

**EFFECT OF NETWORKING ON PERFORMANCE OF SMALL AND MEDIUM
SIZED AUDIT FIRMS IN NAIROBI**

BY

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for the award of the degree of Masters of Business Administration (Corporate Management).

I also declare that this dissertation contains no material written or published by other people except where due reference is made and the author duly acknowledged.

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DEDICATION

This effort is devoted to the almighty God for the knowledge and ability that has made me comprehend and see the conclusion of this research and to all those who assisted me carry out this research.

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I give glory and honor to the almighty God for giving me the strength, fortitude and time to carry out this research project.

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ABSTRACT

The advent of globalization, information technology and highly dynamic operating environment has increased the level of uncertainty in the performance of audit firms. It has become important for small and medium sized audit firms to understand how, when and with whom to network 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 small and medium sized audit firms in Nairobi Kenya. The specific objectives include: determining the effects of network diversity on performance of small and medium sized audit firms in Nairobi Kenya; establishing the effects of network size on performance of small and medium sized audit firms in Nairobi Kenya; and establishing the effects of networking platforms on performance of small and medium sized audit firms in Nairobi Kenya. The study adopted a descriptive research design with a target population of 490 SMPs registered and updated by ICPAK by May 2016. A sample of 147 SMPs was selected for the study. The collected data was analyzed by use of frequency distributions, percentages, mean and standard deviation and Regression analysis. The analyzed data was presented in the form of tables and figures. From the findings of the study it was established that networking has an effect on the performance of small and medium audit firms by affecting 24.6% of business performance. The study established a positive significant relationship of network diversity, network size and network platforms on business performance. This was indicated with regression co-efficient of the variables. Thus the study concluded that networking affects business performance of small and medium sized audit practitioners. Additionally, the study concluded that network diversity, network size and network platform impact business performance positively. The study recommends the need for government and other stakeholders to improve the networking skills of small and medium audit firms to improve their performance.

Keywords; ICPAK, SMPs, Network platform, Network diversity and Network size

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ACRONYMS AND ABBREVIATIONS

ICPAK	Institute of Certified Public Accountants of Kenya
KASNEB	Kenya Accountants and Secretaries National Examination Board
CPA	Certified Public Accountant
PCAOB	Public Company Accountants Organization Board
KPMG	Klynveld Peat Marwick Goerdeler
MD	Managing Director
NC	Networking Capability
PWC	PricewaterHouse Coopers
ROA	Return on Assets
ROI	Return on Investments
SMEs	Small Medium Enterprises
SMPs	Small and Medium Sized Audit firm in Practice
UK	United Kingdom
US	United States
USA	United States of America
IFAC	International Federation of Accountants

OPERATIONAL DEFINITION OF KEY TERMS

Networking: A process through which formal collaborations are formed, creating channels through which information about other individuals and groups can easily be retrieved, tested, and verified for the benefit of an organization.(Mano, 2014)

Auditor: Qualified Accountant who has passed the Certified Public Accountants examination administered by the Kenya Accountants and Secretaries Examination Board (KASNEB),duly licensed by ICPAK to practice and duly registered by Registration of Accounts Board.(Accountants Act No. 15 of 2008).

Audit: Systematic, autonomous and documented procedure for obtaining all financial records, systems, controls and other information which is relevant and verifiable and evaluating it to determine conformity to the set guidelines and policy requirements(ISO 19011:2011-Guidelines for auditing management systems)

SMP: Are professional audit practices whose clients are mostly SMEs, they use external sources to supplement limited in-house technical resources and they employ limited number of staff. Any audit firm with staff between 0-99 is considered small (European Commission 2012).

SME: A business that employs less than 100 employees (Waweru 2007). Commonly referred to as engines of growth and innovation since more than 95% of businesses globally are SMEs accounting for close to60% of private sector employment and contributing significantly to the countries' GDP. (Edinburgh Group research, 2012)

Network diversity: This refers to the number, balance and degree of difference among network members. These could include professional background, gender, race, geographical location among other variables(Westaby, 2012)

Network size: This refers to the number of members in a network (Hislop, 2005)

Networking Platforms: Communication channels adopted by network members (Lechener and Floyd, 2012).

Performance: How well an organization is doing as measured against set goals and objectives? The measures commonly used in measuring firm performance include sales and profitability levels attained, growth of market share, Return on Assets (ROA), Return on Investments (ROI), number and quality of employee talent:

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The accountancy practice comprises of three traditional functions namely, financial accounting, taxation and auditing. However, the passage of time has seen these functions increased to cover other services like business advisory, financial management outsourcing and management accounting (Githinji, 2015). Small and medium sized audit firms in practice (SMPs) are critically important part of the audit profession, forming the majority of the accountancy professionals in practice globally. In many parts of the world they are believed to employ the majority of professional accountants in private practice and they typically serve small and medium sized enterprises, commonly referred to as the engines of innovation and growth (IFAC 2015).

Audit service is very important to increase financial statement users' trust in the financial report thereby giving added value to the financial statement. Users of financial statements apply information contained in financial statements for proper and timely informed decision making therefore, such information need to represent a true and fair view of the operations of an organization in question. Audits involve testing transactions, interviewing and obtaining client specific knowledge, and evaluating the internal controls and systems used within the organization. An audit requires an independent public accounting firm to express an opinion about the validity of representations made by a company's management on its financial statements.

Public accountants in conducting their jobs are regulated by the code of professional ethics. The code of ethics determines how they carry on their work to ensure they issue an opinion on the truthfulness and fair representation of the financial statements prepared by an organization. In order to express an opinion, auditors examine evidence and evaluate the accounting methods and estimates used by management for financial reporting (PCAOB, 2004). A number of studies have been conducted on both networking and performance of audit firms. For instance, Etverk (2002) conducted a study on measuring impact of performance audits effectiveness using the case of Estonia. The findings show that performance audit depends on factors linked to the audit process, auditor's willingness to collaborate, auditors' credibility, the clients' characteristics and the existence of certain environmental conditions.

Audit quality is vital for maintaining client trust in the financial reporting process and the integrity of financial information however, occurrence of corporate scandals across the world has decreased users' trust in the auditors of public accounting firms size notwithstanding. This has negatively affected the performance of audit firms especially those that are not well established due to perceived lack of indemnity and acknowledgement with regulatory authorities to some extent the Government of various client jurisdiction. Even for well-established corporations, issues of corporate scandals and misrepresentation of financial statements has been recorded which have negatively affected the auditing profession. For instance, scandals involving Enron Corporation and World Com leading to collapse of one of the largest audit firms (Arthur Andersen) in the United States of America around 2001 and 2002 affected the credibility of auditing profession.

In Kenya the profession has increasingly come into sharp focus owing to the public financial reports that have been seen to be misleading. Institute of Certified Public Accountants (ICPAK) in its 2012 October status report on the audit profession revealed strict new audit opinion regulations passed to the national assembly on audit financial reporting to curb the rising number of financial scandals, this was largely informed by Imperial Bank, CMC Holdings, Mumias Sugar and Kenya Airways among other companies recently involved in scandals. This among many other incidences of poor audit quality has brought to fore the credibility challenges that audit firms face especially dealing with interrelated companies or more than one company in the same industry. The SMPs stand high risk as their level and extent of networks are not so huge yet majority of their clients businesses rely on networks. For effective and efficient detection of such malfeasance, audit firms are in a better position through furthered knowledge. This therefore means that they need to intensify their networks if they are to improve performance.

The auditing sub-sector in Kenya is fairly developed with significant micro-economic and macro-economic importance. It boasts of three categories; the multinational firms with a foreign background and doing business in many countries, locally owned firms with all partners resident in Kenya and original local firms with foreign entity strategic alliances. These can further be subdivided into large, medium and small depending on the volume of business and number of employees and the level of networking. According to ICPAK directory (2015), there are twenty two large audit firms in Kenya including: Deloitte and Touche, Klynveld Peat Marwick Goerdeler(KPMG), PricewaterhouseCoopers (PWC)and Ernst and Young and PKF International which make up the five exceptionally large firms within the group commonly known as —The Big

Five. These firms were formed through networking from single practitioners and partnerships globally(ICPAK directory, 2015) they also form the five largest international professional services networks in accountancy and professional services in Kenya, handling the vast majority of audits for publicly traded companies, multinationals as well as many private companies globally. Other firms not in this category are classified as SMPs.

The influx of many audit firms including international firms, industry dynamism, coupled with innovative advancements in the industry has heightened the competition in the sector. This has meant that in order to remain profitable and competitive through enhanced performance, small and medium sized audit firms have to make maximum use of their networks. This includes ensuring high diversity in the members making up the network, the network be of large enough size and uses all the available platforms for their communication.

1.1.1 *Concept of Networking*

Network as a term has been defined differently by different scholars and researchers. According to Aarakit and Kimbugwe (2015), it is an activity in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings. Mano (2014) defines networking as a process through which formal collaborations are formed, creating channels through which information about other individuals and groups can easily be retrieved, tested, and verified for the benefit of an organization.

The importance of networks and networking for small and medium sized enterprises (SMEs) has been noted by a number of authors, with networking contributing to the business performance of SMEs. According to Stam, Arzlanian and Elfring (2014)

the resources bundled up in an entrepreneur's network play an important role in the performance of that organization. Networking if well utilized will improve the financial performance and increase in market share of an organization through identification of new business opportunities, ensure skills transfer and gain good ratings in the sector. Networking plays a key role in providing information thereby reducing the level of uncertainty surrounding the operation of firms (Sungur, 2015).

In particular, by allowing SMEs to access resources that would have been difficult to access on their own (Partanen, Möller, Westerlund, Rajala, & Rajala, 2008). Thus in today's economy, the importance of networking and SME performance is gaining prominence in developed countries and developing countries alike. (Soininen, Martikainen, Puumalainen, & Kyläheiko, 2012). This has been further asserted by Tendai (2013) who argues that networking is important to business at all stages of business. According to Niu (2010) the benefits that networking enables to SMEs trusted relationships which when tapped into can help the SMEs harvest from supplies, customers, friends for the benefit of the business. In this study networking will refer to the process where SMPs engage in sharing of information and resources through strategic alliances, collaboration and business clusters. This therefore means that SMPs need to intensify their networks if they are to improve performance and hence the need to understand the effect of such networks to SMP's if any.

1.1.2 Performance of small and medium audit Firms

Performance of audit firms refers to how well firm is doing as measured against set goals and objectives. At the beginning of each period, firms set goals or objectives which they seek to achieve. These could be divided into immediate, medium term and long term. Performance is therefore measured at a given period in time of the operations so as to

ascertain how well the firm has done in attaining the set goals and objectives. The measures commonly used in measuring firm performance include sales and profitability levels attained, growth of market share, Return on Assets (ROA), Return on Investments (ROI), number and quality of employee talent. Aarakit and Kimbugwe (2015) also identified age of the firm and number of employees as other measures of firm performance.

1.1.3 Small and Medium Audit Firms in Nairobi

In Kenya, SMEs are regarded as the most prevalent source of jobs that is able to spread development throughout the nation (Republic of Kenya, 2005). The SMEs sector contributes 18% of the Gross Domestic Product of the country and provides employment to 74% of the population in the labour force. SMEs sector is not only leading in the provision of services and goods but also in facilitating innovation. Further, it promotes a healthy competition in industrialization and the development of the private sector (Republic of Kenya, 2005). Based on the classification of businesses in Kenya, a small enterprise comprises of companies with between 10 to 50 workers, between Ksh.500, 000 and Ksh.5, 000,000 annual turnover and investment of between Ksh.5,000,000 and Ksh.20,000,000 (Republic of Kenya, 2005). According to this categorization, employees in a medium-size enterprise would be between 50 and 100, and have an annual turnover of between Ksh 5 million to 800 million. There are 490 small and medium sized audit firms in Nairobi County (ICPAK CPA Directory, May 2016) who also form part of the SMEs and whose main clientele are SMEs, 60% of the firms have a sole partner in practice limiting their professional capacity leading to limited performance.

1.2 Statement of the Problem

Networking by small and medium sized audit firms is an important but under-researched area. The advent of globalization, information technology and highly dynamic operating environment where mergers, acquisitions and takeovers are becoming increasingly popular, has led to an increased threshold of quality assurance, transparency and reporting by audit firms in Kenya. SMPs suffer from lack of enough capital, innovation and experience. To ably maintain the diverse clientele needs, SMPs have to maintain professional relationships with experts from other professions, including legal advisers, bankers and Information Technology specialists who also serve small businesses (IFAC, 2016).

Networks come in handy to compliment the deficiency as to innovation and resources (Leifer et al., 2006). There is increased competition as the firms strive to outperform one another in the industry leading to employment of shoddy tactics leading to dismal performance and eventual collapse of many SMPs. Small and medium enterprise firms networking serves to provide knowledge diversity, resources mobilization and complementarily (Luo 2007). Firms emphasizing on building networks operate under reduced business risk (Gulati et al., 2000) eventually increasing their performance (Dyer and Nabeoka, 2000).

Networking has been found to have varying effects of organization performance depending on various qualities of the network. A number of studies have been conducted on networking and business performance. Internationally, Johansen and LeRoux (2013) examined managerial networking in nonprofit organizations by assessing the impact of networking on organizational and advocacy effectiveness. This study though relevant, reviewed the performance of nonprofit organization in the United States which limits the

application of its findings in Kenyan small medium sized audit firms. Sue, Xe, and Wang (2015) examined entrepreneurial orientation, managerial networking and new venture performance in China. The findings show a negative moderating effect of political networking on the positive relationship between entrepreneurial orientation and new venture performance. This study concentrated on the moderating effect of political networking as opposed to overall networking.

Machirori and Fatoki (2013) sought to establish the impact of networking on access to debt finance and performance of small and medium enterprises in South Africa. The findings show a significant positive relationship between networking and access to debt finance and performance of SMEs. Aarakit and Kimbungwe (2015) sought to establish the relationship of social networking and firm performance in the small manufacturing sector of Uganda. Although focused on manufacturing sector and emphasis on inputs and processes, the findings show a significant positive relationship between social networking construct and firm performance.

Locally, Korir and Maru (2012) examined the effects of network structure on performance of minor event management ventures in Kenya. The findings of the study show that networking structure does not affect the performance of event management ventures in Kenya. Kariuki (2015) examined the perceived role of business networking on the performance of women owned enterprises in Kenya using a case study of Kenya Association of Women Business Owners. The findings show that business networking played a key role in the performance of women owned enterprises in Kenya.

As evidenced by the studies above, there is a mixture of findings, furthermore Kenyan SMPs despite their immense contribution to the economy, don't have sufficient reference material on net-worthiness from enhanced performance through networking.

This study therefore sought to provide information relevant for effects of networking on performance of small and medium sized audit firms in Nairobi, Kenya.

1.3 Objectives of the Study

1.3.1 General objective

The general objective of this study was to evaluate the effects of networking on performance of small audit firms in Nairobi Kenya.

1.3.2 Specific Objectives

- i. To determine the effects of network diversity on performance of small audit firms in Nairobi Kenya.
- ii. To establish the effects of network size on performance of small audit firms in Nairobi Kenya
- iii. To establish the effects of networking platforms on performance of small audit firms in Nairobi Kenya

1.4 Research Questions

The study was guided by the following research questions:

- i. How does network diversity affect performance of SMPs firms in Nairobi Kenya?
- ii. What are the effects of network size on performance of SMPs in Nairobi Kenya?
- iii. What are the effects of networking platforms on performance of SMPs in Nairobi Kenya?

1.5 Significance of the Study

The findings of this study benefits a number of people including: audit managers in small enterprises sector, other entrepreneurs and professionals in practice in identifying the role of their networks in improving organizational performance. From the study findings the auditors can develop strategies to improve on their networking skills thus impacting positively on business performance.

The finding of this study is valuable to the Accountancy regulatory body ICPAK and IFAC in their continuous professional development seminars and workshops on the importance and necessity of networking in SMPs performance and growth. Through the study recommendations the examination body KASNEB in collaboration with ICPAK can enhance their curriculum to include networking thus impacting positively on business performance.

The recommendation of the study can help the government, ICPAK and other Key stakeholder develop policies and regulations that can nurture networking among small and medium audit firms. The study findings validate the role of social network theory and dynamic network theory in relationship between networking and performance of small and medium enterprises. Finally, the study through its findings has contributed to the development of network model knowledge in small and medium enterprises

1.6 Scope of the Study

This study concentrated on the effects of networking on performance of small and medium sized audit firms (SMPs) in Nairobi Kenya. The study was delimited by focusing on the following aspects of network diversity, network size and network platforms. The

study was also focused on audit partners/ owners of audit firms. Finally, the study was delimited by the use of only primary data.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the various works done by various researchers and authors regarding the effects of networking on performance of small and medium sized audit firms. It specifically presents theories related to this topic, empirical literature, conceptual framework, operationalization and conclusion and research gaps. These are presented in detail below.

2.2 Theoretical Framework

This study is based on the socialization theory which explains the importance and need to be identified with a group for mutual benefit. Human beings are social by nature and hence the need to interact with one another to exchange ideas for business growth.

2.2.1 Dynamic Network Theory

The Dynamic network theory explains how social networks influence goal pursuits in social, organizational, and international systems (Westaby, 2012). It explains the benefits of group dynamics in promoting organizational performance. The theory is relevant in this information era as it explains how information tends to circulate more readily within than across groups for the benefit of group members (Westaby, Pfaff, & Redding, 2014). This theory explains network motivation toward goals achievement, network resistance which negatively influences performance, and network reactance roles and peripheral

roles that have variable effects on performance (Westaby et al., 2014). The network forms a system which later influences performance of organizations. The theory has various implications for understanding human behavior, performance, emotional contagion, and conflict in various network systems.

This theory acknowledges key role of social networks as communicative goal striving. Individuals in a network communicate freely thereby promoting understanding and ability to collaborate on several matters. Networks accord members an opportunity to air their views and observations freely without reservations. This promotes the level of support and commitment of group members to ensure that the group is held together. Dynamic network theory also identifies resistance forces which can hinder communication among network members (Westaby, 2012). Such behavior act as a deterrent to communication and achievement of group goals. They also limit the benefits of group network dynamic for its members. This theory is important for this study as it help explain the effects of networking on performance of small and medium sized audit firms. This may be easily explained in terms of the effects of network diversity on performance of small and medium sized audit firms, effects of network size on performance of small and medium sized audit firms and the effects of networking platforms on performance of small and medium sized audit firms.

2.2.2 Social Networking Theory

Social networking theory relies on the premise that personal and social networking relationships and ties provide value to organizations in a network by allowing them to tap into the resources embedded within the network to their benefit (Borgatti & Halgin, 2011). The theory stresses the role of cohesive ties and social relationships in acquiring

resources, information, and knowledge to foster the performance of economic activities (McPherson, Smith-Lovin and Cook, 2001). It emphasizes the informational value of the position an actor occupies in the network. The interconnections among social network members form paths that indirectly link to each other which could be exploited to improve organization performance.

This theory explains the benefits that accrue to an organization as a result of its management staff being part and parcel of a social network. It explains how the manner in which the top management socialization affects performance (Borgatti & Halgin, 2011). Socialization enables an organization to inter-phase with managers from different organizations and professional background (McPherson et al., 2001). This could be used to offer a base for competitiveness. This theory is relevant for this study because it elucidates how a small audit firm may benefit from social networks to grow their market and overall organization performance.

2.3 Empirical Review

This section looks at the various empirical studies and how they discuss the key concepts as per the study objectives. The key areas to be covered here include: the effects of network diversity on performance of small and medium sized firms, effects of network size on performance of small and medium sized firms and the effect of networking platforms on performance of small and medium sized firms.

2.3.1 Effect of Network Diversity on Performance of small and medium sized Firms

The dynamics of diversity in work teams is an important element of organizational performance. The network facilitates the coordination of information exchange, especially in turbulent environments so that the organization can make required decisions that would improve the competitiveness of the organization. The network provides

business intelligence that enables decision maker to trade upon ambiguity. The business intelligence provided moderate the uncertainty perceived by the organization in the external environment hence emerge competitive. Having members with different skills and professional background in networks improves the net worthy of a network. According to Jayne and Dipboye (2004), diversity is a business imperative and good for the bottom line. Frishammar and Anderson (2009) identified three primary arguments in the business case for diversity in networks. A diverse network group can effectively deal with increasingly diverse needs of diverse network members (Calia, Guerriniand Moura, 2007). The members can bring together their professionalism and create some form of synergy which propels the group. Demographic diversity unleashes creativity, innovation, and improved group problem solving, which in turn enhances the competitiveness of the organization.

Watson (2011) studied networking from the gender differences and the association with firm performance. The findings showed that there existed an association between formal and informal networks with the survival although formal networks were more associated with growth. The findings further indicated that external accountants were more associated with survival and growth for both male- and female-controlled SMEs. Hanson and Blake (2009) argues that there might be significant differences between males and females in terms of their network use which could have a significant impact on the rate at which women start new ventures and the performance of those ventures compared to men.

Yongqiang, Miaoli, Armstrong and Clarke (2012) conducted a Meta-analysis on board size and performance of small firms. The findings show a positive correlation between board size and firm performance which signals the difference of board of

directors in small and medium sized firms comparing with its larger counterparts. Access to diverse networks can help small entrepreneurial firms in overcoming some difficulties associated with “liability of smallness”. A diverse network can lead to an increased market share and greater specialization among group members. This is largely because there will be limited competition for business and greater business integration. The members in a network will integrate their businesses for optimal performance. Because the global marketplace is characterized by a diversity of people, products, and markets, organizations must be equipped to respond to changing market conditions, technologies, and ideas.

The strength of network ties which refers to a combination of time, emotions, intimacy, level of maturity, degree of trust, and previous experiences between actors is an important component of the network that affects the performance of small organizations (Aral and Van Alstyne, 2011). Strong ties form important relations that an entrepreneur can “count on”, whereas weak ties have little emotional investment. Networking services form an important element of the incubation process because of their impact on innovation. A very diverse network promotes innovation as members share experiences. Through the business incubator’s network, network members can access the critical resources they need such as knowledge, technology, financial capital, human capital among others to spur their performance and day today business management.

Several empirical studies have been conducted on networking and firm performance. For instance, Olukem (2003) examined perceived uncertainty and firm performance in SMEs by looking at the role of personal networking activities. The findings show that as the level of perceived uncertainty in the environment increase, the frequency of internal networking also increases. Increased internal networking in

response to increased perceived uncertainty resulted in better firm performance. The study further notes that successful entrepreneurial managers are more likely than less successful managers to consciously spend time and energy developing and nurturing their personal and extended networks.

In another study, Acquah (2010) carried out a longitudinal analysis of the moderated effects of networking relationships on organizational performance in a sub-Saharan African economy. The main focus of the study was to establish how the effect of managerial networking relationships on organizational performance is contingent upon certain organizational and environmental characteristics. The findings show that only managerial social networking relationships with top managers of other firms, government bureaucratic officials, and community leaders enhance organizational performance. In addition, it was noted that the effect of networking relationships on performance is contingent on organizational as well as environmental characteristics.

Network composition can either be classified as formal or informal, with formal networks comprising more weak ties and structural holes than informal networks. According to Littunen (2000), formal networks include the likes of accountants, banks, lawyers and trade associations, while informal networks comprise groups such as business contacts, family and personal relationships. The network composition varies from one decision maker to another making the information available in the network to become a source of competitive advantage. According to Phillips, Tracey and Karra (2013), resource availability and resource combinations are critical in shaping the solution deployed in response to opportunities and challenges, influencing firm performance. The overall composition of a network may contribute significantly to the performance of its members' businesses. Several factors, including redundancy, internal

conflict and complexity are especially likely to influence the effectiveness of a network configuration. The diversity of network members together with their interests influences the amount of information shared and the performance of their organizations.

The ability to begin and maintain cooperation have a significant positive impact on a firm's competitiveness as they affect the market results achieved. Philips et al. (2013) argue that maintenance of close cooperation between firms can lead to: efficiency gains in customer service as well as the ability to win new customers; acceleration of new product development and market delivery; widening of the knowledge base; exchange of technologies; and improvement of a company's image all of which are important ingredients of firm performance (Hollensen, 2003)

The personal and social networking relationships developed as a result of an individual's or organization's embeddedness in a network or external linkages with others serve as a conduit for the transmission of resources, information, and opportunities. Peng and Luo (2000) have shown that the impact of relational networking relationships on organizational performance is higher for smaller firms, service as opposed to manufacturing firms, and firms in low-growth industries.

A good composition of network partners is required to have both sufficient capacity to address the network goals and enough common ground to enable cooperation (Robins, et al., 2011). Selecting the right partners for the network is crucial and is included in the determinant Complementarity and Fit (Agranoff & McGuire, 2001). Organizations enter partnerships when they expect organizational benefits like higher reputation, need to acquiring information or knowledge, for resource exchange, to rely on others as their organizational goals have grown too complex to achieve independently or when legislations or regulations encourage network formation. In order to achieve optimal benefits from a network, network partners and administrators need to

select the most appropriate type of partnership and governance to achieve the desired network outcomes.

The manner in which a network is governed plays a key role in the performance of network members (Provan & Lemaire, 2012). There needs to be clear demarcation of roles responsibilities and decision-making among network members to ensure that participants engage in the network. This is important in addressing conflicts and equitable sharing of the network benefits. Composition of the network will play a key role in determining the level of partners' commitment. Members need to have trust for one another and play what is commonly known as gate keeping in group dynamics. This means that the members should maintain some level of confidentiality on information shared within the network.

Park and Rhee(2014) in a study that sought to explore the mediating technology commercialization in the relationship between network types and business performance. The study results revealed that that technology commercialization can fully mediate the effect of network diversity and SMEs performance. In addition the findings also asserted that the more types of networks that an SME has the better the performance. From the reviewed studies it's evident that a number of studies have been carried out on network diversity and SME performance. However, these studies have focused more on developed countries, with studies carried out in sub-Saharan Africa focusing more on SMEs in general with no specific study clusters of SMEs thus the need for studies on various SMEs sub sectors.

2.3.2 Effects of Network Size on Performance of small firms

Network size measures the number of members in a network in which a firm embeds. A larger network means more structural holes and more social capital. Many studies at the level of individual customers support the value of network size, exhibiting so-called network effects. For example, Shankar and Bayus (2003) advanced the idea that a firm's customer network can be a strategic asset building and these effects are a function of networks size. Other scholars examined how the size of a network affects the nature of intra-network social relations and knowledge transfer. For example, Hislop (2005) suggested that as network size increases, network density is likely to decrease, as it becomes much more problematic for the actors in such networks to retain strong ties with a significant proportion of the network's members.

Entrepreneurial activity is embedded in network relationships that direct resource flows to entrepreneurs who are somehow better connected (Stuart and Sorenson, 2007). The resources that entrepreneurs may access through their personal networks allow entrepreneurs to identify opportunities, mobilize resources and build legitimacy for their firms (Bhagavatula, Elfring, van Tilburg and van de Bunt, 2010). Therefore, the size of such networks plays a key role in determining the performance of small businesses. Networks may have different forms in business practices as strategic alliances, joint ventures, licensing arrangements, subcontracting, joint research and development, and joint marketing activities (Groen, 2005). According to Bhagavatula et al. (2010), organizational size may also affect networking relationship formation with external entities and the extent to which networking relationships affect performance. Larger organizations tend to be more established and powerful and may have more resources that can be used to develop

competitive advantage and improve performance. It has been shown that smaller organizations are more likely than larger organizations to build cooperative relationships with others.

Networking in small organizations varies in different dimensions classified according to: level of networking, strength of network ties, and networking proactively (Širec and Bradac, 2009). The level of networking concerns the range of the network which is positively connected to the companies' ownership (Burns & Dewhurst, 1996).

Širec and Bradac (2009) argue that networking is an important element for small businesses especially in this rapidly changing business operational environment. The changes in business operational environment have seen businesses affected by the evolution of networking relationships. Bhagavatula et al. (2010) re-affirm that social capital, or the resources that entrepreneurs may access through their personal networks are an important source of entrepreneurial growth. In the local context, the study will seek to establish whether this is true with SMPs networking.

Parida, Pemartín and Frishammar (2009) note that network size is an important element of networking. The size both in terms of the number of individuals in the network and the areas of operations can determine the successful functioning of the network and the benefits derived by its members. Their study focuses on Networking Capability (NC) and network configuration and their impact on business performance. Network configuration has been studied on three different perspectives including: the type of partner which can include: small firms, large firms, universities, or government agencies; the type of relationship with a customer or partner; and the number of relationships in each category. According to Bhagavatula et al. (2010), diverse network relations hold valuable information, competencies, and resources resulting in unique competitive advantages improving firm performance. The ability of an organization to

use the knowledge and information gained from one network in another setting or network, which leads to innovative ideas and positive performance (Armanios, Eesley and Eisenhardt, 2012). According to Širec and Bradac (2009), when small firms network with large firms, the possibility for opportunistic behavior tends to be high, due to their low bargaining power. When firms collaborate with one another, new ideas emerge because different firms bring their unique competence and background to the network (Westerberg and Wincent, 2007). This fosters the chances of innovation and creativity as firms strive to improve their level of efficiency.

Powell and Grodal (2005) demonstrates that firms with large network size of partners realise interaction with a more various range of knowledge, competencies, and experiences, creating an environment that is more likely to result in innovations and identification of new opportunities. (Ritter & Gemünden, 2003). The trade-off with having several network partners could be the resources needed for maintaining these diverse and/or numerous relationships. In contrast, several network of different sizes may give a better and more accurate view on other firms' resources and capabilities, thus counteracting actions taken on an inaccurate or misleading basis. Moreover, a large network can also act as a buffer against unforeseeable future events which can be fatal to new ventures and threatening to small firms (Teng (2007).

Hirtle (2005) studied the impact of network size on bank branch performance in the United States. The analysis shows no systematic relationship between branch network size and overall institutional profitability. The results imply that mid-sized branch networks may be at a competitive disadvantage, especially relative to the very largest branch networks. This study was focused on banks and not audit firm thus necessitating this study.

Firms can also improve their benefits from networking by integrating with customers. They need to have distinct capabilities to integrate different resources and make them perform some advantageous task or activity than they did prior to integration. Small firms have generally been argued to face greater risks of failure than their larger counterparts that are assumed to arise from their liability of smallness in terms of their lack of infrastructure and qualified human capital besides limited in-house resources (Van De Vrande, De Jong, Vanhaverbeke and De Rochemont, 2009). Small firms with good partner knowledge, an ability to develop and maintain new and existing relations, capabilities to coordinate these relations, and good internal communication are therefore argued to enhance their own propensity to take risks and to be proactive and innovative in their exploitation.

Zaheer and Bell (2005) carried out a study to examine network structure effects on firm's performance and innovation. The study examined how innovative capabilities both those of focal firms and those they access through their networks influence the performance of Canadian mutual fund companies. The study concluded that a firm's network size is a key determinant to a firm's level of performance and innovation. Innovative firms that also increase their network size get a further performance boost, suggesting that firms need to develop network-enabled capabilities, capabilities accruing to innovative firms with larger networks. A key focus of the study was on network structure and size of mutual funds and with this study carried on large mutual funds there is need for studies on small size business, small audit firms being such.

Similarly, Rehman(2015) carried out a study in Pakistan to test the relationship between networks and firms performance through the use of secondary data. The study affirmed the importance of networks to small firms through strategic alliances, with the

study showing that firms with more alliances tend to perform better than firms with few alliances. This study suggests that SMEs' can adopt network alliances to minimize their resource constraints. SMEs' network alliances such as joint ventures, R&D cooperation and firms' collocated in the industrial zones positively influence the firms' labour productivity and innovation performance. In addition, SMEs network size positively impact innovation, quality standards and management experience of SMEs. The study solely used secondary data among SMEs thus showing the need of studies in SMEs with primary data.

2.3.3 Effects of Networking Platforms on Performance of Small Firms

The ability of a business to communicate is crucial to its success as it determines how much such a business can gain from networking. Effective communication with both internal and external stakeholders for a business makes the whole difference. The business needs to adopt business communication platforms that are acceptable and recognized by the members in the network if it has to maintain communication credibility. Advancements in information communication and technology have widened the platforms on which business network communications can occur. The platform chosen for communication needs to keep the information in the network safe and only allow access authorized individuals within the organization. This will ensure that the information is safe and free from leakages.

The ways that messages and information travel around such as: the verbal communication, the non-verbal communication and the technology-aided communication, which accommodates e-mailing, instant messaging, micro-blogging, phones and ontology, and communities of practice. Verbal communication is considered

the spoken and written modes. Non-verbal communication on the other hand, is the communication that transcends the written or spoken word (Lechener and Floyd, 2012). Network communication plays an important role in training, knowledge dissemination and learning during the process of strategy implementation. In fact, communication is pervasive in every aspect of successful network, as it relates in a complex way to organizing processes, organizational context and implementation of objectives.

Network members may prefer one form of communication to another. For example some prefer email as an information source (Zvoch, 2012). While email is highly convenient for both sender and receiver, it is an impersonal medium and lacks the richness of other information sources (Ketola, 2010). Since email is asynchronous in that there are delays in sending, receiving, and responding, it is not the optimal medium for conveying delicate or complicated information or to influence, persuade, or sell an idea. It is most useful for announcements to communicate the same thing to many members in and network and to keep the informed about an issue they already know about, and to reach geographically dispersed network members (Ronél, 2014). Emails lead to productivity, increased communication, collaboration and creativity among network members (Steyn & Niemann, 2014)

Baum et al, (2012) conducted a study whose focus was to investigate the effect of network strategy in business performance. To investigate this the study sought further to analyze the effect of network platforms on performance of business. The study persons indicated that different network platforms affect business performance differently. However, the study concluded that network platforms that create closer relationships has the greatest effect on business performance. The study contribution to the study is not

without mention however it felt short of analyzing the network platform effects on small and medium business a focus of this study.

Maina et al, (2016) did a study in Kenya main objective was to investigate the influence of network relationships on the performance of Kenyan Small and Medium Enterprises. Specifically, the study to analyse the effect of platforms, contents and governance. It is evident from the study that network platforms positively and significantly influences firm performance. It is through the platforms that ties are established which results to embeddeness of firms in networks of external relationships with other organizations (Gulati et al., 2000). The study focused on the importance of networking on SMEs. However, it only narrowed down to manufacturing sector creating the need for other sectorial studies, thus this study.

2.4 Conclusion and Research Gap

Various studies have been carried out regarding the effects of networking on performance of small firms. However a critical analysis of these studies indicates a gap in research since most of the studies have been done in developed economies, more than five years ago or were done taking into account different elements of networking as those considered in the current study. In addition, the studies did not consider the small and medium sized audit firms segment which has unique challenges and opportunities; this therefore creates need for a research to be carried out to fill this knowledge gap. This study therefore seeks to fill this gap by investigating the effects of networking on performance of small and medium sized audit firms in Nairobi.

2.5 Conceptual Framework

The study will use the following conceptual framework which explains the relationship between the independent and dependent variables. The dependent variable is performance of small and medium sized audit firms while the independent variable is networking with three elements: network diversity, network size and networking platform. These are represented in figure 1 below:-

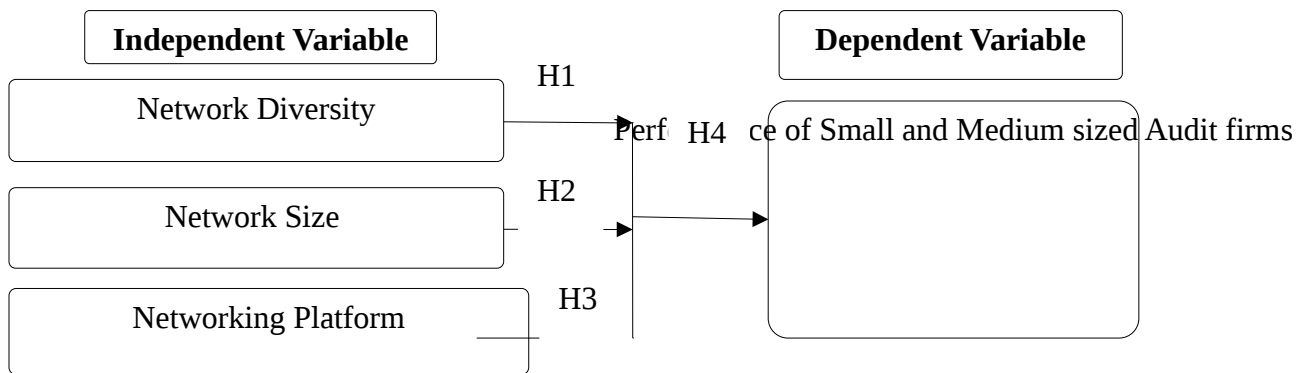


FIGURE 1: Conceptual framework

2.6 Operationalization

TABLE 1

Operationalization of Variables

Objective	Variable Type	Indicators	Type of data analysis
To determine the effects of network diversity on performance of small and medium sized audit firms in Nairobi Kenya.	Independent Network Diversity.	Areas of operation and cooperation of different professional firms networked with.	Descriptive Correlation Regression
To establish the effects of network size on performance of small and medium sized audit firms in Nairobi Kenya	Independent Network size	Number of organizations networked with	Descriptive Correlation Regression
To establish the effects of networking platforms on performance of small and medium sized audit firms in Nairobi Kenya	Independent Networking platforms	Communication channels adopted: Email, Letters, Social Media, Newsletters, Magazines,	Descriptive Correlation Regression

	<p>Dependent</p> <p>Performance of small and medium sized audit firms</p>	<p>Level of Market share, Increase in profits, improved Quality of financial reporting and Increased return on assets in each Small and medium sized audit firm</p>	<p>Descriptive</p> <p>Correlation</p> <p>Regression</p>
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Source: Researcher's Conceptualisation, 2016

2.7 Hypothesis of the study

The Hypothesis of this study were framed in the null as follows: -

Ho: Network diversity has no significant relationship with the performance of small and medium sized audit firms in Nairobi Kenya.

H₁: Network diversity has significant relationship with the performance of small and medium sized audit firms in Nairobi Kenya

Ho: Network size has no significant relationship with the performance of small audit and medium sized firms in Nairobi Kenya.

H₁: Network size has significant relationship with the performance of small and medium sized audit firms in Nairobi Kenya

Ho: Network platforms have no significant relationship with the performance of small and medium sized audit firms in Nairobi Kenya.

H₁: Network platforms has significant relationship with the performance of small and medium sized audit firms in Nairobi Kenya

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. It specifically discusses the research design, population size and sample that was used. It also presents data collection, validity and reliability and data analysis.

3.2 Research Design

This study adopted a descriptive research design since it's able to pronounce and elucidate current status, circumstances, actions, developments, and allows in-depth collection of information (Mugenda & Mugenda 2003) the interaction with the population was once at that particular point in time and without changing the information of the small and medium sized audit firms(SMPs). A descriptive study attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction (Obwatho, 2011). The study chose Descriptive as its design because it sort to evaluate the effects of networking on performance of small and medium sized audit firms in Nairobi, Kenya. The study design was also selected for the reason that it allows the researcher collect data that can meet the research objectives within lowest cost and shortest time.

3.3 Target Population

Target population refers to a well-defined set of people, services, elements, events, group of things or households that are being investigated (Obwatho, 2011). Target population is the specific population about which information is desired. The target population of this study comprised of all the 490 registered members of ICPAK classified as small and medium sized audit firms (SMPs) within Nairobi County as at May 2016 (ICPAK Directory,2016). The reason for the selection of audit firms in Nairobi is due to the large numbers of audit firms and localization of audit firms in relatively small region. This reduced cost and time involved in the study.

3.4 Sampling Design

The critical test of a sample design is how accurate it epitomises the characteristics of the population it purports to (Kothari 2009). In this study, the reasons for sampling included cost effectiveness, greater speed of data collection and availability of population elements. The study adopted simple random sampling design to obtain a reasonable sample size. To carry out the simple random, sample frame was sought from ICPAK CPA directory for all SMPs within Nairobi County and each audit firm was assigned a number by the researcher. Further on to get an equal 30% representation of SMPs from the sample frame, simple random sampling was used. This ensured every member of the population is equally represented (Kothari, 2005).

Sample size was calculated based on Mugenda, (2008) formula who suggest that sample size should be between 10-30% of the population. Each audit firm was assigned a number with the researcher and from the sampling frame, audit firms were selected. Using simple random sample, 30% of the population formed our sample size in this study

with the sample size being 147 audit firms. From each audit firm one respondent was selected and this will bring the total sample size to 147.

3.5 Data Collection

The study used primary data which was collected through a questionnaire. The questionnaire is the most commonly used method when respondents can be reached and are willing to co-operate. This method can reach a large number of subjects who are able to read and write independently. The questionnaire contained two parts for closed ended questions and open ended. Closed ended questions were made of a five point Likert scale to standardize the responses. The questionnaire was divided into four sections; A, B, C, D and E. Section A addressed the general information about the respondents, section B Addressed network diversity, section C addressed network size, section D addressed networking platform and section E Audit firm performance.

3.6 Validity of the Instruments

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are (Joppe, 2000). Validity is high if the study contains what one wants to study and nothing else. Validity takes three forms: construct, internal and external. Construct validity refers to data collection, internal validity is a link between theory and empirical research and external validity refers to the domain to which the findings can be generalized. Construct validity was also ensured by adopting questions from related studies that had high validity.

3.6.1 Pilot Study

A pilot study was conducted to test the reliability and validity of the research. According to Orodho (2003), a pilot test helps to test the reliability and validity of data collection instruments. If a measurement is valid, it is also reliable (Joppe, 2000). The pilot test comprised 10 SMPs in Kiambu County because they possess similar characteristics to those of Nairobi. The measurement instrument was valid as all the respondents understood and answered all questions. However, to ensure that the study findings are not compromised, the respondents who took part in the pilot study were not included in the final study. According to Mugenda and Mugenda (2003) a pilot study can comprise of between 4-10 members of the target population.

3.6.2 Reliability

Reliability demonstrates that the study can be repeated with the same outcome. Joppe (2000) defines reliability as the extent to which results are consistent over time and an accurate representation of the total population under study. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. The questionnaire was administered to the respondents with the help of 4 research assistants who were well trained before commencement. The researcher used clear and well defined questionnaire as a method of data collection. Questions by the respondents were also clarified. The questionnaires were administered on a “drop and pick later” basis. The research assistant went through the questionnaire with the respondent and left them to fill. The respondent then later submitted the completed questionnaires to the assistant at an agreed time. Cronbach’s alpha as a measure of internal consistency and reliability of the questionnaire was used, the closer the alpha is

to 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 of the results.

3.7 Data Analysis

The questionnaire collected from the field were checked for completion and reliability of the data. The quantitative data was coded and analysed using descriptive statistics. Descriptive statistics was used mainly to summarize the data. This included percentages, frequencies, mean and standard deviation. A Likert scale and the use of Statistical Package for Social Sciences (SPSS version 21.0) was employed to help in the coding, entry and analysis of the data obtained through the questionnaires. Tables were used to present the data collected for ease of understanding and analysis.

The study used a multivariate regression model to determine the relationship between the dependent and the independent variables. The dependent variable in the study was the business performance while the independent variables were network diversity, network size and network platforms:-

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \dots \dots \dots (i)$$

Where Y= SMP Performance (Return on Investment)

X1= Network diversity

X2= Network Size

X3 = Networking Platforms

ϵ = Error Term

β_0 = Minimum SMP Performance when all the independent variables are held constant at zero (Referred to as constant or intercept)

$\beta_1, \beta_2, \beta_3$ = Rate of change in Y as a result of a unit change in independent variable

The study used Regression analysis to test the relationship between the independent variables and dependent. A co-efficient of determination (R-squared) was performed to test the goodness of fit of the model.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and discussions of the data collected from the field. The main objective of the study was to evaluate the effects of networking on performance of small audit firms in Nairobi Kenya. Data was collected using questionnaires as the data collection instruments and summarized by use of descriptive statistics which involves the use of frequency tables, percentages, mean and standard deviation.

4.1.2 Response Rate

The study targeted partners in small and medium audit firms in Nairobi central business district, with one partner targeted in each audit firm. A total of 147 questionnaires were distributed out of which 120 questionnaires were returned giving a response rate of 82% (Table 4.1). This response was good enough and representative of the population and conforms to Baruch and Holtom (2008) that it is a very good response rate. However, the target response rate of 100% was not achieved, this could be attributed to absence of response facilitation (contacts with respondents prior to the actual survey) in the study and data collected during low seasons for audit firms when majority of the partners are out in other businesses apart from auditing.

TABLE 2: Response Rate

Response	Frequency	Percentage
Filled in questionnaires	120	82
Unreturned questionnaires	27	18
Total	147	100

4.1.2 Reliability Tests

The pilot study sampled 10 partners in small and medium audit firms in Kiambu County central business district. These were not included in the main study. This was to ensure that the instrument collects reliable and valid data. Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct.

TABLE 3: Reliability Analysis

Variable Item	Cronbach's Alpha	Number of Likert Items
Network Diversity	0.705	8
Network Size	0.709	8
Network Platforms	0.724	8

Table 3 shows effects of networking on performance of small audit firms in Nairobi Kenya. Network Diversity had $\alpha=0.705$, Network Size had $\alpha=0.709$ and Network Platforms had $\alpha=0.724$. Thus the overall scale of the instrument was 0.713 which illustrates the reliability and internal consistency of the instrument having exceeded the prescribed threshold of 0.7.

4.2 Demographic Information

The study in this section sought to enquire from the respondents' the demographic information including, the period the organization had been in operation, range of services offered, period working with the organization and the number of employees in the organization. This general information is presented in the following subsections.

4.2.1 Years of Operation of Audit Firms

The study sought to determine the period the organizations had been in operations. The findings are shown in Figure 2.

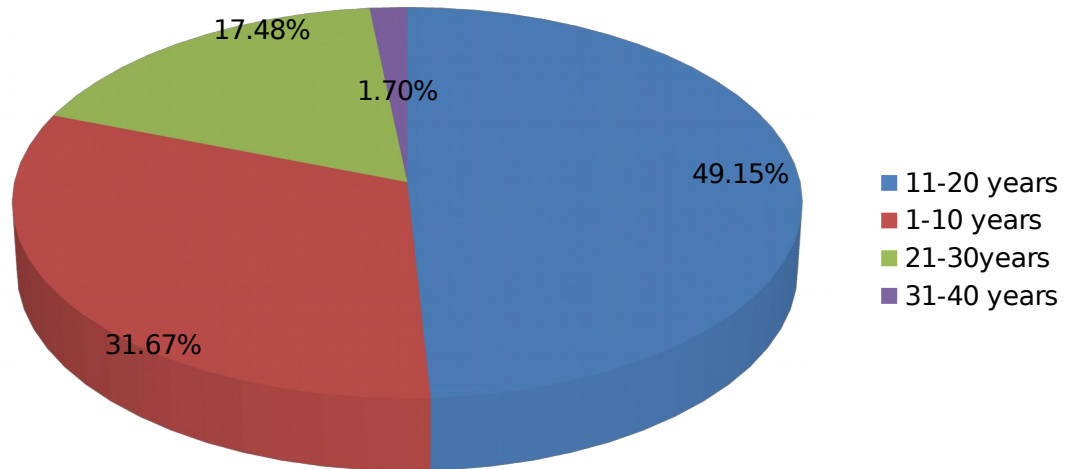


FIGURE 2: Years of Operation of Audit Firms

Figure 2 shows that 32% of the firms had been in operation for a period of between 1-10 years , 49% for a period of between 11-20 years, 17% for a period of between 21-30 years and 2(1%) had been in operation for between 31-40 years. This shows that the audit firms had been in operation long enough therefore the findings are more representatives of the industry.

4.2.2 Number of Employees

The study sought to determine the number of employees on the firms. The findings are shown in Table

TABLE 4: Number of Employees in Small and Medium Audit Firms

Employees Size	Frequency	Valid Percent
Below 5	35	29
6-15 Employees	68	57

16-20 Employees	8	7
Above 20 Employees	9	7
Total	120	100

As shown in Table 4, 29% of the firms had below 5 employees, 57% had between 6-15 employees, 7% had between 16-20 employees while 7% had above 20 employees. This indicates that the majority of the firms are small.

4.2.3 Services Offered by Audit Firms

The study sought to determine the services offered by the firms. The findings are shown in Figure 3.

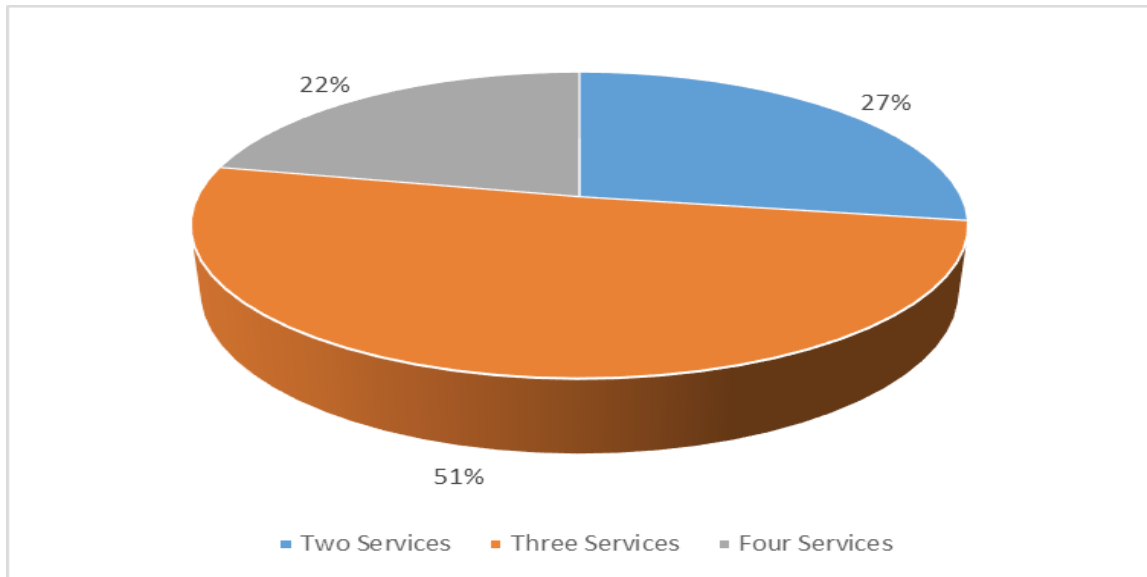


FIGURE 3: Service Levels of Audit Firms

On the basis of service diversification the study revealed that 51% of the audit firms offered three different services in their firms, 27% had two different services while 22%

of the audit firms had four different services. These results confirm that small and medium audit firms engage in non-audit firms'services as a strategy for survival in a competitive business environment. This implies that most audit firms had at least three audit related services.

TABLE 5: Service Specialities of the Audit Firms

Service Speciality	Frequency	Percentage
Tax Consultancies	115	96
General Consultancies	72	60
Advisory Services	51	43

The study also found out that 96% of the audit firms specialize on tax consultancy, 60%specialize on general consultancy and 43% specialize on advisory services.

4.3: Effect of Network Diversity on Performance of Small and Medium Audit Firms

Several elements of network diversity that affect performance of organizations were identified and the respondents were required to indicate the extent to which these elements affected the performance of their organization. A scale of 1-5 where 1= No extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent was used. From their responses mean and standard deviation was calculated for ease of interpretation. The findings are shown in Table 6.

TABLE 6:Network Diversity in Small and Medium Audit Firms

Statement	Mean	SD
Our Firm is networked with other audit firms in Kenya	3.05	1.269
Our firm is networked with other organizations in different industries	3.39	1.176
Our firm has both informal and formal networks	3.67	1.079
There are informal networks in the firm	3.28	1.238
Our network includes government officials	2.38	1.385
Our network is composed of diverse professionals	3.80	1.105
Our firm networks with Banks in Kenya	2.78	1.086
Our firm is networked with firms of all ages	3.82	1.085

As indicated in Table 6, firm is networked with other audit firms in Kenya had a mean of 3.05 with a standard deviation of 1.269,firm is networked with other organizations in different industries had a mean of 3.39 with a standard deviation of 1.176,firm has both informal and formal networks had a mean of 3.67 with a standard deviation of 1.079,there are informal networks in the firm had a mean of 3.28 with a standard deviation of 1.238,network includes government officials had a mean of 2.38 with a standard deviation of 1.385,network is composed of diverse professionals had a mean of 3.80 with a standard deviation of 1.105,firm networks with Banks in Kenya had a mean of 2.78 with a standard deviation of 1.086 and firm is networked with firms of all ages had a mean of 3.82 with a standard deviation of 1.085. The mean values for the finding indicate that the respondents generally agreed with the statements.

4.3.1 Extent to which Network Diversity Influenced the Performance

The study sought to determine the extent to which network diversity influenced the performance of the organization. The findings are shown in Figure 4.

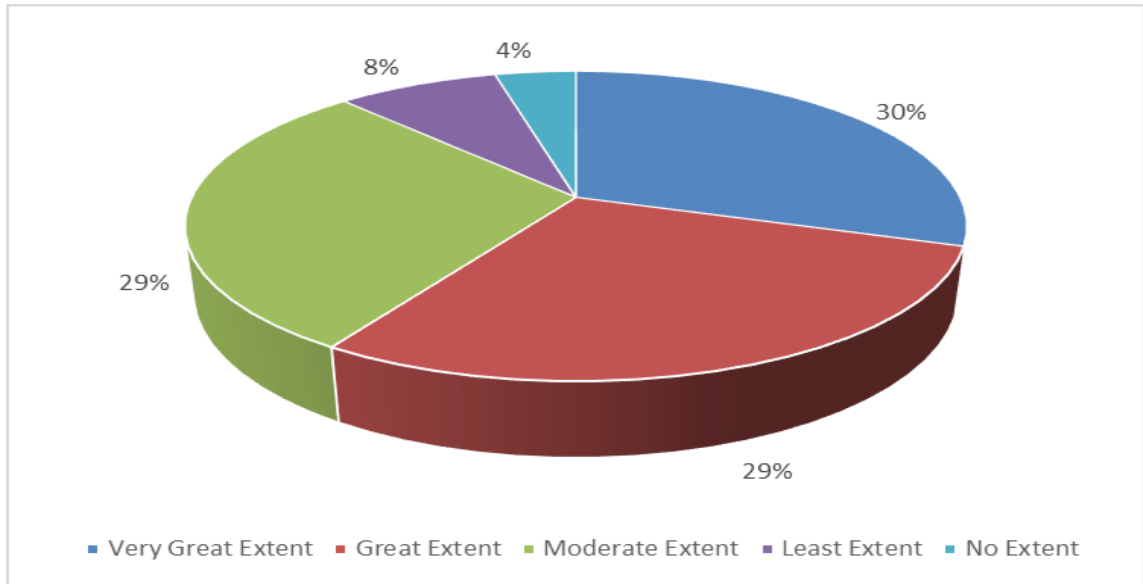


FIGURE 4: Extent to which Network Diversity Influenced the Performance

Figure 4 indicated that 30% of the respondents indicated very great extent, 29% indicated great extent, 29% indicated moderate extent, 8% indicated least extent and 4% indicated no extent. These findings show that majority of respondents believe that network diversity affect the performance of small and medium audit firms. It appears to be that the more diverse a group the more the benefits to the firms performance as they are able to increase their marketing channels and probably share best practices in financial reporting.

4.4 Effect of Network Size on the Performance of Small and Medium Audit Firms

Several elements of network diversity that affect performance of organizations were identified and the respondents were required to indicate the extent to which these elements affected the performance of their organization. From their responses mean and

standard deviation was calculated for ease of interpretation. The findings are shown in Table 7.

TABLE 7: Network Size in Small and Medium Audit Firms

	Mean	Std. Dev
Our firm is networked with several suppliers	3.09	1.257
Our firm is networked with several customers in our portfolio	3.53	1.130
Our firm is networked with several other professional bodies in Kenya and East Africa.	3.59	1.104
Our firm is networked with several other professional bodies outside East Africa	3.28	1.238
We are networked with the Association of Certified Chartered Accountants (ACCA)	2.47	1.359
The individuals in our network are more than 200	3.71	1.161
We are networked with institutions that train accountants for our staff needs	2.98	1.057
We are networked with the Kenya Accountants and Secretaries National Examinations Board (KASNEB)	3.75	1.039

From the findings in Table 7, firm is networked with several suppliers had a mean of 3.09 with a standard deviation of 1.257, firm is networked with several customers in our portfolio had a mean of 3.53 with a standard deviation of 1.130, firm is networked with

several other professional bodies in Kenya and East Africa had a mean of 3.59 with a standard deviation of 1.104, firm is networked with several other professional bodies outside East Africa had a mean of 3.28 with a standard deviation of 1.238, networked with the Association of Certified Chartered Accountants (ACCA) had a mean of 2.47 with a standard deviation of 1.359, the individuals in our network are more than 200 had a mean of 3.75 with a standard deviation of 1.161, networked with institutions that train accountants for our staff needs had a mean of 2.98 with a standard deviation of 1.057 and networked with the Kenya Accountants and Secretaries National Examinations Board (KASNEB) had a mean of 3.75 with a standard deviation of 1.039. The mean values for the finding indicate that the respondents generally agreed with the statements which is in line with Teng (2007) who points out that collaboration with other customers is the most beneficial alternative for resource acquisition and that this allow for shared costs. This can lead to better and improved performance among SMEs that network with customers.

4.4.1 Extent to which Network Size Influenced the Performance

The study sought to establish whether respondents believed that network size affects the performance of business. The results are as shown in Figure 5.

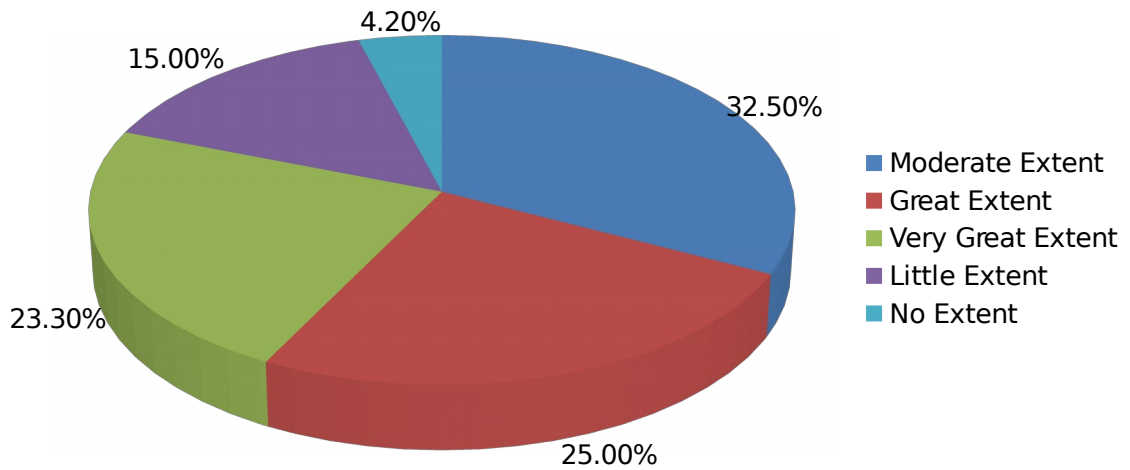


FIGURE 5: Effect of Network Size on Business Performance

From the results in Figure 5 it was found out that 23% of the respondents indicated very great extent, 25% indicated great extent, 33% indicated moderate extent, 15% indicated little extent and 4% indicated no extent. The findings show that majority of the respondents agreed that network size affects business performance highly. The findings coincide that of Nyangarika (2016) that the perceived benefits of network size provides business with information sharing, resource sharing, cost reduction and increased efficiency.

4.5 Effect of Network Platforms on the Performance of Small and Medium Audit

Firms

Several elements of network platform that affect performance of organizations were identified and the respondents were required to indicate the extent to which these elements affected the performance of their organization. From their responses mean and standard deviation was calculated for ease of interpretation. The findings are shown in Table 8.

TABLE 8: Network platforms in Small and Medium Audit Firms

Descriptive Statistics	Mean	SD
Our firm networks in social media platforms	3.04	1.266
Our firm networks with other organizations in seminar and workshops	3.34	1.206
Our firm networks with other organizations through websites	3.62	1.094
Our firm networks with other organizations in publications and magazines	3.23	1.214
Our firm networks with other organizations through emails	2.47	1.372
Our firm networks with other organizations through other informal meetings	3.74	1.111
Our organization networks with other through publications of reports	2.93	1.121
Our organization networks with other organizations through newsletters	3.80	1.105

As shown in Table 8, firm networks in social media platforms had a mean of 3.04 with a standard deviation of 1.266, firm networks with other organizations in seminar and workshops had a mean of 3.34 with a standard deviation of 1.206, firm networks with other organizations through websites had a mean of 3.62 with a standard deviation of 1.094, firm networks with other organizations in publications and magazines had a mean of 3.23 with a standard deviation of 1.214, firm networks with other organizations through emails had a mean of 2.47 with a standard deviation of 1.372, firm networks with other organizations through other informal meetings had a mean of 3.74 with a standard deviation of 1.111, organization networks with other through publications of reports had a mean of 2.93 with a standard deviation of 1.121 and organization networks with other organizations through newsletters had a mean of 3.80 with a standard deviation of 1.105. The mean values are an indication that the respondents were generally in agreement with the statements. This finding is consistent with that of Gulati et al., (2000) that it is through the platforms that ties are established which results to embeddedness of firms in networks of external relationships with other organizations.

4.5.1 Extent to which Network Platforms Influenced the Performance

The study also sought to determine the effect of network platforms on performance of business. The results are as shown in Figure 6.

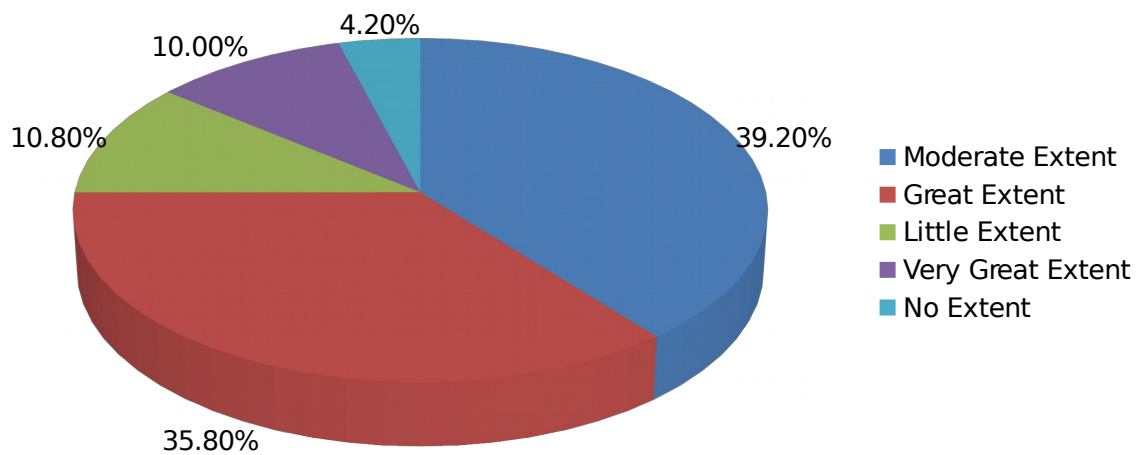


FIGURE 6: Extent to which Network Platforms Influenced the Performance

Figure 6 shows that 10% of the respondents indicated very great extent, 36% indicated great extent, 39% indicated moderate extent, 11% indicated little extent and 4% indicated no extent. The findings imply that network platform use influence greatly the performance of SMEs audit firms.

4.6 Performance of Small and Medium Sized Audit Firms in Nairobi County

The respondents were asked to indicate the extent to which networking influence performance of small audit firms in Nairobi Kenya. From their responses mean and standard deviation was calculated for ease of interpretation. The findings are shown in Table 9.

TABLE 9: Performance of Small and Medium Audit Firms

Descriptive Statistics	Mean	SD
Diverse networks have increased the market share of our company	3.31	1.199
Diverse networks have reduced market entry competition for new business in the market	2.39	1.019
Managerial networking relationships have improved the quality of financial reporting in our firm	3.55	1.071
Network platforms have increased the number of new business acquisition through referrals	3.72	1.073
Network size has increased return on assets of our firm	3.39	1.129
Network diversity has increased the profits of our firm	3.63	1.032
Network diversity has improved customer relationships of our firm	3.71	1.075

As shown in Table 9, diverse networks have increased the market share of the companies had a mean of 3.31 with a standard deviation of 1.199, diverse networks have reduced market entry competition for new business in the market had a mean of 2.39 with a standard deviation of 1.019, managerial networking relationships have improved the quality of financial reporting in the firms had a mean of 3.55 with a standard deviation of 1.071, network platforms have increased the number of new business acquisition through

referrals had a mean of 3.72 with a standard deviation of 1.073, network size has increased return on assets of our firm had a mean of 3.39 with a standard deviation of 1.129, network diversity has increased the profits of our firm had a mean of 3.63 with a standard deviation of 1.032 and network diversity had improved customer relationships of the firms had a mean of 3.71 with a standard deviation of 1.075. The mean value indicate that the respondents generally agreed with the statements which concurs with the finding of Mereki, Setibi and Bafaneli (2015) that through networking businesses share information on key business practices that when adopted by business have the potential to improve their performance.

4.7 Regression results of relationship between Networking and Performance of Small and medium Audit Firms

An analysis was performed on the relationship between networking and business performance of small and medium audit firms. Before the regression analysis, the data was subjected to 3 assumptions of regression analysis firstly, the relationship between the independent and dependent variable is linear, there was no multicollinearity between the variables and the data is normal. The table below shows the results of the assumptions

TABLE 10: Test for Multicollinearity for Network size, Network diversity and Network platform

Model		Collinearity Statistics	
		Tolerance	VIF
1	TRANSFORMED NETWORK DIVERSITY TOTAL	.728	1.374
	TRANSFORMED NETWORK PLATFORM TOTAL	.728	1.374

a. Independent Variable: TRANSFORMED NETWORK SIZE TOTAL

Model		Collinearity Statistics	
		Tolerance	VIF
1	TRANSFORMED NETWORK SIZE TOTAL	.636	1.573
	TRANSFORMED NETWORK PLATFORM TOTAL	.636	1.573

a. Independent Variable: TRANSFORMED NETWORK DIVERSITY TOTAL

Model	Collinearity Statistics	
	Tolerance	VIF
1 TRANSFORMED NETWORK DIVERSITY TOTAL	.610	1.638
TRANSFORMED NETWORK SIZE TOTAL	.610	1.638

a. Independent Variable: TRANSFORMED NETWORK PLATFORM TOTAL

The Table 10 indicates that there is no multicollinearity among the independent variables as indicated by the Variance inflation Factor (VIF). This is because all the VIF are below 3 which shows no multicollinearity.

TABLE 11: Test for Normality

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Network Diversity	0.115	117	.031	.961	117	.106
Network Size	0.073	117	0.03	0.920	117	0.061
Network Platforms	0.078	117	0.044	0.879	117	0.072
Business Performance	0.291	117	0.000	0.805	117	0.000

a.Lilliefors Significance Correction

Source: Thode HJ(2002)

Normality tests were carried out for the study with the possibility of kolmogorov-smirnov test and Shapiro-Wilk test. However, Shapiro-wilk test was used in the study since the

sample size of the study was less than 2000 (Table 11). The study results indicate that all the variables were normal except business performance. The variables are normal because they had a p-value that is greater than 0.05. Thus it can be said that the data was generally normal and thereby allowing for further regression analysis using the following equation (1);-

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \dots \dots \dots (ii)$$

The estimators in equation (i) were defined as; - α_i was the estimate of the intercept showing the financial performance in the absence of the factors and ϵ was the error term related with this equation, β_1 was the beta coefficient of network diversity (X_1), β_2 was the beta coefficient of network size (X_2), β_3 was the beta coefficient of network platform (X_3). The relationship between networking and business performance of small and medium

audit firms was examined by testing the research hypothesis (H_{01} - H_{03}) which stated that:

H₀₁: Network diversity has no significant effect on performance of small and medium audit firms.

H₁: Network diversity has significant effect on performance of small and medium audit firms.

H₀₂: Network Size has no significant effect on performance of small and medium audit firms

H₂: Network size has significant effect on the performance of small and medium audit firms

H₀₃: Network platforms has no significant effect on performance of small and medium audit firms

H₃: Network platforms has significant effect on performance of small and medium audit firms

Following a multiple linear regression analysis, the ANOVA output is presented for both with or without control variables. The results are presented below. From this table, the

model was significant (p-value = 0.00) at 0.05 level in explaining the linear relationship between the predictors and small and medium audit firm performance.

TABLE 12: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.958	3	7.319	12.282	.000
	Residual	67.341	113	0.596		
Total		89.299	116			

a Dependent Variable: Business Performance

b Predictors: (Constant), Network Diversity, Network Size, Network Platforms

From the Table 12, the model was significant (p-value = 0.000) at 0.05 level in explaining the linear relationship between networking and business performance of small and medium audit firms. Additionally, the F-statistic is significantly greater than 1 thus indicating the appropriateness of the model in testing the relationship between independent and dependent variable. This means that the model is appropriate for use in interpreting the effect of networking on performance of SMPs.

TABLE 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
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1	0.496	0.246	0.226	0.772
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a Predictors: (Constant), Network Diversity, Network Size and Network Platforms

In Table 13, the model had a coefficient of determination (R^2) = 0.246, indicating that 24.6% of the variation in business performance was explained by the independent variables in the model leaving 75.4% of the variations in business performance as unexplained (explained by variables not in the model). Model therefore provided a strong fit. Adjusted R^2 indicates the true behaviour of R^2 that varies in accordance with the changes in independent variables.

TABLE 14: Regression coefficient of independent variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	1.560	0.391		3.986	0.00
Network Diversity	0.151	0.072	0.174	2.09	0.039
Network Size	0.165	0.073	0.187	2.248	0.027
Network Platforms	0.299	0.70	0.359	4.275	0.000

a Dependent Variable: Business Performance

Source: Pallant J. (2007)

An interpretation of the coefficients in Table 14 shows network diversity had a significant coefficient with p-value = 0.039, network size had a significant coefficient with p-value = 0.027. Network platforms a significant value of 0.00. The study therefore fails to accept H_{01} , H_{02} and H_{03} thus rejecting the null hypotheses of the study and accepts the alternative hypotheses H_1 , H_2 and H_3 .

From the estimated regression equation;

Where β_0 is the constant = 1.560, $\beta_1 = 0.151$, $\beta_2 = 0.165$, $\beta_3 = 0.299$. The fitted regression equation of the model becomes;

$$Y=1.560+0.151X_1+0.165X_2+0.299X_3\text{..... (iii)}$$

It is evident from the above regression model that if all factors were to be held constant then a unit change in network diversity, network size and network platforms would result in a 1.560 change in business performance of small and medium audit firms.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents summary of the findings, conclusion and recommendations of the study based on the objective of the study which was to evaluate the effects of networking on performance of small audit firms in Nairobi Kenya.

5.2 Summary of Findings

This section presents a summary of the findings as per the research objectives and the research questions.

The regression coefficient of network diversity was positive and significant in predicting the business performance of small and medium audit firms. This implies that a highly diverse network offers good resource mix that in turn improves the business performance of small and medium sized audit firms. The findings of the study are consistent with the results of Sarens, Everaert, Verplancke, & De Beelde, (2015) and Park and Rhee (2014).

The regression coefficient of network size was positive and significant in predicting the performance of small and medium sized audit firms. This result could be attributed to what Hislop (2005) argues that increase in network size increases network density that has a positive influence on business performance. These results are similar to

the findings Rehman (2015) who established that network size improves the performance of firms.

The regression coefficient of network platforms and performance of small and medium audit firms was significant in the study. This could be influenced by the reason that network platforms determine the nature of network relationship thereby affecting business performance (Baum et al., 2012). These findings are consistent to the findings of Parida (2010) who found that network platforms impacts positively on business performance of SMEs.

From the findings of the study it was noted that networking causes a change in performance of small and medium sized audit firms by 24.6 % with other variables not included in the study causing a change of performance by 75.4%. Such significance has been established in studies by Maina, Marwa & Waiguchu (2016), Mmereki, Setibi, & Bafaneli (2015) and Kariuki, J. W. (2015).

5.2.1 Effect of Network Diversity on Performance of Small and Medium Audit Firms

The study found out that small and medium sized audit firms were networked with other audit firms in Kenya, firm were networked with other organizations in different industries, firms had both informal and formal networks, there were informal networks in the firms, network includes government officials, network was composed of diverse professionals, firms network with Banks in Kenya and firms of all ages.

On the effect of network diversity on business performance the study demonstrated a positive significant connection between the network diversity and performance of small and medium audit firms. This was indicated by a p-value of 0.039

and regression co-efficient of 0.151. Thus the study rejected the null hypothesis that network diversity has no significant effect on performance of small and medium audit firms.

5.2.2 Effect of Network Size on the Performance of Small and Medium Audit Firms

The study established that firms were networked with several suppliers, customers in their portfolio, other professional bodies in Kenya and East Africa, other professional bodies outside East Africa, the Association of Certified Chartered Accountants (ACCA), institutions that train accountants for the staff needs and the Kenya Accountants and Secretaries National Examinations Board (KASNEB) and that the individuals in their network were more than 200.

The study also found out that network size positively and significantly influences firm performance. This was affirmed by p-values of 0.027 and regression coefficient of 0.165. Thus the study rejects the null hypothesis that network size has no significant effect on the performance of small and medium audit firms.

5.2.3 Effect of Network Platforms on the Performance of Small and Medium Audit Firms

The study revealed that firms networks in social media platforms, networks with other organizations in seminar and workshops, websites, in publications and magazines, through emails ,through other informal meetings, through publications of reports and through newsletters. In addition, the current study found support for the hypothesis that the use of network platforms is significantly associated with performance of small and medium audit firms. This was indicated by p-values of 0.000 and regression co-efficient

of 0.299. Thus the study rejected the null hypothesis that network platforms have no significant effect on business performance. This research proved that utilizing various network platforms exposes small and medium audit firms to various business opportunities which when tapped can result to improved business performance. It means, by building network across different platforms, SMEs have access to the knowledge and resources, access to market opportunities and do co-innovation, which in the overall involve the role of business partners.

5.3 Discussions

This part elucidates the individual objectives of the study and provides answers to the research question of the study.

5.3.1 Effect of Network Diversity on Performance of Small and Medium Audit Firms

The study shows that there was a significant effect on network diversity on performance of SMPs sharing in the views of Westby, Pfaff, & Redding (2014) who found that in this technologically advanced era information tends to flow more easily in than without the group for the advantage of cluster members. The study also posted similar findings to Borgatti & Halgin (2011) who opined that network diversity offers firms with extra value tapping into added resources entrenched in the network. Jayne and Dipboye (2004) in there study also found that diversity is a professional imperative and good for the bottom-line. Frishammar and Anderson (2009) also acknowledged that a diverse network group sets the principal influences for diversity in business networks. In their study Calia, Guerriniand Moura(2007) established that a diverse network can successfully deal with progressively wide-ranging requirements of members in the network and Finally, the study also concurs with that of Maina, Marwa and Waiguchu (2016) and Gronum,

Verreyne and Kastle (2012) who also found out that network diversity is believed to affect the performance of small and medium enterprises.

5.3.2 Effect of Network Size on the Performance of Small and Medium Audit Firms

SMPs network size largely influenced the performance of SPMs and this was evidenced by the results of this study and supported by Shankar and Bayus (2003) who postulated that an organization clients can be a long term asset through network size. Similar findings were also found in Stuart and Sorenson (2007) where they found that entrepreneurial activity is rooted in network size that direct capital flows to the networked members. Bhagavatula, Elfring, van Tilburg and van de Bunt (2010) also opined that the capital businesses may acquire through their enlarged networks allows them to seize openings, increase capacity and capabilities in the firms enabling them to do more within their specialties increasing their profits. Also noted in Parida, Pemartín and Frishammar (2009) that network size is a significant component of networking and members in the network stand to gain a lot of in their operations. Equally the study showed similar results as found in Armanios, Eesley and Eisenhardt (2012) where the capability of a firm to use the information from a large network leads to innovativeness and increased performance

5.3.3 Effect of Network Platforms on the Performance of Small and Medium Audit Firms

SMPs used various modes of communication and channelling of information from one to the other through there networking groups and from the results of the study this has enhanced the SMPs performance, in the same vein Maina et al, (2016) in Kenya found that network platforms absolutely influenced firm performance in small and medium

enterprises. Additionally Gulati et al., (2000) found that network platforms established ties which lead to entrenchment of networks with other organisation enabling easy faster, resource sharing.

5.4 Conclusion

The study concludes that apart from the above factors discussed above there are other factors that greatly influence SMPs performance in Nairobi, Kenya. These include marketing, customer relationship management, product pricing, strategic product positioning. Noting that the law bars audit firms from marketing their services and there is also no law on remuneration order, Networking could be the panacea for SMPs in improving firm performance as it is through Networking they will be able to attract more business, strategically position their services and price competitively without undercutting or engaging in shoddy works and maintain, provide and grow customer friendly audit related solutions.

The study also concludes that improving SMPs firm performance is very crucial to the economic development of the country. Notably and most importantly on employment creation and proper financial reporting of SMEs leading to efficiency of the SMEs in understanding and appreciating the role of importance of proper financial reporting, proper tax planning and higher tax collection by the Government. Quacks will be eliminated in the system where SMPs network and their services, location and partners are easily traceable. Through networking unqualified or unlicensed practitioners will all leave town.

However, it is neither enough for managers to focus their attention on building strong inter-firm relationships such as alliances to gain trust-based cooperation and resources, nor is it sufficient for them to structure their network to capture the information benefits from structural holes and weak ties. Rather, managers must put into consideration to the entire networks architecture and organisational characteristics.

The study also concludes that SMEs pursue strategies focusing on the development of valuable network size with external resource holders in order to succeed. This finding contributes a more detailed explanation of the mechanisms through which performance benefits are derived from network establishment by arguing that innovation output should be viewed as a transitional outcome connecting networks as a component of the development of innovation with firm performance.

The study further concludes that it is significant for small SMPs partners to consider the complete network platforms for improved business performance and stronger network relationship among SMPs since strong ties provide trust and relational resource.

5.5 Recommendations

This research was able to establish that networking is vital for enhanced performance of SMPs. The results of this study not only enriches literature on SMEs from developing countries but also has showed explicitly that networking relationships (diversity, size and platforms) influences the performance of SMPs.

Findings of the study highlight the need for government and other policy makers to facilitate SMPs networking through improving network channels and linkages for

SMPs to obtain business resources to improve the quality of financial reporting. Findings also highlight the needs for SMPs to develop strategies to improve network diversity, network size and network platforms help improve the diversity and intensity of networks, policy-makers can work with key resource providers, such as financial institutions and banks, to improve systems for credit guarantees, business risk audit and firm performance appraisal.

The study recommends that there is need to strengthen SMPs' networking skills and competences owing to the fact that SMPs are barred from marketing & advertising their services, networking would be a panacea from which they can sell their services to the public. Results suggest that strategic intent in networking has a positive effect on business performance of small and medium audit firms. It will therefore be beneficial to include networking as a business skill that can be learned, and to tailor training and development programmes for SMPs.

5.6 Limitations of the study

The study was carried out at a time when the Government deadline of filing of tax returns has just ended hence most of the firm`s partners were on leave and the ones around were difficult to be located as they were either attending seminars or were in the office partly during the day. Future studies should avoid the June to August financial period of the year to be able to capture the data faster and at minimal costs.

5.7 Areas for further Research

This study considered networking relationships among small and medium audit firms. Future studies should consider networking in small and medium audit firms by testing the effect of networking on financial and non-financial performance. Another prime area for future research would be to assess how networking evolves and its sustainability in dynamic sectors has affected the performance of small and medium audit firms.

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APPENDIX I: QUESTIONNAIRE

Please take a few minutes to answer this questionnaire. The data you provide will be held in strict confidence and used only for academic purposes.

SECTION A: DEMOGRAPHIC INFORMATION

1. Name of your organization _____

2. How long has your organization been in operations? _____

3. What is the range of services offered? (Please select all that apply)

Audit [] Tax Consultancy []

General Consultancy []

Other (Please specify) _____

4. How long have you worked with this organization?

Below 2 years [] 2-4 years [] above 4 years []

5. How many employees has your organization employed?

Below 5 [] 6-15 [] 16-20 []

More than 20 []

SECTION B: EFFECTS OF NETWORK DIVERSITY ON PERFORMANCE

6. Below are several elements of network diversity that affect performance of organizations. Please indicate the extent to which these elements have affected the performance of your organization. Use a scale of 1-5 where 1= No extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Statements	1	2	3	4	5
Our Firm is networked with other audit firms in Kenya					
Our firm is networked with other organizations in different industries					
Our firm has both informal and formal networks					
There are informal networks in the firm					
Our network includes government officials					
Our network is composed of diverse professionals					
Our firm networks with Banks in Kenya					
Our firm is networked with firms of all ages					

7. In General to what extent has network diversity influenced the performance of your organization?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

SECTION C: EFFECTS OF NETWORK SIZE ON PERFORMANCE

Below are several elements of network size that affect performance of organizations. Please indicate the extent to which these elements have affected the performance of your organization. Use a scale of 1-5 where 1= No extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Statements	1	2	3	4	5
Our firm is networked with several suppliers					
Our firm is networked with several customers in our portfolio					
Our firm is networked with several other professional bodies in Kenya and East Africa.					
Our firm is networked with several other professional bodies outside East Africa					
We are networked with the Association of Certified Chartered Accountants (ACCA)					

The individuals in our network are more than 200					
We are networked with institutions that train accountants for our staff needs					
We are networked with the Kenya Accountants and Secretaries National Examinations Board (KASNEB)					

8. In General to what extent has network size influenced the performance of your organization?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

SECTION D: EFFECTS OF NETWORK PLATFORM ON PERFORMANCE

Below are several elements of network platform that affect performance of organizations. Please indicate the extent to which these elements have affected the performance of your organization. Use a scale of 1-5 where 1= No extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent.

Statements	1	2	3	4	5
Our firm networks in social media platforms					
Our firm networks with other organizations in seminar and workshops					
Our firm networks with other organizations through websites					
Our firm networks with other organizations in publications and magazine					
Our firm networks with other organizations through emails					
Our firm networks with other organizations through other informal meetings					
Our organization networks with other through publications of reports					
Our organization networks with other organizations through newsletters					

9. In General to what extent has network platforms influenced the performance of your organization?

Very great extent []

Great extent []

Moderate extent []

Little extent []

No extent []

SECTION E: PERFORMANCE

A diverse network can lead to an increased market share and greater specialization among group members

Statements	1	2	3	4	5
Diverse networks have increased the market share of our company					
Diverse networks have reduced market entry competition for new business in the market					

Managerial networking relationships have improved the quality of financial reporting in our firm					
Network platforms have increased the number of new business acquisition through referrals					
Network size has increased return on assets of our firm					
Network diversity has increased the profits of our firm					
Network diversity has improved customer relationships of our firm					

THANK YOU FOR TAKING PART IN THIS STUDY

APPENDIX II: LIST OF AUDIT FIRMS

A. K. Wachira & Associates

Kamau & Awuondo CPA

Aam Resources

Kanyonyo & Associates

Abdulbasid & Associates

Karanja Kamanu & Company

Apollo & Associates

Kariru and Associates

ASH Hassan and Associates

Karue & Associates

Awiti & Associates

Kengat Associates

Ayunga & Associates	Kepherfranklin & Associates
Barasa Okechi & Company	Khalid & Company
Basil Doyle & Associates	Khoya & Company CPAK
Bassan Khanna Saini	Kiage & Associates
Caleb Ndolo & Associates	Kiarie Kangethe & Co.
Bell-Mount & Associates	Kibiego Kiptum & Co.
Charles Mutuku Maingi	Kigathi & Associates
Benconsult & Associates	Kigundu Mwangi & Associates
Chege Muchunguzi Mwangi & Company	Kiige & Associates
Clyde & Associates	Kilaka & Associates Auditors & Consultants
Costa Luis & Co.	Kimani Gitahi & Associates
D.K Waweru & Associates	Kimani Mburu & Associates
DMK Muathe & Associates	Kimuati Bett & Company
DMG Peter & Associates	Kingangi Kamau & Company
DMC Associates	Kingori Kimani & Company

David Ngugi waweru T/A D.N.Waweru & Associates	Kinyanjui & Associates
Dan & Associates	Kinyoe & Company
Esani & Associates	Kioi & Associates
Evanson Munene & Waruhiu	Kioko & Associates
Esther Muchemi & Co	Kiragu Njiru & Company
Eunice Njuguna and Company	Kirugu & Associates
F.K. Kimuhu	KM Ndura & Associates
Fintax Associates	Labchey & Associates
Five Elements Advisory	Lawrence and associates
Francis Kieti & Associates	Leon Williams & Associates
Francis Kigo Njenga	Lishenga & Company Associates
G Gitau & Associates	M.N.Nyakang'o & Associates
Gachoka & associates	Mabeya & Associates
Gade Associates	Maingi & Associates
Gathogo & Associates	Makeni Mutua & Associates
Gemal & Company	Makonnen & Company
Geoffe & Associates	Malinda & Associates

Gichure & Associates	Nyabena & Associates
Gichuru M & Company	M K Mazrui & Associates
Gikuru Kazibwe & Company	M.N Cliff& Associates
Gitaka & Associates	Nyaga Mugo & Co.
Githiga Mwangi & Associates	Nyagari & Associates
Hank Kinyua & Associates	Nyambari & Associates
Hassan & Company	Nyasae & Associates
Henry Smith & Wislon	O.M.Ngotho & Associates
IMG & Associates	Obwocha & Associates
J G Associates	Simiyu Toywa & Company
J M Gitau & Company	Sir Robert & Company
J M Ikonya & Associates	Smith & Associates
J.N. Matheka & Associates	Solomon George and Company
Jaidev Nanji & Co.	Sol & Associates
Jam Martins Gachuhi & Company	Tela Alusala & Company
James & Company Associates	Thoithi & Associates
Josephat Waititu & Associates	Thuku & Associates

Josiah Ongaro & Associates

Thumbi Nga'ang'a & Associates

K & A Certified Public Accountants

Wachira N Associates

K Njoroge & Company

Wambu & Associates

kago kagwi & associates

Wambugu Wangai & Company

Kamani & Associates

Wamutu & Associates