

THE IMPACT OF SOCIAL NETWORK ON BUSINESS PERFORMANCE: SPECIAL REFERENCE TO SMALL BUSINESSES IN EASTERN PROVINCE

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ABSTRACT: A social network is a powerful new tool for small business. It provides a way for customers, vendors, employees, developers and partners to meet, share ideas and learn from one another. As with a large corporation, a small business can utilize a social network to increase its customer base as well as improve customer retention. Most business people are day to day engaged with social network. But problem is most of them do not aware about social networks. In this context, understanding the formation, evolution and utilization of social networks becomes important for the business. This study builds on the foundation of knowledge-based theories that illustrate how social network help to create competitive advantage among small businesses. The study is an attempts to isolate and examine the significant relationship among the social network and the small scale business to perform as a profit making entity in the short run as well as in the long run. Most of the time social network of small business includes relatives and friends with whom the entrepreneur interacts primarily at social level. Three constructs such as social network activity, social network density, social network centrality were measured on the main variable social network and found the relationship between the social network variables and business performance. Questionnaires and interviews were used as data collection techniques in order to absorb important information from the sample which had been selected as sample from Ampara, Batticaloa and Trincomalee areas in the Eastern Province. With a sampling frame of 200 respondents as the representative sample based on simple random sampling method. Descriptive statistics correlation regression were performed mainly to test the hypotheses using SPSS (Statistical Package for Social Science) as the primary data analysis tool. The finding showed that social network had a strong positive relationship on small business performance in the Eastern Province. Social network activity and social network density are the key driver which influence on small business performances. Customer is key element of social network. Therefore, it is important to give higher attention to customer. Since attracting and retention customer is directly or indirectly affect to business performance. Communication, resource sharing, help for small-scale businessmen for survival of social network as well as their business. Policy makers and others may take this as an advantage by means of facilitation some institutional support to enhance social network which will no doubt lead to business success.

Keyword: Small Business, Social Network, Eastern Province, Business Performance

1. INTRODUCTION

A social network is a social structure made of individuals, groups, or organizations called nodes connected by one or more specific types of interdependency, such a friendship, kinship, financial exchange, any other relationships of beliefs, knowledge or prestige.

The network can be used to measure social capital, which means the value of exchange that an individual gets from the social network. The nature of small businesses in Sri Lanka are more informal. Small size business doing vital role for contribution of gross national products, employment and wealth creation in the society. The research on small size business relationship with social network is left almost untouched. Fombrum (1982) defined network as a set of nodes and the relationships that connect them. Alternatively, as (Dubini & Aldricre, 1991) put it, a network is a set of patterned relationships between indivi

duals, groups, and organizations'. Importantly, however, networks are not static: they are dynamic (Birley, Cromie, & Myers, 1990). Relationships, as Grabher (1993) reminds us, are 'continuously constructed and reconstructed during interaction'. While entrepreneurial network often becomes 'amplified' as the firm grows, entrepreneurs typically encounter difficulties in extending and sustaining appropriate relationships (Venkataraman, N., 1989). To understand networks, therefore, requires an understanding of dynamic pattern of networks.

Social networking plays a big role in the business both small and large. Social Network is a way of gathering supports and credibility before the venture develops a track record and before the owner develops strong, professional links.

In small businesses the use of social networking allows them to build up their contact base by advertising through social networks which allow the consumers to receive e-mails, discuss experiences with non-consumers to bring in more clientele for the small business owners. Therefore they can bring the company to a larger size and also can build the revenue. In rural areas, they use social networking as a communication tool. Through the social network, self-employers seek advice, initial capital and moral support from their relatives, friends and former co-workers. According to social network, when entrepreneurs need some support from formal organizations, first they look for friends or relatives who are familiar to those organizations.

Social network are not static. They are constantly changing and evolving and effect to the organizational growth. The entrepreneur needs to reshape in order to improve its efficiency and effectiveness. Thus, the research problem focused in this study is **"How do small-scale business owners pay attention about social networks for their businesses development?"**

Previous researches had shown that social networks operate on many levels, from families up to the level of nations and play a role in determining the way problems are resolved, or organizations are run and the degree to which individuals succeed in achieving their goals. Apart from that, in this research, aim to study the role of social network for development of small business. Many people have not enough knowledge of social network or have negative feelings about networking. Because they think it invades the privacy of others or uses of friends, relatives or business relations in an improper way.

Social network analysis developed with the kinship studies of Elizabeth (1950) in England and the 1950s-1960s urbanization studies of the University of Manchester group of anthropologists investigating community networks in southern Africa, India and the United Kingdom. In the 1960s-1970s, a growing number of scholars worked to combine the different tracks and traditions. Charles Tilly (1960) who focused on networks in political sociology and Stanley Milgram (1964) who developed the "six degrees of separation" thesis.

With increasing popularity, importance of social networking is also rise. Recently most employers use social networks for development their business. Companies have found that social networking sites such as Facebook and Twitter are great ways to build their brand image. Employers use social media to create brand awareness, as an online reputation management tool, for recruiting, to learn about new technologies and competitors. Social networks are also being used by teachers and students as a communication tool.

Social networks connect people at low cost; this can be beneficial for entrepreneurs and small businesses looking to expand their contact bases. These networks often act as a custo

mer relationship management tool for companies selling products and services. That is, more people brings more interactions. Companies can also use social networks for advertising in the form of banners and text ads. Since businesses operate globally, social networks can make it easier to keep in touch with contacts around the world.

Theoretically social actors play little role in develop business. But in practically the doing major and important role for development of business. In Sri Lanka, self-employers are often looking for support from their relatives and friends rather than from formal organization. (Premarathna 2008). The research problem focused here is role of network in small business growth and how small-scale business owners given attention for the social network. In Sri Lankan context, we can see small businesses not growing with time and experience. (Central Bank 2014) In this research researcher try to find suitable answers for impact social network in small-scale business development.

Based on the research problem, the findings of past researches and through literature reviews, formally, this research attempt to find answers to:
“Is there any relationship between social network connection and business performance?”

Objectives of the study

The main objective of this study is to assess the relationship between social network and business performance in small business.

Hence, the specific objectives are;

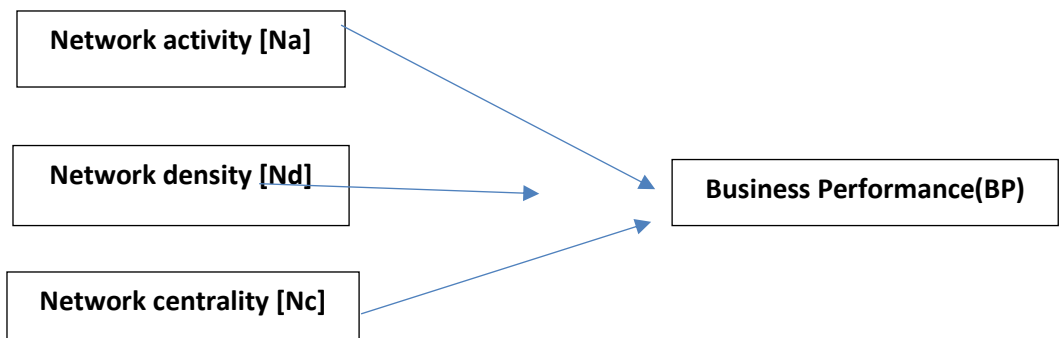
- To assess the relationship between social network activity and performance of the small-scale business.
- To assess the relationship between social network density and performance of the small-scale business.
- To assess the relationship between social network centrality and performance of the small-scale business.

This study attempted to identify the relationship between social networks and business expansion and assess the level of business performance. Findings of this study enable small businesses to make suitable alterations or take correct action when they going to expand their business, which will assist them to future success.

2. METHODOLOGY

The study was a analytical survey design for data collection. The study focused on 200 small businesses in Eastern Province based on convenience sampling technique. Data were gathered through a questionnaire, which contains 23 questions. Furthermore, unstructured in-depth interviews have been conducted with 20 respondents; in order to gather relevant qualitative data to strengthen the findings.

According to the Surin and Wahab (2013), they identified three indicators of social network. The theoretical framework for the study is proposed to test the above model in Sri Lankan context which is as follows;



The following equation was developed to test the model.

$$BP = \beta_0 + \beta_1 Na + \beta_2 Nd + \beta_3 Nc + e_i$$

The following hypotheses were derived from the theoretical model;

H1: Social network activity has an impact on BP

H2: Social network density has an impact on BP

H3: Social network centrality has an impact on BP

Social network activity can be operationalized as interrelated activities between businesses and social networks. Because of stronger social network activities, entrepreneur can collect most useful information. **Social network density** can be defined as parties that are connected and know each other in the network of the business or the number of linkages of a business.

Social network centrality refers to the position of the business in the group from which the flow of information is spread.

3. DISCUSSION AND FINDINGS

3.1 Analysis of Demographic Factors

In the following Table

1, basic demographic of the respondents, including gender, age and monthly income level were analyzed.

Table 1: Demographic Information

	Category	Frequency	Percentage %
Gender	Female	129	64.5%
	Male	71	35.5%
Age	Below 30 Years	45	22.5%
	Between 30 - 40	66	33%
	Between 40 - 50	53	26.5%
	Over 50 years	36	18%
Income	Below 20000 Rs	21	10.5%
	20000-50000	47	23.5%
	50000-200000	51	25.5%
	200000-1000000	67	33.5%
	Above 1000000	14	7%

(Source: Survey Data)

This gender analysis, mainly represents ownership of small business. This research sample contains 64.5% (129) male respondents and 35.5% (71) of female respondents who own Small Scale Businesses in Eastern Province. In the age distribution, 22.5% (45) of the sample respondents are in the age below 30 years. Apart from that, 33% (66) of the respondents are in the age between 30-40 years, 26.5% (53) of respondents are in the age between 40-50 and 18% (36) of respondents are over 50 years. 0.5% (21) of the sample are earning their monthly business income below Rs. 20,000. 23.5% (47) of sample respondents are earning monthly business income between Rs. 20,000-50,000. 25.5% (51) respondents (25.5%) are earning their monthly business income between Rs. 50,000-200,000. 33.5% (67) of the sample are earning their monthly business income between Rs. 200,000-1,000,000. 0.7% (14) of sample respondents are earning monthly business income above Rs. 1,000,000.

3.2 Reliability Test

Constructed questionnaire's reliability was tested using Cronbach's alpha reliability test and for that sample of 200 respondents was used. According to above results, Cronbach's alpha value indicated that the internal reliability and validity of questionnaire was good since that value is greater than 0.7. Table 2 shows the reliability scale for all four variables.

Social network activity alpha value is 0.767, Social network density alpha value is 0.73, and Social network centrality alpha value is 0.759. Dependent variable (Business performance) alpha value is 0.612. The entire items alpha values more than 0.7 and very close to 0.7. Therefore, the questionnaire was a good measure to test the constructs..

3.3 Descriptive Statistic Analysis

Descriptive statistical techniques consider as a method for analyzing data on a single variable at a time. In descriptive statistical techniques, researcher utilized the descriptive analysis such as mean and standard deviation to identify, describe and summarize the behavior of the variables and what are the factors. In addition, five-point like scale method was supported to convert qualitative data into quantitative data. Under the descriptive statistical techniques data were evaluated by using following table 4.5 gives descriptive statistics for two hundred (200) respondents.

Table 2 Descriptive Statistics

Variable	Mean	SD
Network activity	3.6150	0.7715
Network density	3.4190	0.7522
Network centrality	3.3770	0.5524
Business Performance	3.8962	0.5803

According to the table 3, "mean" of four input variables fall under the range of 2.5 < x < 5. This illustrates Business performance of all the respondents almost considered with the existing situation of Social network activity, Social network density and Social network centrality in when their Business performance. Mean value and standard deviation of Social network activity by the small businesses were 3.6150 and 0.7715 respectively. Social network density variable, mean and the standard deviation were 3.4190 and 0.7522 respectively. For the Social network centrality variable, mean and standard deviation were 3.3770 (SD=0.5524) Mean value for business performance was 3.8962 with the Standard deviation

of 0.5803. It could be identified that almost social network activity, social network density, social network centrality and business performance are at moderate agreement to the statements.

3.4 Correlation Analysis

The purpose of a correlation analysis was to quantify the strength of the association or relationship between the independent variable and dependent variable. Table 4 shows the correlation between Social network and Business performance

Table 2. Correlation

Independent Variable	Business Performance
Social network activity	0.567
Social network density	0.309
Social network centrality	0.452

(Source: Survey data)

There was a moderate positive relationship between network activity and business performance since the r value is 0.567 where p-value is 0.000. And the correlation between Social network density and business performance was 0.309 which implies that there was a moderate positive relationship between social network density and the business performance. Further the correlation between social network centrality and business performance was 0.452 which implies the moderate positive relationship between social network centrality and business performance.

3.5 Multiple Regression Analysis

Correlation investigated the relationship between key research variables. Multiple linear regression was employed to examine the effects of independent variables on a dependent variable. According to regression analysis, business performance was entered as dependent variable and social network activity, social network density and social network centrality was entered as predictors. The results of regression analysis are reproduced in following tables.

Table 3. coefficient

Model	Unstandardized Coefficient		Standardized coefficient	t	Sig.
	Beta	Std. Error	Beta		
1 (Constant)	1.353	.156		8.685	0.000
Social network activity	.289	.031	.384	9.263	0.000
Social network density	.528	.034	.684	15.560	0.000
Social network centrality	-.090	.046	-.086	-1.940	0.057

(Source: Survey data)

According to the regression analysis, R^2 is 0.710 which indicates 71% of the variance in the business performance is explained by the social network variables. The F value is 159.98 where P-value is 0.000 indicates at least of the three variable such as network activity, network density, network centrality influence on the Business performance. Hence, the model equation can be derived as follows from the coefficient table

$$BP = 1.353 + 0.289(Na) + 0.528(Nd) - 0.90(Nc)$$

For every increase in network activity, the business performance is supposed to increase by 0.289 where as other variables are constant. Likewise, for every increase in network density, the business performance is supposed to increase by 0.528 where as other variables are constant. Since the P-value denoted by 'Sig' is 0.000 for both above variables those are the significant predictors of the dependent variable business performance where as the p-value for social network centrality is 0.057 which is higher than 0.05, this become insignificant as a predictor of dependent variable.

Discussion of Hypotheses

According to the research model there were three hypotheses proposed.

H1: The social network activity has an impact on firms' business performance.

The regression coefficient of network activity indicates that it has a positive impact on business performance for small businesses. $\beta = 0.289$, Significant value 0.000. This result is less than 0.05 and can be accepted hypothesis H1.

H2: The social network density, direct effect on firms' business performance.

The regression coefficient of network density indicates that it has a positive impact on business performance for small businesses. $\beta = 0.582$, Significant value 0.000 this result less than 0.05 further accepted hypothesis H2.

H3: The social network centrality, direct effect on firms' business performance.

The regression coefficient of network centrality indicates that it has no impact on business performance for small businesses. $\beta = -0.086$, Significant value 0.057 this result greater than 0.05 H3 has not been accepted hypothesis.

CONCLUSION

The main objective of this research study was to study whether the social network effects on performance of small scale businesses. In Sri Lanka, at present, small scale businesses represent perhaps the best alternative for economic growth. Economic benefits attributed to small-scale businesses are many. According to the findings of the survey, small business holders engaged more with social networks.

Social network scholarship has much to say and to do about the development and future of social capital. Without anchoring the concept in social network and embedded resources, chances are that social capital could fade away as an intellectual enterprise (Lin, N, 1999). In contrast, entrepreneurs with smaller enterprises tend to maintain solidarity networks that are small, homogeneous, cohesive and best suited to reducing information asymmetries and thus supporting informal credit and risk-sharing arrangements. While these solidarity networks may have a marginal effect on enterprise productivity, it is the more far-reaching, innovation networks that have a large and significant impact. It is not only the overall effect of networking that varies, the nature and relative importance of the private and spillover effects also depend on the role and consequent structure of the network. (Barr, A.M, 1998)

According to this

research analysis, correlation analysis reveals that relationship between social network activities, social network density and social network centrality. Correlation result shows that, all variables were significant relationship with business performances. According to the regression analysis social network activity and social network density are in significant level. But, social network centrality were not significant level. In the regression analysis, R^2 is 0.710 which indicates 71% of the variance in the business performance is explained by the social network variables and 29% of the variation in business performance is not explained in this research. Future research may attempt to find further variables that will influence on business performance increasing the sample island wide.

The small-

scale business should aim to develop and to strengthen the social networks. Moreover, the st

renghening of the social networks will help the small-scale businessto develop their business performance. It is important for small-scale business holdersto build successful social network at starting point of the business.

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