Journal of Strategic Management

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ISSN: 2616-8472

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 8||Issue 1||Page 96-110 ||March||2024|
Email: info@stratfordjournals.org ISSN: 2616-8472

Effects of Structural Dimension of Business Networking on Organizational Efficacy among Small and Medium Enterprises in Nairobi Kenya

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***How to cite this article*: Sum D. C., Cheruiyot T., & Korir M. (2024). Effects of Structural Dimension of Business Networking on Organizational Efficacy among Small and Medium Enterprises in Nairobi Kenya. *Journal of Strategic Management. Vol* 8(1) pp. 96-110** https://doi.org/10.53819/81018102t2365

Abstract

Despite being recognized as the backbone of the country's Kenya's economy, many Kenyan SMEs face significant challenges, key among them being long term viability. This study investigated the effects of structural dimension of business networking on organizational efficacy among small and medium enterprises in Nairobi Kenya. The study was informed by the Network Theory. This study utilized Positivist philosophy. The research utilized explanatory research design. The research design collected quantitative data. The study utilized deductive reasoning when conducting the research. The study area was Nairobi City County. The target population for the study was 4,896 SMEs in the manufacturing industry, registered and licensed to operate in Nairobi City County in the year 2022. The population was classified as Small – 3,307, and Medium – 1,589. The unit of observation and the respondents were the owners/managers of the SMEs in Nairobi, Kenya. Because of the large population of the target group, the study employed Multistage Area Sampling technique in selecting the respondents using Makadara Sub-county. After clustering, simple random sampling was utilized to derive the units. A sample size determination, a sample size of 369 was realized. The research purely relied on primary data that was collected using a questionnaire. Correlation results indicated that structural dimension was positively and significantly associated to organizational efficacy ($r=0.704$, $p=0.00<0.05$). Regression coefficients revealed that there was a positive and significant relationship between structural dimension and organizational efficacy ($\beta=0.414$, $p=0.000$). This was supported by a calculated t-statistic of 6.076 that is larger than the critical t-statistic of 1.96. The study concludes that the structural dimension of business networking has a significant effect on organizational efficacy among SMEs in Nairobi, Kenya. The study recommends that small and medium enterprises in Nairobi, Kenya, prioritize the development and strengthening of their business networks' structural dimensions. This includes fostering robust connections, enhancing communication channels, and establishing well-defined roles and relationships within the network. Emphasizing these structural aspects can significantly boost organizational efficacy.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Strategic Management
Volume 8||Issue 1||Page 96-110 ||March||2024|
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Keywords; *Structural Dimension, Business Networking, Organizational Efficacy, Small and Medium Enterprises*

1.1 Introduction

Organizational efficacy is the concept of how effective an organization is in achieving the outcomes the organization intends to produce. Organizational effectiveness is critical to success in any economy (Pan & Hsiang, 2018). Organizational effectiveness entails the ability of the organization to meet its set goals and objectives given the resources at its disposal (Günzel-Jensen, Jain & Kjeldsen, 2018). According to Shin and Choi (2015), organizational efficacy involves a generative capacity within an organization to cope effectively with the demands, challenges, stressors, and opportunities it encounters within the business environment. They further define organizational efficacy as a sense of persistence, a sense of can do that permeates the workplace.

Jacobsen and Andersen (2017) describes an organization as a consciously coordinated social entity, with a relatively identifiable boundary, that functions on a relatively continuous basis to achieve a common goal or set of goals. This definition reiterates the importance of people working together, dividing labor amongst them, and working within clearly defined boundaries to achieve goals. The concept of organizational efficacy therefore cannot be underestimated in addressing those factors that make organizations succeed in their business endeavors. For any organization to succeed, its efficiency must be in tandem with the set goals of the organization (Yilmaz, 2016). Organizations therefore need to critically analyze those contextual factors that could be militating against free flow of information, employee motivation, and team work.

The structural dimension of business networking refers to the tangible and formal configuration of relationships and connections that these enterprises establish and maintain (World Bank, 2017). This includes the network's size, the diversity of contacts, the frequency and types of interactions, and the formal roles and hierarchies within the network (Sigué & Biboum, 2019). For SMEs, this structural dimension is crucial as it determines how information flows, how resources are shared, and how support systems are formed. A well-structured network can provide SMEs with access to new markets, insights into industry trends, opportunities for collaboration, and vital resources that might otherwise be inaccessible. The strength and efficacy of these networks often directly influence the SMEs' capacity to innovate, compete, and grow in their respective markets (Obeidat, Abdallah, and Tarhini, 2019).

There has been a paradigm shift from the one man show whereby corporations single handedly determined the success of their firms, as Macintosh and Krush (2017) states, "Strategic alliances have shifted the fundamental competitive paradigm in many domestic and international markets from traditional firm-to-firm competition to more alliance-based, network-vs.-network competition". The basic proposition in the network approach to strategic management is that by linking firm-addressable resources, capabilities and competencies in a network of co-operating companies, all companies in the network may increase their strategic flexibility to quickly configure new resource constellations to serve rapidly changing market opportunities (Gloor, Woerner, Schoder, Fischbach & Colladon, 2018).

The term "Small and Medium Enterprises" encompasses a broad spectrum of definitions, and the definition varies from country to country (Corporation & Enterprises, 2011). For example, the Inter-American Development Bank defines SMEs as having a maximum of 100 employees and less than $3 million in revenue (Corporation & Enterprises, 2011). In Europe, they are defined as having manpower fewer than 250 employees and United States define them with employees less

than 500 (Natarajan & Wyrick, 2011). As general guidelines, the World Bank defines SMEs as those enterprises with a maximum of 300 employees, $15 million in annual revenue, and $15 million in assets.

Small and Medium Enterprises (SMEs) are being heralded as the engine of economic growth, the incubator of innovation, and the solution to decades of persistent unemployment (Hillary, 2017). In 2016, the World Bank Group approved roughly $ 5.5 billion in support of Micro, Small and Medium Enterprises (World Bank, 2017). The small-firm sector plays a significant role in the world economy (Walsh, Lipinski & Walsh, 2012). Worldwide, SMEs account for 90% to 95% of the businesses and generate between 60% and 90% of job opportunities in most countries (OECD, 2018). SMEs are generally known for their labor intensive activities and also for their use of local resources, and therefore support for SMEs is a common theme because it is recognized that SMEs contribute to the national and international economic growth (Corporation & Enterprises, 2011).

In Africa, Small and medium-sized enterprises (SMEs) are increasingly being recognized as productive drivers of economic growth and development for African countries (Gatt, 2010). For instance, it is estimated that SMEs account for 70% of Ghana's gross domestic product (GDP) and 92% of its businesses (Ogunyomi & Bruning, 2016). He further states that SMEs make up 91% of formalized businesses in South Africa and 70% of the manufacturing sector in Nigeria. In Kenya, The Kenya's Economic Survey 2017 released by the Ministry of Devolution and planning, indicated that the informal sector, which constitutes 89.7% of total employment, created an additional 591,400 jobs in 2016. The Economic Survey (RoK, 2018) indicates that the SME sector contributed 79.8% of new jobs created in the year 2016 in Kenya. Job creation in this sector went up by 5.1 percent in 2016.

1.2 Statement of the Problem

Despite being recognized as the backbone of the country's Kenya's economy, many Kenyan SMEs face significant challenges, key among them being long term viability. In Kenya, and most of the developing countries, most SMEs collapse before they reach maturity as indicated by the Government of Kenya (2015), that SMEs have high mortality rates with most of them not surviving to see beyond their third anniversaries. Given the perceived importance of SMEs to the economy and to employment, it has been seen as in the interest of the state to facilitate supportive networks (Storey *et al.*, 2018) However, research illustrated that industry competition or rivalry militates against strategic alliances options. Bucktowar, Kocak and Padachi (2015) puts it "A key finding is that the presence of competition between joint venture partners outside of the agreement significantly impairs chances for the operation's chance of survival".

A number of scholars have contributed immense information on the performance of SMEs globally. Studies previously done on SMEs, focused on financial constraints facing SMEs as Kiyai, Namusonge and Jagongo (2019) and Omondi (2018) posit that lack of access to financial services is one of the main problems facing MSEs in Kenya, marketing in SMEs and its role as a driver of competitive advantage, strategic alliances, relationship between distribution channel(s) activities innovation and firm performance among SMEs. However, the reason why SMEs fail to exploit their full potential still remains a big challenge. The study therefore intends to further investigate the challenges faced by SMEs by filling the gap left by different scholars.

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Journal of Strategic Management
Volume 8||Issue 1||Page 96-110 ||March||2024|
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1.3 Objective of the Study

To investigate the effects of structural dimension of business networking on organizational efficacy among small and medium enterprises in Nairobi Kenya.

1.4 Research Hypotheses

H_{o1}: Structural dimension of business networks has no significant effect on organizational efficacy among small and medium enterprises in Nairobi Kenya.

2.1 Literature review

2.1.1 Network Theory

The network theory was proposed by Borgatti in 1998. The Network theory is a framework that is used to analyze and understand the relationships and connections between actors within a system or network. In the context of business, network theory can be applied to understand the structure and dynamics of business networks and the ways in which they impact organizational performance and outcomes. Network theory entails to the mechanisms and processes that interact with network structures to yield certain outcomes for individuals and groups (Borgatti & Halgin, 2011). Brass (2012) suggest that network theory is about the consequences of network variables, such as having many ties or being centrally located. Some of the key concepts and frameworks developed by Borgatti include:

Centrality measures: Centrality measures are used to identify the most important or influential actors in a network based on their connections to other actors. Borgatti has developed several centrality measures, including degree centrality, betweenness centrality, and eigenvector centrality.

Network ties: Borgatti has proposed a typology of network ties based on the strength and duration of the relationships between actors. Strong ties are close, long-term relationships, while weak ties are more casual or fleeting connections.

Network brokerage: Network brokerage refers to the ability of an actor to connect different groups or sub-networks within a larger network. Borgatti has argued that actors who act as brokers can play a critical role in facilitating information flow and innovation within a network.

Network cohesion: Cohesion refers to the degree to which actors within a network are connected to one another. Borgatti has developed a number of measures to assess the cohesion of networks, including density, transitivity, and cliquishness.

In addition, Sigué and Biboum (2019) distinguished three network layers in a business network, i.e. a production network layer, a resource network layer, and a social network layer. They suggest that the three layers affect each other in complex ways.

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Table 1: A relationship matrix of relational concepts on the three network layers

Network Layer	Dimensions		
	Structural	**Economic**	**Social**
Production Network Layer	Links connections	Investment Bonds	Connections Bonds
Resource Network Layer	Ties Connections	Investment	Connections Bonds
Social Network Layer	Links Connections	Investment	Atmosphere Bonds Trust Commitment

Source: (Sigué & Biboum, 2019)

Table 1 shows three embedded network layers in a business network and reflects different types of actors in a business network. The connected firm actors in a business network engaged in production activities constitutes the production network layer of the business network (Sigué & Biboum, 2019).

Critical to this are the key suppliers and lead customers that make up the production network in which the firm operates. Key suppliers are those firms that offer critical inputs to the firm and who would degrade the firm's competitiveness if they allowed their own quality or efficiency to degrade. Lead customers are typically dominant in their own industries and have above average levels of competitiveness. They assist the firm to benchmark its quality to the highest levels, and consistently drive up performance standards. Due to the dominance they have in their own industry, lead customers offer firms access to new markets and increased sales (Mazzarol, 2014)

Resource actors provide important resources which are necessary for carrying out the production activities which the firm actors do not possess themselves. The resources may be financial resources, technological and marketing know-how, etc. These actors may, for instance, be consultants, banks, insurance companies, or forwarding agents (Sigué & Biboum, 2019).

The social network layer consists of the web of actors on the individual level, and reflects how people and groups of people in the different firms in a business network are interconnected. Individuals and groups are important carriers and providers of knowledge; they act as representatives of their firms and they make vital decisions (Sigué & Biboum, 2019).

The network theory is relevant as it provides valuable insights into the structure and dynamics of business networks (structural dimension) and can help Small and Medium Enterprises identify strategies for maximizing the benefits and minimizing the costs of being part of a network.

2.1.2 Structural Dimension and Organizational Efficacy

The study by Gitonga (2017) examined the effect of organizational structure dimension on the efficacy of strategy in small and medium enterprises. The study adopted a descriptive research design was used to conduct the study and help solicit information organizational factors that affect SMEs. The study target population was the employees of various SMEs located within the CBD. The study established that organizational structure dimension has appositive effect on the organizational efficacy. The study posited that when a structure is in place, it encourages employee

participation within the process and thereby making implementation relatively smooth. A clear structure was also seen to enhance responsibility and roles distribution effectively during strategy implementation by virtue of all employees knowing exactly what responsibility lies of their shoulders. The study concluded that there is a strong alignment between aspects of structure, with changing organization needs that in turn provide direction and promote organizational efficacy. There is need therefore to be more involved to ensure a successful match between the organizations capability and strategy coupled with the right spirit and vision to inspire the followers and enhance effectiveness.

Furthermore, Udayanga (2020) examined the effect of organizational structure dimension on efficacy of Small and Medium Enterprises in Sri Lanka. The study examined the impact with respect to the different theories, models and approaches. A structured survey questionnaire was used to collect data from a sample of 383 Small and Medium Enterprise holders. On collecting empirical survey data within the Sri Lankan Small and Medium Scale industry, a structural equation modelling was done to evaluate the measures and test the hypotheses formed on the impact of the main two constructs. Organization structure dimension was represented by seven dimensions to study the impact and the findings denoted that only five dimensions namely specialization, departmentalization, span of management, hierarchy, delegation were positively linked to business performance: formalization and coordination have insignificant impact on business performance. Therefore, a statistically significant impact was shown by the five dimensions of the organizational structure on organizational efficacy of small and medium enterprises while statistically insignificant effect was illustrated by the dimensions of formalization and coordination.

Similarly, Božinović (2020) conducted a literature review study on the effects of organizational structure dimension on organizational efficacy in SMEs. The study used a desktop review methodology where journals were used to derive findings. The study established that organizational structure dimensions are viewed as an activity management and is well positioned to enable efficient business enterprise. The structure is a dynamic element of the organization and makes it a unique set of all parts of the enterprise. It incorporates the use of all available resources in the enterprise. Because of its importance in achieving the manager's goals and business, purpose of this paper is to investigate the effects of organizational structure on the effectiveness of managers in the company. The research results show that less formal organization structure has a greater impact on the effectiveness of managers. An effective manager skill in such organizational structure becomes a key success factor in the SMEs.

One study by Zehir et al. (2015) investigated the relationship between structural dimensions (i.e., centralization, formalization, complexity, and size) and organizational efficacy in Turkish SMEs. The study used a cross-sectional survey design and collected data from 347 SMEs. The findings revealed that centralization and complexity were negatively related to organizational efficacy, while formalization and size were positively related. The study also found that formalization was a significant mediator between centralization, complexity, size, and organizational efficacy.

In addition, Kalkan et al. (2020) examined the relationship between structural dimensions and organizational efficacy in Turkish manufacturing SMEs. The study used a cross-sectional survey design and collected data from 301 SMEs. The findings revealed that centralization, formalization, and size were positively related to organizational efficacy, while complexity was negatively related. The study also found that the relationship between structural dimensions and

organizational efficacy was moderated by external environmental factors such as market turbulence and competition.

Similarly, Abugre and Ahenkan (2021) investigated the relationship between organizational efficacy and structural dimensions in SMEs in Ghana. The study used a cross-sectional survey design and collected data from 212 SMEs. The findings revealed that centralization, formalization, and size were positively related to organizational efficacy, while complexity was negatively related. The study also found that the relationship between organizational efficacy and structural dimensions was stronger in SMEs that had higher levels of human capital and financial capital.

The study by Rizk et al. (2019) examined the relationship between structural dimensions and organizational efficacy in Egyptian SMEs. The study used a cross-sectional survey design and collected data from 320 SMEs. The findings revealed that centralization, formalization, and size were positively related to organizational efficacy, while complexity was negatively related. The study also found that the relationship between structural dimensions and organizational efficacy was moderated by internal environmental factors such as managerial capabilities and resources.

Furthermore, Nahapiet and Ghoshal (2018) examined the impact of social capital on the performance of SMEs. The researchers used a survey questionnaire to collect data from 140 SMEs in the UK. They found that social capital, measured by the density of ties among individuals and the quality of the relationships, had a positive impact on the performance of SMEs.

Similarly, Di Benedetto and De Nito (2012) investigated the relationship between organizational structure and innovation in SMEs. The researchers used a survey questionnaire to collect data from 100 SMEs in Italy. They found that a flexible organizational structure, characterized by decentralized decision-making, cross-functional teams, and informal communication, was positively associated with innovation in SMEs. De Sisto et al. (2013) explored the influence of organizational culture on the innovation capability of SMEs. The researchers used a survey questionnaire to collect data from 121 SMEs in Italy. They found that a strong culture of innovation, characterized by a willingness to take risks, openness to new ideas, and commitment to learning, was positively associated with innovation capability in SMEs.

Furthermore, Liao et al. (2016) investigated the relationship between organizational structure and organizational agility in SMEs. The researchers used a survey questionnaire to collect data from 128 SMEs in Taiwan. They found that a flexible organizational structure, characterized by a flat hierarchy, cross-functional teams, and decentralized decision-making, was positively associated with organizational agility in SMEs.

Similarly, Azizi and Mohammadi (2017) examined the relationship between organizational structure and performance in SMEs. The researchers used a survey questionnaire to collect data from 160 SMEs in Iran. They found that a formal organizational structure, characterized by standardized procedures, clear job descriptions, and centralized decision-making, was positively associated with performance in SMEs.

The study by Pérez-Luño et al. (2020) investigated the relationship between organizational structure and sustainability in SMEs. The researchers used a survey questionnaire to collect data from 209 SMEs in Spain. They found that a flat and decentralized organizational structure, characterized by a participatory management style and a focus on stakeholder engagement, was positively associated with sustainability in SMEs.

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Similarly, Obeidat, Abdallah, and Tarhini (2019) study used a survey questionnaire to collect data from 197 SMEs in Jordan. The researchers used regression analysis to test the relationship between organizational structure dimensions and organizational efficacy. The study found a significant positive relationship between centralization, formalization, complexity, and organizational efficacy. However, the study also found a negative relationship between decentralization and organizational efficacy.

Furthermore, Narver, Slater, and Tietje (2015) study used a survey questionnaire to collect data from 127 SMEs in the United States. The researchers used structural equation modeling to test the relationship between organizational structure dimensions and organizational effectiveness. The study found a positive relationship between formalization and organizational effectiveness. However, the study did not find a significant relationship between centralization and organizational effectiveness.

The study by Păunescu, Fotea, and Cuzdriorean (2019) study used a survey questionnaire to collect data from 152 SMEs in Romania. The researchers used regression analysis to test the relationship between organizational structure dimensions and organizational performance. The study found a positive relationship between centralization and organizational performance. However, the study did not find a significant relationship between formalization and organizational performance.

2.2 Conceptual Framework

The conceptual framework is guided by the relationship between structural dimension and organizational efficacy. The aspects of structural dimension include links, ties, connections, and institutions.

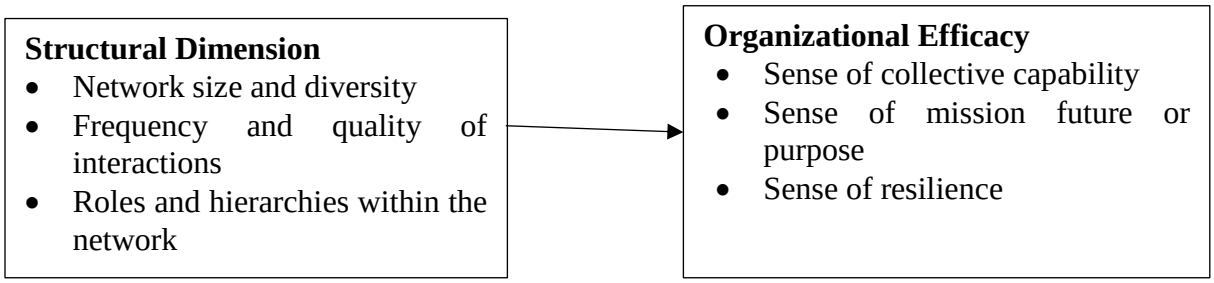

Figure 1: Conceptual Framework

3.1 Research Methodology

This study utilized the key concepts of philosophical science which include ontology, epistemology, methodology, methods, and paradigm. This study utilized Positivist philosophy. This philosophy reveals that knowledge is based on facts and that no abstractions or subjective status of individuals are considered (Singh, 2015). The reason for the use of this approach is that Positivism emphasizes the importance of objective and empirical data collection and analysis. This study dealt with quantifiable variables like structural dimension and organizational efficacy indicators. A positivist approach ensures that the research is grounded in observable and measurable data, enhancing the credibility and reliability of the findings. The research utilized explanatory research design. The research design collected quantitative data. The study utilized deductive reasoning when conducting the research.

The study area was Nairobi City County. The target population for the study was 4,896 Small and Medium Enterprises (SMEs) in the manufacturing industry, registered and licensed to operate in

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Nairobi City County in the year 2022 (Nairobi City County Report, 2021). The population was classified as Small – 3,307, and Medium – 1,589. The unit of observation and the respondents were the owners/managers of the SMEs in Nairobi, Kenya. Because of the large population of the target group, the study employed Multistage Area Sampling technique in selecting the respondents using Makadara Sub-county. After clustering, simple random sampling was utilized to derive the units. Using Yamane (1967) formula for sample size determination, a sample size of 369 was realized. The research purely relied on primary data that was collected using a questionnaire.

Hypotheses was tested using a linear regression model.

$Y = \alpha + \beta_1 X_1 + \varepsilon$

Where Y represents Organizational Efficacy, α and β represents regression coefficients and ε represents the residuals while X_1 represent the independent variables of the study.

X_1 = Structural Dimension of Business Networking independent variable

4.1 Results and Findings

The researcher administered 369 questionnaires to concentrate on SMEs that registered and licensed to operate in Nairobi City County. The findings of response rate presented in table 4.1 indicate that 321 questionnaires were completely filled, which is 86.99% response rate. Lynn, Roel, Johanna and Martin (2010) content that when 50% of sampled target population participate in a study, it is a satisfactory representation. On the same note, Kothari (2006) contends that a response rate of 70% is appropriate for data analysis. Therefore, the response rate in this study was a sufficient representation of the target population that can be reliable for data analysis.

4.2 Descriptive statistics for Structural Dimension

On a six-point Likert scale, participants were asked to rate their degree of agreement with statements describing Structural Dimension. Descriptive statistics in table 4.4indicate that majority statements had a minimum of 1 and 2 with a maximum of 6. The study findings demonstrated that respondents generally agreed with all statements concerning Structural Dimension since the mean was approximately 5 for all items and the standard deviation ranged between 0.72 and 1.05.

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Table 2: Descriptive statistics for Structural Dimension

Item	Min	Max	Mean	S. D	Skewness	Kurtosis
We interact with the customers of our business partners	2	6	4.72	0.95	0.04	-0.65
We work closely with organizations who have business relationships with our lead customers to stimulate demand	1	6	5.00	0.72	-0.21	-0.51
We often approach the customers of our competitors when it is appropriate.	1	6	5.11	0.86	-0.67	0.68
Having good relationship with both suppliers and customers has enabled us to adapt to changes in the market.	1	6	5.72	0.87	-0.10	0.08
We continuously look forward to working with new partners who may bring new opportunities	2	6	4.97	0.72	-0.48	0.60
We use agents or representatives to penetrate a new market by utilizing their network of relationships.	2	6	5.19	0.91	-0.82	-0.25
We have well established connections with key suppliers	1	6	5.75	0.86	0.12	-1.02
We have been in a strong working relationship with key partners for more than five years.	1	6	4.95	0.87	-0.81	1.86
We have been in a strong working relationship with key partners for less than five years.	1	6	4.94	1.05	-1.08	1.66

Source: *Research Data (2023)*

4.3 Correlation Analysis

Correlation analysis was carried out to detect the association between the dependent variable, organizational efficacy and the independent variables of structural dimension. The mean score for each of the independent variables was calculated and the Pearson's correlation obtained using SPSS. Pearson correlation coefficient was computed to assess the relationship between each independent variable with the dependent variable. Pearson's correlation coefficient (r) is a measure of the strength of the association between two variables (Sahu, Pal, & Das, 2015). The Pearson correlation coefficient, r, can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A -1 means there is a strong negative correlation and +1 means that there is a strong positive correlation. The nearer to zero a value is the weaker the relationship between the two variables.

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Table 3: Overall Correlation Analysis

Variables		Organizational Efficacy	Structural Dimension
Organizational Efficacy	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Structural Dimension	Pearson Correlation	.704**	1.000
	Sig. (2-tailed)	0.000	

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

Source: *Research Data (2023)*

The results in table 3 indicated that structural dimension was positively and significantly associated to organizational efficacy ($r=0.704$, $p=0.00<0.05$).

4.4 Hypothesis Testing

In understanding the result of regression analysis, the R squared was used to check how well the model fitted the data. The coefficient of determination, $R^2$was used in this study as a useful tool because it gives the proportion of the variance (fluctuation) of one variable that is predictable from the other variable. It is a measure that allowed one to determine how certain it can be in making predictions from a certain model. The coefficient of determination is the ratio of the explained variation to the total variation. The coefficient of determination is such that $0<r^2< 1$, and denotes the strength of the linear association between x and y. This is supported by coefficient of determination also known as the R square of 0.555. This means that structural dimension, explain 55.5% of the variations in the dependent variable that is organizational efficacy as shown in table 4.

Table 4: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.745	0.555	0.549	0.3634418

Source: *Research Data (2023)*

Table 4 provides the results on the overall analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the structural dimension, is a good predictors of organizational efficacy. This was supported by an F statistic of 95.022 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

Table 5: Analysis of Variance (ANOVA)

	Sum of Squares	df	Mean Square	F	Sig.
Regression	50.206	1	12.551	95.022	.000
Residual	40.287	308	0.132		
Total	90.493	309			

Source: *Research Data (2023)*

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Regression coefficients in Table 5 revealed that there was a positive and significant relationship between structural dimension and organizational efficacy (β =0.414, p=0.000). This was supported by a calculated t-statistic of 6.076 that is larger than the critical t-statistic of 1.96. This was supported by a calculated t-statistic of 3.054 that is larger than the critical t-statistic of 1.96.

Table 6: Regression of structural dimension and organizational efficacy.

	Unstandardized Coefficients		Standardized Coefficients		
Variable	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	0.350	0.262		1.336	0.183
Structural Dimension	0.414	0.068	0.423	6.076	0.000

Source: *Research Data (2023)*

The fitted regression modes was;

$Y = 0.350 + 0.414X_1$

Where: Y = Organizational Efficacy, X_1 = Structural Dimension;

4.5 Discussion of Research Findings

The objective was to investigate the effects of structural dimension of business networking on organizational efficacy among small and medium enterprises in Kenya. The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria was that, if the p value is less than 0.05, we reject the $H_0$1 but if it is more than 0.05, the $H0_1$ is not rejected. Therefore, the alternative hypothesis is structural dimension of business networks has a significant effect on organizational efficacy among small and medium enterprises in Kenya. Results showed that the p-value was 0.000. This was supported by a calculated t-statistic of 6.076 that is larger than the critical t-statistic of 1.96. The null hypothesis was therefore rejected. The study therefore adopted the alternative hypothesis structural dimension of business networks has a significant effect on organizational efficacy among small and medium enterprises in Kenya.

In a study by Abdul-Rahman and Haque (2014), the authors explored the impact of organizational structure on the effectiveness of SMEs. The study found that organizational structure had a positive relationship with organizational efficacy. Specifically, a centralized structure was found to be more effective in achieving organizational goals. Another study by Damanpour and Schneider (2016) investigated the relationship between structural dimensions and innovation in SMEs. The study found that a higher degree of decentralization and formalization was positively related to innovation. In a study by Boonsiritomachai and Pugdee (2014), the authors investigated the relationship between structural dimensions and the performance of SMEs. The study found that a higher degree of formalization and decentralization was positively related to performance.

Gitonga (2017) examined the effect of organizational structure dimension on the efficacy of strategy in small and medium enterprises and posited that when a structure is in place, it encourages employee participation within the process and thereby making implementation relatively smooth. A clear structure was also seen to enhance responsibility and roles distribution effectively during strategy implementation by virtue of all employees knowing exactly what responsibility lies of their shoulders. Udayanga (2020) found a statistically significant impact was shown by the five dimensions of the organizational structure on organizational efficacy of small and medium

enterprises while statistically insignificant effect was illustrated by the dimensions of formalization and coordination.

Božinović (2020) study established that organizational structure dimensions are viewed as an activity management and is well positioned to enable efficient business enterprise. Setup organization covers a range of methods that enable troubleshooting and contribute the development of enterprises. The structure is a dynamic element of the organization makes it a unique set of all parts of the enterprise and incorporates the use of all available resources in the enterprise. Zehir et al. (2015) findings revealed that centralization and complexity were negatively related to organizational efficacy, while formalization and size were positively related. The study also found that formalization was a significant mediator between centralization, complexity, size, and organizational efficacy.

Kalkan et al. (2020) findings revealed that centralization, formalization, and size were positively related to organizational efficacy, while complexity was negatively related. The study also found that the relationship between structural dimensions and organizational efficacy was moderated by external environmental factors such as market turbulence and competition. Abugre and Ahenkan (2021) findings revealed that centralization, formalization, and size were positively related to organizational efficacy, while complexity was negatively related. The study also found that the relationship between organizational efficacy and structural dimensions was stronger in SMEs that had higher levels of human capital and financial capital.

Rizk et al. (2019) findings revealed that centralization, formalization, and size were positively related to organizational efficacy, while complexity was negatively related. The study also found that the relationship between structural dimensions and organizational efficacy was moderated by internal environmental factors such as managerial capabilities and resources. Nahapiet and Ghoshal (2018) found that social capital, measured by the density of ties among individuals and the quality of the relationships, had a positive impact on the performance of SMEs. Di Benedetto and De Nito (2012) found that a flexible organizational structure, characterized by decentralized decision-making, cross-functional teams, and informal communication, was positively associated with innovation in SMEs.

5.1 Conclusions

The study concludes that the structural dimension of business networking has a significant effect on organizational efficacy among small and medium enterprises in Nairobi, Kenya. The results of the study led to the rejection of the null hypothesis in favor of the alternative hypothesis, which asserts a notable impact of business networking's structural dimension on the efficacy of these enterprises. The findings underscore the importance of business networks in shaping the success and efficiency of small and medium enterprises in the region.

6.1 Recommendations

Based on the study's findings, it is recommended that small and medium enterprises in Nairobi, Kenya, prioritize the development and strengthening of their business networks' structural dimensions. This includes fostering robust connections, enhancing communication channels, and establishing well-defined roles and relationships within the network. Emphasizing these structural aspects can significantly boost organizational efficacy. Furthermore, SMEs should invest in resources and training that enable them to effectively navigate and leverage their business networks. By doing so, they can harness the full potential of these networks, leading to improved

performance, increased competitiveness, and overall organizational growth in the dynamic business landscape of Nairobi.

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