationship with financial institutions is important improving the performance of medium size enterprises. As the interviewed the important of collateral for loan, to increase for the export performance of enterprises marketing the manufactured products abroad.

Trade linkage positively and significantly related with performance of medium size enterprises confirming our hypothesis. This finding consistent with the research result of Took soon& Mohamed (2010). The significant relationship between trade linkage and performance might be explaining to deliver the required support other than registering enterprises to be members of the trade linkage and positive impact on customer loyalty by providing executives the insights they need manage customer relationships these insights give loyalty leaders an advantage over loyalty laggards locality leaders apply linkage analysis results in a variety of ways to build a more customer centric enterprise.

Consistent with the previous studies (Took soon and Mudor, 2012; Took soon & Mohamed, 2010) networking with knowledge institutions positively and significantly related with performance of medium size enterprises confirming our hypothesis. Like the result of empirical research by Ge et al., (2009) resource acquisition capability of the network positively and significantly related with business performance confirming our hypotheses. The positive and significant relationship indicates that resource acquisition capability of the network has minimal but essential impact on the performance of medium size enterprises. Resource acquisition capability is to explore the relationship between resource acquisition and performance in medium size enterprise new ventures. Specifically, we focus on three means of resource acquisition, and question whether they have the same effect on performance.

Resource acquisition capability to analyze the mechanisms influencing the relationship between resource acquisition and performance. Therein we introduce learning capability to be transitional variable and examine its mediating role between resource acquisition and new venture performance similar principle applies to internal resource development in that the process of experimentation, exploration, bundling, and restructuring that take place during the internal development of new resources and new resource combinations is inherently a social process relying on knowledge transfer and integration, problem-solving, and knowledge creation among individuals. This process also creates the requisite motivation to reshape organizational conditions to favor the growth of a learning capability. Our findings caution managers and researchers from if each method of resource acquisition

The quality of the relationship in the network is positively and significantly related with performance of medium size enterprises confirming our hypothesis. This finding is similar with earlier studies of (Sahakijpicharn, 2007). The result indicates that the more the trust (quality) in the network of relationship with different external resources the higher the performance of manufacturing medium size enterprises. In relationship context trust has been conceptualized as both feature and determinant (Moorman et al., 1992) as Crosby et al. (1990) and Oh (1987) describe it has the feature of relationship quality, along with satisfaction and opportunity. Customer "satisfaction with enterprise has positively influence on customer" trust (Chien-lung Huet et al., (2010).

Knowledge institution positively related to performance present and tests a technological contingency perspective on two dimensions of international outsourcing depth and scope. The depth of international outsourcing refers to the ratio of foreign to total outsourcing. The scope of international outsourcing captures the degree of mental distribution between the country of operations and the countries a firm is outsourcing from. Effect of five technological contingency factors is measured: product innovation, technological and volume uncertainties, asset specificity, and the integration of the subcontracting function. A most interesting finding is that technological uncertainty and the degree of product innovation turn out to be both positively associated with a high scope–low depth type of international outsourcing and negatively associated with a low scope–high depth type of international subcontracting. The findings create a platform for a two-dimensional typology, which provides an explanatory logic for the expansion and development path of international subcontracting.

5. CONCLUSION ANDRECOMMENDATION

5.1 Conclusion

This research is design in order to investigate the effect of networking on the performance of medium size enterprises operating in three regional state and Addis Ababa city administration. In order to achieve the objective, the study: the hypothesis and the research design are developed and finally the research objective is to complete. According to the result of this study, there are nine independent variables which are significantly related with performance of medium size enterprises namely: performance with financial institutions, trade linkage, knowledge institution, profit the resource acquisition capability of the network and quality of the network in the relationship. Other two independent variables absorption capacity positively insignificant and business connection positively insignificant impact on the performance of medium size enterprises,

5.3 Recommendations for Practical Application

In this section depending upon the conclusion drawn from this study recommendation will give for medium size enterprises on how to use networking strategy to improve their performance. In addition to this, recommendation was given for government the role it has in improving performance of enterprises as accessible below.

Enterprises to increase performance, medium size enterprises expect to have networking relationship with external resources. Networking relationship are to gain information, knowledge and resources.

Medium size enterprises would reflect on networking with external environment as part of arrangement objective and the management or the owner manager of the business would use it as an instrument for accessing marketing information, to obtaining tangible and intangible resources and finally to improve the performance their business.

Governmental support agencies will create awareness for medium size enterprises about the service they offer for them. promoting firms' products through their newspapers and radio, internet, television, magazines.

The government will bring fair marketing competitions among competitors such as controlling a trade undertaken by illegal imports and taking the necessary action and other measures.

The government would network medium size enterprises among themselves and with other external resources through linkage and cluster development program.

The government would give different incentives for medium size enterprises until they are able to compete in the market: through tax reduction, financial support to create favorable environment for exporting their products to internationalmarket.

The government would guarantee the constant supply of the require quantity and quality of raw materials for medium size enterprise. According to the result of this study some of the enterprises, (in terms of quantity and quality) for their operation because suppliers primarily and largely export it to international market

The government would also provide modern manufacturing machines by a gift as well as by rent for improving performance of medium size enterprises in order to connect them with latest technological innovation

The government will create opportunities for medium size enterprises to have access to bank loan. Even though, the result of this study interpretation that the effect of financial institutions on the performance of medium size enterprises is significant and positive,

the government would be work together with private banks to encourage enterprises by offering the loan for medium size enterprises by asking collateral requirement that go with capacity of enterprises, providing a low interest rate and aligning the loan negotiation with government.

Governmental banks would also support medium size enterprises by supporting micro -finance institutions, saving and credit associations to increase their lending capacity through giving financial incentives and upgrading their status to cooperative banks. The governments would also think on the special lending mechanism for medium size enterprises from governmentally ownbanks.

The government would accessible new ways of technology, providing solution for their operational and marketing problems since they are a source of new information. The government would also support medium size enterprises by advertising their products through its media and connecting with a general market.

5.4 Directions for Future Research In this study

firstly, the data is collected on single time period on cross sectional study. This may affect the understanding of the real causal relationship exist or the changes over time between variables in different time periods through longitudinal study. Therefore, future studies will design based on longitudinal study. Secondly, in this study the mediating variables are not including between independent and dependent variables. Therefore, the relationship between variables may not be explained directly. Thus, future works can include mediating variables other than independent variables include in this study to make the result of the study more reliable. Because it is difficult to explain the relationship between variables directly without the involvement of mediating variables. Thirdly, in this study the data was collected from medium size enterprises operating in the manufacturing sector. Thus, future studies would be doing on the other sectors to check for weather or not the result of this study is valid to the other sectors.

Bibliography

- Babbie, E. (2001). *Survey Research Methods*. 9th ed. Belmont, CA: Wadsworth.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), pp.99 – 120.
- Basile, A. (2012). Evaluating R&D Networking to Revitalize SME's Innovative Performance: A Management Perspective. *Business: Theory and Practice*, 13(3), pp.217-227.
- Baum, J.A.C., Calabrese, T. & Silverman, and B.S. (2000). Don 't Go It Alone: Alliance Network Composition and Startups Performance in Canadian Biotechnology. *Strategic Management Journal*, 21(3), pp.267 –294.
- Behyan, M. (2011). Conceptualizing Export Performance Influence of Internationalization and Social Network. *Advances in Business-Related Scientific Research Journal*, 2(1), pp.69-75.
- C Kenny. (2009). *A Network Perspective on International Business: Evidence from SME's in the Telecommunication Sector in Ireland*. PH. D Thesis, University Limerick, Ireland.
- Casals, E., F. (2011). 2010 International Conference on E-Business, Management and Economics IPEDR, Vol (3), IASIT Press, Hongkong, pp.118-124.xii
- Che sink, Z., Entekin, L., Mat-Isa, R. & Scot-Ladd, B. (2010). Influential Factors for SME's Internationalization: Evidence from Malaysia. *International Journal of Economics and Management*, 4(2), pp.285 –304.
- Chen, C., Tzang, L.C., Ou, W.M. & Chang, K.T. (2007). The Relationship among Social Capital, Entrepreneurial Orientation, Organizational Resources' and Entrepreneurial Performance for New Ventures. *Contemporary Management Research*, 3(3), pp.213 – 232.

- Churchill. (2002). *Marketing Research: Methodological Foundations*. Chicago: Dryden press.
- Conway, S. & Jones, O. (2006). *Networking and the Small Business*. In: Carter, S. & Jones-Evans. (eds). *Enterprise and Small Business*. Harlow: Prentice Hall, pp, 23- 43.
- Creswell. W. (2003). *Research Design: Qualitative, Quantitative and Mixed Approaches*, 2nd ed. Sage publication, California.
- DarrollC.,Bannock,G.,Schlemmer,L.,Ahmad,L.,Dagut,S.,Hampton,K.,&Irvine,D.(2004).Countin
g the Cost of Red Tape for Business in South Africa. *Headline Report, Strategic
Partnership for Business Growth in Africa*.
- Dyer, J. &Singh, H. (1998). *The Relational View: Corporate Strategy and Sources of Internal
Organizational Competitive Advantage*. *Academy of Management Review*, 23(4),
pp.660 – 679.
- Easton, G. (1992). *Industrial Networks: A Review*. In: Axelson, B., &Easton, G. (eds). *Industrial
Networks: a New View of Reality*, Route ledge, London, pp. 1-27.
- Federal Micro and Small Enterprise Development Agency (2010). *Micro and Small Enterprise
Development and Strategy*. Addis Ababa: Ethiopia. xiii
- Gauri, P., Lutz, C., &Tesfu, G. (2003). *Using Network to Solve Export Marketing Problems of
Small and Medium Sized Firms from Developing Countries*. *European Journal of
Marketing*, 37(5/6), pp.728 – 752.
- Giuliani, E., & Bell, M. (2005). *When Micro Shapes the Meso: Learning Networks in a Chilean
Wine Cluster, Research Policy: In Press*.
- Goertzen, A. (2007). *Alliance Networks and Firm Performance: The Impact of Repeated
Partnership*. *Strategic Management Journal*, 28(5), pp.487-509.
- Gottardi,G.,(2000).*Innovation and the Creation of Knowledge in Italian Industrial Districts :A
System Model ,in:Belussi,F.,Gottardi,G.,(eds),Evolutionary Patterns of Local
Industrial Systems ,Ashgate Publishing ,Ltd,England*.

- Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E., & Tatham, R.L. (2006). *Multivariate Data Analysis International Edition*. 6th ed. Pearson Prentice Hall, Newbery.
- Hassan, M. & McCarthy, G. (2011). Influential Organizational Capabilities for SME's Export Performance: An Exploratory Study. ASBES 2011 Annual Summit on Business and Entrepreneurial Studies. Viewed, on-December 5, 11, 2012, URL: <http%3A%2F%2Fwww.google.com>.
- Havens, P.A., Saneesh, K. (2001). A Panel Study of Firm Growth among SME's in Networks. *Small Business Economics* 16(4), 293-302. xiv
- Storch Mann, K. (2005). English Weather and Rhine Wine Quality: An ordered Probit Model. *Journal of Wine Research*, 16(2), pp.105-119.
- Took soon, P., & Mohammed, O. (2010). Achieving Financial Export Performance: Contribution of External Resources. *International Journal of Marketing Studies*, 2(1), pp.110 – 116.
- Took soon, P., & Mud or, H. (2012). Commitment to Networking and Export Performance: Evidence from Thai SME's in Argo Based Sector. *Information Management and Business Review*, 4(5), pp.268 – 274.
- Watson, J. (2002). Comparing the Performance of Male and Female Controlled Business: Retailing Output to Inputs. *Entrepreneurship Theory and Practice*, 26(3), pp.91-100.
- Watson, J. (2007). Modeling the Relationship between Networking and Firm Performance. *Journal of Business Venturing* 22:852 – 874.
- Yiu, D.W., Lau, C., & Bruton, G.D. (2007). International venturing by Emerging Economy Firms: The Effects of Firm Capabilities, Home Country Networks, and Corporate Entrepreneurship. *Journal of International Business studies*, 38(5), pp.519 – 540.
- Zenanashad, M., Mukhtar, M., & Sharan, S. (2011). The Role of Clusters and Network sin Development of Industrial SME's. *Proceedings of 2010 International* xvii

APPENDICES 1

Appendix 1: RESEARCH QUESTIONNAIRE ENGLISH VERSION

Wolkite University

College of Business and Economics

Department of ECONOMICS

Research questionnaire

This questionnaire is designed for medium sized enterprises operating in the manufacturing sector in ETHIOPIA.

Dear Respondents,

My name is Belay Asefa I am directing a research on the topic entitled “Networking and performance of medium sized enterprises in Ethiopia”. This questionnaire is therefore consider to collect data and write a thesis for the partial fulfillment of the requirements for the Developmental Economics(MSC)degree at the wolkite university .The purpose of this study is to understand in what kind of relationship that medium sized enterprises in manufacturing sector are involved and to measure the impact of networking on their performance and based on the finding of the study to make the required conclusion and recommendation. Hence, you are selected to participate in the data collection process and contribute to the success of this study. Therefore, you are simplyrequestingto complete this questionnaire. All information you provide use only for academic purpose and your response will be kept confidential. Hence, there is no need to write your name or anyidentification.

Thank you very much for your cooperation and contribution

PART ONE: QUESTIONS RELATED TO THE CHARACTERISTICS OF THE BUSINESS

In this section, please put your answers for following questions by putting a tick mark (✓) in the appropriate box.

1. How long has been your business in the operation? _____

2. What is the total number of employees working in your business? _____

3. What are problems and barriers to your business to collaborate with similar business and other companies for the past two years? For the following statements please measure the extent of the problems by putting a coded number in the appropriate box.

Measurement codes:

1= Highly serious problem, 3=Somewhat serious problem

2=Moderately serious problem, 4= Not a problem.

	Problems and barriers related to the formation of network with others	Rate them
1	Lack of finance and cooperation problem among medium size enterprise	
2	Lack of trusted relationship when working with others	
3	Lack of skills of human resources	
4	Lack of getting the require support from concerned body's	
5	No cluster area or shed provide by government	

6	Problem of getting raw material supply as per the firm need	
7	Awareness about networking benefit is low	
8	Partners search and selection	
9	Lack of favorable grounds for promoting our products through trade fairs and exhibition.	
10	Others (please write them) ----- -----	

PART TWO: QUESTIONS RELATED TO PERFORMANCE OF THE BUSINESS

In this section, please indicate your agreement or disagreement about your business performance for the past two years for following statements by putting a tick mark (-) in the appropriate box.

Measurement codes:

Where; 1= Strongly disagree 3= Neutral

2=Disagree 4=Agree 5= stronglyagree.

Items for Measuring Business Performance		Scales				
		1	2	3	4	5
1	Compared with major competitors our company's return on assets is superior					
2	Compared with major competitors our company's Percentage of sales from new product is superior					
3	Compared with major competitors our company's firm's defective product return rate is lower					
4	Compared with major competitors our company's average sales growth rate is superior					

5	Compared with major competitors our company's customers are more satisfied					
6	Compared with major competitors our company's new product success rate is superior					

PART THREE: OTHER QUESTIONS RELATED TO NETWORKING

3.1 EXTENT OF RELATIONSHIP (STRENGTH OF RELATIONSHIP) WITH NETWORKING TYPES

In this section, please indicate your agreement or disagreement about extent of relationship (strength of relationship) you have with the following networking types for the past two years by putting a tick mark () in the appropriate box.

Measurement codes:

Where; 1= Not at all,

3=Neutral

2= To some extent

4= To moderate extent

5= At a great extent

Type of Networking	Scales				
	1	2	3	4	5
A. Financial Institutions					
1. Commercial bank of Ethiopia					
2. Saving and credit institutions					
3. Other private banks					
4. Micro finance institutions					
B) Governmental Supporting Agency					
1. Federal micro and small enterprise development agency					

2.Industry minister					
3.Trade minister					
4.Urban construction and development minister					
5.Regional and Addis Ababa micro and small enterprise bureau					
6.Ethiopian kaizen institute					
C. Trade linkage					
1.Ethiopian women’s export association					
2.regional and Addis Ababa chamber of commerce					
D. Business connection					
1. Customers					
2. Raw material suppliers					
3. Sub-contracting relationship with large firms					
4. Relationship with similar enterprises operating in the same sector.					
E. Knowledge Institutions					
1. University or college research institute					
2. Technical and vocational training agencies and schools					
3.Media organization					

3.2 RESOURCE ACQUISITION CAPABILITY OF THE NETWORK

In this section, please indicate your agreement or disagreement about the resource acquisition capability of the network you have entered for the past two years by putting a tick mark (☑) in the appropriate box.

Measurement codes:

Where; 1= Strongly disagree 3= Neutral

2=Disagree

4=Agree

5= Stronglyagree.

Items for Measuring RESOURCE ACQUISITION CAPABILITY	Scales				
	1	2	3	4	5
1. We get enough tangible resources from the network					
2. We get enough intangible resources from the network					
3. Generally we get enough resources (both tangible and intangible) from the network					

3.3 QUALITY OF THE RELATIONSHIP IN THE NETWORK

In this section, please indicate your agreement or disagreement about the quality of relationship you have with different networking types for the past two years for following statements by putting a tick mark () in the appropriate box.

Measurement codes:

Where; 1= Strongly disagree 3= Neutral

2=Disagree

4=Agree

5= Stronglyagree.

	Items for Measuring Quality	Scales				
		1	2	3	4	5
1	When our company has technical exchange with suppliers/customers/other institutions both parties do not harm each other.					

2	When our company has technical exchange with suppliers/customers/other institutions both parties do not take advantages of the other even if opportunities to do so arise.					
3	When our company has technical/business knowledge exchanges and collaboration with other companies, we sometimes suspect the accuracy of the information these companies provide					

3.4 ABSORPTIVE CAPACITY OF THE BUSINESS

In this section, please indicate your agreement or disagreement about the absorptive capacity of your business for the past two years for following statements by putting a tick mark (☐) in the appropriate box

Measurement codes:

Where; 1=Stronglydisagree 3= Neutral

2=Disagree 4=Agree 5= Stronglyagree.

Items for Measuring Absorptive Capacity of the Business						
		1	2	3	4	5
1	Compared with major competitors, our company has internal resource advantage					
2	Compared with major competitors, our company can accurately evaluate technology related knowledge that is acquired externally					
3	Compared with major competitors, our company has a greater ability to adjust pricing based on market condition.					
4	Compared with major competitors, our company can more easily obtain market information from our customers.					

5	Compared with major competitors, our company has a greater ability to modify and use externally acquired knowledge.					
6	Compared with major competitors, our company can quickly recognize changes in the market and industry.					
7	Compared with major competitors, our company can more quickly obtain information on technology or market changes.					

Thank you

Belay Asefa PHONE NUMBER:0923351919belayasefa27@gmail.com

APPENDICES 3

```
. oprobit PER FIA FIS GOV BUS FIN BUC TL HEI QRN RAC PRO,robust
```

```
Iteration0: logpseudolikelihood=-93.779355
Iteration1: logpseudolikelihood=-41.015151
Iteration2: logpseudolikelihood=-37.331394
Iteration3: logpseudolikelihood=-37.206401
Iteration4: logpseudolikelihood=-37.206036
Iteration5: logpseudolikelihood=-37.206036
```

```
Ordered probit regression          Number of obs =      128
                                Waldchi2(11) =      65.00
                                Prob > chi2 =      0.0000
Log pseudolikelihood = -37.206036 Pseudo R2 =      0.6033
```

PER	Coef.	Robust Std. Err.	z	P> z	[95%Conf. Interval]
FIA	.2789374	.0849695	3.28	0.001	.1124002 .4454746
FIS	-.0222083	.0176604	-1.26	0.209	-.056822 .0124054
GOV	-.6770327	.1838333	-3.68	0.000	-1.037339 -.3167261
BUS	-.2932076	.1233745	-2.38	0.017	-.5350172 -.0513979
FIN	.3667804	.1513268	2.42	0.015	.0701853 .6633756
BUC	.075401	.1343039	0.56	0.575	-.1878298 .3386317
TL	1.996834	.3672514	5.44	0.000	1.277034 2.716633
HEI	.2540269	.1222346	2.08	0.038	.0144514 .4936024
QRN	.4571497	.115724	3.95	0.000	.2303349 .6839645
RAC	-.3721338	.1280228	-2.91	0.004	-.6230539 -.1212137
PRO	-.324576	.1346259	-2.41	0.016	-.5884378 -.0607141
/cut1	6.966979	1.947481			3.149987 10.78397
/cut2	11.56133	2.71724			6.235637 16.88702

APPENDICES 4

. mfx

Marginal effects after probit y
 = Pr(PER==0) (predict)
 = .54113815

variable	dy/dx	Std. Err.	z	P> z	[95% C.I.]	X
FIA	-.1106878	.03398	-3.26	0.001	-.177296	-.044079		11.7344
FIS	.0088127	.01112	0.79	0.428	-.012972	.030598		22.9375
GOV	.2686597	.10138	2.65	0.008	.069962	.467357		4.64063
BUS	.1163504	.06646	1.75	0.080	-.013905	.246605		3.60156
FIN	-.1455456	.06934	-2.10	0.036	-.28145	-.009642		4.48438
BUC	-.0299206	.05783	-0.52	0.605	-.143257	.083416		3.60156
TL	-.7923822	.14704	-5.39	0.000	-1.08058	-.504184		3.32031
HEI	-.1008028	.05395	-1.87	0.062	-.206534	.004928		4.10938
QRN	-.1814058	.05965	-3.04	0.002	-.29831	-.064502		3.32031
RAC	.1476699	.05585	2.64	0.008	.038204	.257135		4.65625
PRO	.128798	.05553	2.32	0.020	.019958	.237638		3.32031

APPENDICES 5

. vif

Variable	VIF	1/VIF
TL	1.94	0.516074
BUS	1.43	0.700906
BUC	1.30	0.769734
ITE	1.29	0.772821
GOV	1.26	0.794593
QRN	1.22	0.816485
RAC	1.21	0.827050
FIN	1.21	0.829802
HEI	1.18	0.849773
FIA	1.16	0.862653
FIS	1.16	0.863277
Mean VIF	1.30	