

**EFFECT OF SOCIAL CAPITAL ON THE EXPORT PERFORMANCE OF
HANDICRAFTS SMALL AND MEDIUM ENTERPRISES IN NAIROBI CENTRAL
BUSINESS DISTRICT**

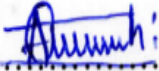
ABIGAIL CHEROTICH

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES,
UNIVERSITY OF NAIROBI.**

2021

DECLARATION

This research project is my original work, and it has not been presented to this or any other university in its entirety or in partial.



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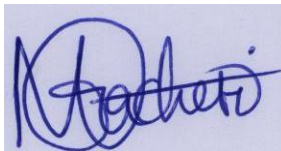
Signature:

Date: 7/12/2021

Abigail cherotich

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This research project has been presented with my approval as the university supervisor



DR MERCY GACHERI MUNJURI

Senior Lecturer, Department of Business Administration

Faculty of Business and Management Sciences,

University of Nairobi

ACKNOWLEDGEMENT

I'd want to express my heartfelt gratitude to everyone who helped make this endeavor a success. First, Dr. Mercy Gacheri Munjuri, my supervisor, for her patience, direction, assistance, and counsel throughout the project, which helped to make it a success. Thank you to my parents, children, spouse, extended family, and friends for their moral and financial support. Most importantly, I thank God for providing me with the wisdom and strength I needed to complete this project.

ABSTRACT

Firms' drive to explore beyond the local market area and extend into the export market so as to boost their operations has contributed to the increasing number of export activities, as described by globalization of business operations and the associated technological advancement. The goal of this study was to see if social capital had an impact on the export performance of small and medium-sized handicrafts businesses in Nairobi's Central Business District. Two theories informed the research: social capital theory and the Institutional Based View. On a population of 87 handicrafts small and medium enterprises in Nairobi's Central Business District, this study employed a descriptive study technique. The study used primary data acquired through semi-structured questionnaires emailed and received via electronic mail to conduct a census survey. In the data analysis, descriptive and inferential statistics were obtained. According to the descriptive findings, majority of respondents believe that the management of handicraft firms encourages employee contact, resulting in improved working standards. Additionally, it was agreed among the respondents that the channels via which information is transmitted inside an organization are defined by network configuration of the organization hence social capital is shared in the process. Based on inferential statistics, the study established that structural dimension positively and significantly affects export performance of handicraft SMEs in Kenya. With an additional unit of structural dimension, there is an increase in export performance by a unit of 0.325 ($\beta=0.325$) which was found to be statistically significant ($\alpha=0.009<0.05$). In regard to the second specific objective, the study established that relational dimension of social capital positively and significantly affects export performance. With an increase in adoption of relational social capital by a unit value, there is an increase in export performance by a factor of 0.276 which was found to be statistically significant ($\alpha=0.021<0.05$). In an attempt to enhance implementation of relational social capital, the study found that organizational leaders and staff have a high level of trust, which allows them to share sensitive information and encourage collaborative action. Thirdly, the study found a positive and significant relationship between cognitive social capital and export performance. From the regression model, an additional unit of cognitive dimension enhance export performance by a significant ($\alpha=0.000$) factor of 0.440. The findings imply that cognitive dimension of social capital plays a core role as far as increase in export performance is concerned. Although cultural dimension of social capital plays a significant role in enhancing export performance of SMEs in handicraft businesses in Kenya, the findings found that the positive effect ($\beta=0.045$) is insignificant ($\alpha=0.618$). However, the study found that cultural factors in the organization does not prevent market entry strategies that are put in place and that there is a common language of communication in the organization that fosters performance of employees. Based on the summary model of regression analysis, the study found that cumulatively, cognitive, structural, relational and cultural dimensions of social capital explain 73.7% of the overall export performance. The study recommends that small scale traders with limited resources to conquer the foreign market should consider harnessing the available social capital within the group as it positively affects their export performance. The study results reinforce the importance of communication within an organization and also among the different SMEs in the quest to harness the social capital benefits. It is recommended that an open communication channel within the organization is developed with a view to developing trust and which in turn results in improved sharing of new ideas about available export opportunities. This in turn is expected to result in improved export performance at both individual and alliance level. Similarly, the study also recommends that as far as cognitive dimension of social capital is concerned, business management should encourage unity of purpose towards organization goals for betterment of organizational performance. More of strategies relating to adoption of cognitive social capital should be implemented because it helps to improve language proficiency and communication with international partners dealing in export and import.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Firms' drive to explore beyond the local market area and extend into the export market so as to boost their operations has contributed to the increasing number of export activities, as described by globalization of business operations and the associated technological advancement (Mubarik, Devadason & Govindaraju, 2020). Under such an operating environment, it becomes important that a nation determines the business line that it has a competitive advantage as compared to the other countries and tries to capitalize on the same. It becomes therefore necessary to come up with ways and measures that will hasten the level of trade across the national borders because it is used to increase the volume of trade between countries (Anyanwu, 2015). Social capital in a community or group could be employed to revitalize the state of economical development because it is anchored on the ability of resource-based communities coming together and making the changes (Ferragina & Arrigoni, 2017). The social capital in a group provides necessary momentum for people to serve other members in and outside the group through synergy of capital appreciation. Serrano and Ferrer (2021) states that social capital holds the key to the problems of under-development because social networks facilitate access to resources that might not be available at individual basis. The establishment of social networks in a group protect common goals while the cooperation makes markets to perform more efficiently.

In order to bring the effect of social capital on export performance effectively, two theories were reviewed with previous applications compared with the current study. These theories were: the Institutional Based View and the Social Capital Theory. The fundamental basis of social capital is that the social structure facilitates collective activity among people who are a part of it. Examining patterns of embedded ties – formed over time – and their capacity to support

individual, organizational, and group level advantages is included in the social capital. As a result, social capital is a relational theory of social interaction in which actors and their deliberate activities are seen as interdependent. The second theory that is used to explain international trade is the factor proportion theory advanced by Hecksher and Ohlin (1933). On the other hand, Scott (2004) proposed institutional based view theory, which tries to explain the more fundamental and durable features of how organizational norms, routines, rules, and schemas are developed as recommendations for business success. The IBV stresses the significance of the structural institutional climate and indicates that structural factors influence the strategic choices of companies and decide their success (Dacin et al., 2002).

In Kenya, SMEs that are engaged in international trade are faced with different forms of challenges, both from organizational scope and from external forces that are beyond the control of the organization. From the internal factors perspective, SME face a lack of technical know-how to compete favourable with other players in the market, lack of export market knowledge, financial support, innovation capability and a lack of government support. In addition, the international market as a result of growing uncertainty in customer demands, the dilution of borders between competitive environments and the move towards global competition (Faroque, Morrish & Ferdous, 2017). Under such circumstances, the SMEs that deal with export of crafts have to bring together their internal social capabilities with a view to creating necessary synergy in their export business. Harnessing of their social capital is one such strategy that the SMEs can employ to conquer the export market since every member in the SME has a certain unique knowledge and resource of the export market which if harnessed well might influence their export performance (Hallam, Dosamantes & Zanella, 2017).

1.1.1 Social Capital

Social capital is the talent, skills and capabilities that is repository in people, groups, and institutions (Lin, 2017). As opposed to the economist capital that is represented by bonds, stocks and other financial market securities, social capital implies the resources emanating from the social relations that has been developed in a society with the aim of solving prevailing problems to an individual or society at large (Ferlander, 2007). The premise of social capital is that there exists a synergy of resources when individuals come together as opposed to a situation when they work separately, and it is this social network that creates the benefits as a result of the interaction of the individuals in a group (World Bank Social Capital Initiative, 1998). This implies that social capital is inexistent on an individual and is on that individual interaction with others because, as Porte's (1998) opine, through coming together of individuals, reciprocity among the network parties results in trust and being accountable to one another and eventually resulting in mutual benefits. To the contrary, Feng and Boyle (2013) assert that a low level of social capital will result in such negative consequences in a society such as poor educational performance, tax evasion and low levels of political participation and demand of accountability by those in power. Social capital can be enhanced through partnership with overseas partners, governmental agencies, business associations, private companies, and state officials.

While explaining categorization of social capital, Nahapiet and Ghoshal (1998) opined that there are three aspects that best explains social capital in organizational context. From their point of view, social capital can be explained from cognitive, structural and relational perspective with all aspects incorporated in organizational culture. The structural social capital of an organization consists of the networking of players, such as employees. According to the author, relational social capital is the trust that is developed between the organization and its employees, as well as

among employees. Trust is very important in delivery of services in an organization since employees tend to carry out firm-specific activities which are confidential and privy to the internal caucus and affairs of the organization (Nahapiet & Ghoshal, 1998, p. 244). Thirdly, the cognitive component of social capital is a form of collectiveness and shared responsibilities among employees. This form of social capital plays a critical part as far as goal and objectives of the company are concerned. According to Andrews (2011), Spillover effects occur as a result of official and informal collaboration, as well as contact across coworkers, units, and departments, which can enhance the working environment and determines how the organization performs. Network ties, which offer access to resources and expertise, are a critical component of structural social capital. The trust shared between individuals in an organization is referred to as relational social capital. (Nahapiet & Ghoshal, 1998). Trust refers to individuals' favorable expectations of varied organizational members' purpose and behavior based on dependening on the roles and connections in the organization. (Shockley-Zalabak et al. 2000). The ability of an organization's members to have the same vision, mission, and goals is referred to as cognitive social capital. (Chow and Chan, 2008). This refers to a person's desire and ability to identify and pursue common goals as a group.

The social capital outcome is not only restricted to the group members but also heterogeneous communities that transcends the internal community. According to Madhava and Landau (2011), the bridging social capital is the ability of one community to liaise with another community or group on matters that will benefit them jointly. Bridging social capital aims at the establishment of contacts outside the group, exchange information and gain support from members of other groups with a common goal. Zhang, Zhou and Lei (2017) therefore suggest that the bridging social capital is concerned with the development of all members in the alliance of the two

groups. The collaboration between the two groups brings about ample opportunity to access external knowledge and resources, and at the same time facilitate the dissemination of information through the creation of network. By extension members of the community will be able to access benefits that cannot easily be gained at the individual member level. This brings about the empowerment of the individual members and the group as a team.

1.1.2 Export Performance

In determining success of companies participating in export of goods and services, previous studies have used different dimensions of export performance including financial and non-financial dimensions. Regarded as one of the best indicators of success of export performance, scholars previously have stated that export performance, in economic or non-economic perspective is the way to go. However, despite the importance of export performance to a nation and the company, there has been varying definitions of what constitutes an organization's export performance. Spasova (2014) suggests that the firm's export success represents a firm-specific strategy in exploiting its tools and skills at a given period in a foreign setting. This perspective was taken earlier by Diamantopoulos (1999), who indicated that the export production of a firm reflects the contribution of the overseas selling motion under various operational and environmental conditions. In addition, Rekarti, Doktoralina and Saluy (2018) supports the position held by the earlier scholars by arguing that export performance reflects the extent to which a company's export aims are met in a foreign market through the adoption of a specific strategy and orientations.

More recently, Rekarti, Doktoralina and Saluy (2018) clarified that the export success of a business is its capacity to grow revenue, market share, stable competitiveness on the foreign

market, and to launch and offer customers new and reliable products / services. This indicates that the success of a company's export performance may be measured using metrics such as success in entering a foreign market, attaining new customer segment in a foreign market, increased sales from export and also increase in market share.

Commenting on the factors that determine the export performance of a firm, Sousa, Martínez-López and Coelho (2008) acknowledge that the external export environment and internal company specific determinants drive the performance of exports. Internal factors influencing a company's export performance include the resources available, firm export orientation, strategy adopted, organizational and export environment market conditions. Similarly, Hultman et al, (2011) highlighted that soft company resources such as inherent company skills and resources such as relationship skills and customer management are key in determining export success. The management characteristics and perception factors such as the commitment and support, international experience, international orientation, age and experience in the international market will also determine the extent to which a firm is successful in the export market. Correspondingly, the knowledge-based capabilities of a company will also dictate the degree to which its export performance would be registered. The willingness of a company to carry out effective market analysis, collect information from rivals and consumers, and include details on channels of supply chain will decide how competitive a company can penetrate a foreign market. It also implies that the export success of a business relies on both internal and external multiplicity of factors.

1.1.3 Handicraft Small and Medium Enterprises in Nairobi County

Both qualitative and quantitative views are used to describe organizations that can be classified as small and medium enterprises. The qualitative definition describes the method of operation and organizational procedures, whereas the quantitative definition represents the measurable financial indicators. Small scale firms in Ghana are defined as those with 5 to 50 employees, an annual revenue of \$ US 6,000 to \$US 30,000, and assets of less than \$US 30,000. (Asamoah, 2014). In Kenya, there are three types of businesses, with micro and small enterprises (MSEs) referring to businesses with less than 50 employees and annual revenues of between Ksh 500,000 and Ksh 5 million. According to a report by Kenya Institute for Public Policy Research and Analysis (2014), a medium-sized company has between 50 and 100 employees.

Nairobi City County is known as an economic harbor due to its prime position to host various entrepreneurial activities. Majority of leading SMEs in the country are located within Nairobi and handicraft businesses that deals in various range of products are among the SMEs. Gift goods, handcrafted products, and curios are among the things sold by handicraft SMEs in Nairobi City County. Among others, the UNESCO/ITC, TCC introduced the phrase 'artisanal products'. Handicraft businesses in Nairobi depend largely on social capital for increased production and for communication, networking as well as economic stability for continuous production.

Handcrafted objects can be functional, artistic, creative, culturally related, ornamental, helpful, spiritually and socially important and meaningful, and are manufactured from sustainable raw materials. (Manila, 1997). Craft production in Kenya has evolved from a traditional practice to a business endeavor that has swiftly garnered support as a viable industry both locally and

globally. Traditional products that were made as part of cultural activities progressed from cottage industry to commercial fabrication for international markets.

1.2 Research Problem

The role of the private sector in a country's development is crucial and has been identified by both management practitioners and government agencies as a significant source of economic development (Hatch & Zweig, 2000). The current business environment is unpredictable as a result of daily advancement in operational activities within the market environment. Firms engaging in business activities in local, regional and international dimensions have strategically invested in research and development to continually harness the best technological framework that will withstand the rapid change in operational activities in the market (Hite, 2005). This is because social capital is expected to result in the discovery of opportunities and better allocation of limited resources. Further, teams with social interconnection results in greater diversity of human capital and from the same, improve organizational performance through competitive efficient organization. Adler and Kwon (2002) opine that social capital among friends, workmates and family members provide access to information resource, solidarity and influence, and which when harnessed appropriately will result in improved performance.

When compared to huge businesses, Kenya's small and medium-sized firms (SMEs) face resource constraints, which is considered as an obstacle to gaining access and benefiting from foreign markets. Despite possessing limited financial and technical know-how in comparison to the multinational corporations, Kenyan SMEs have lately increased their internationalization quest (Export Promotion Council, 2018). Kenyan SMEs may be able to compete in the global market if they can use social network connections to acquire access to important and unique resources. Social capital, which is produced through social networks, is regarded as one of the

most important resources that a company may cultivate in order to increase its competitive edge and achieve above-average returns. Social capital, which is built on inter-firm contacts and management links, might be a valuable resource for Kenyan SMEs.

Despite a number of studies on the influence of social capital on small or large enterprises' export performance, little is known about how SMEs in developing economies use social capital to boost their growth and export performance. In addition, few research have looked into the relationship between social structure and export success. As a result, further study is needed to fully comprehend the effects of social capital. As a result, the study set out to address the following research question: how does social capital affect SMEs' export performance?

1.3 Research Objective

The goal of this research was to determine how social capital affects the export performance of handicrafts small and medium companies in Nairobi, Kenya.

1.4 Value of the Study

Existing theories on social capital and performance of organizations benefits from this research. In today's techno-oriented market environment, the theory of social capital and export performance has to be modernized and applied. Export market is developing from time to time and as a result, previous studies may not be generalized on the current market development due to advancement in technology which changes international operating environment. It is subject to continuous development of frameworks that relate the theory to the current export market operations and applicable policies. Therefore, the study has contributed to advanced theoretical application into the study area in relation to the current operating policies and framework.

To the policy holders, such as the ministry of industrialization, Export promotion council and government entities engaged in facilitating increase in the Kenyan product exports such as KenInvest, the understanding of how social capital can be applied in export trade is beneficial. Through the same, the understanding of social capital dimensions that affect positively and significantly export performance facilitates arrangement of training programs, advocating for tax incentives and sourcing for foreign markets as a block of SMEs. Support from regulators and the harnessing of the social capital advantage in the group is expected to positively impact the performance of the curio market segment.

To the management of the SMEs, the research shows that social capital on the firms export performance is of benefit. The understanding of how the group can harness the resources within the membership will help them appreciate the importance of unity of purpose, harnessing the skills and knowledge at individual level to improve their export performance. Since the export market is wide, it will require high resource commitment to enter the foreign market as opposed to when the SMEs attempt to conquer as a team and use their diverse knowledge. Identification of appropriate characteristics of each member of the SME will enable the management identify the countries to allocate individual member due to their knowledge base. Finally, the management is also able to understand how government support can be employed to improve on their export performance.

To the academicians, the literature shows that the concept of social capital has not very well been understood and is felt to be more of abstract than real. However, the importance of social capital in the group setting has been appreciated in affected the organization outcomes. This study is important in increasing the available knowledge from the small business perspective and also be able to identify the existing knowledge gap to be filled in future.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of numerous past research by various researchers on the topic of the current study. These studies shed further insight on the relevant literature and theoretical foundations upon which this study is based. The theoretical foundation, comprehensive empirical studies on social capital, and how it impacts export performance are all covered in this chapter.

2.2 Theoretical Review

The study was guided by two theories to look at how corporate governance affects the performance of social capital on the export performance of handicrafts small and medium businesses. These theories are; social capital theory and Institutional Based View (Scott, 2004).

2.2.1 Institutional Based Theory

North (1990) proposed institutional based theory (IBV) to explain the deeper and more robust features of how organizational norms, schemas, rules, and routines are developed as recommendations for business success. The IBV stresses the relevance of the institutional environment, claiming that institutional factors influence strategic decisions and performance (Peng, & Delios, 2006). According to the idea, local organizational operations emerge as a result of a rationalized institutional appraisal of the working environment, and these routines must vary in response to market demands. In order to access and manage a foreign market effectively, an organization should be able to come up with tailor made strategies in a way that will meet the needs of the targeted market. These strategies will include coming up with appropriate social capital dimensions that will guide the day-to-day activities of the organization.

Institutional theory, according to Peng, Wang, and Jiang (2016), has been advocated as one of the most relevant perspectives for studying firm operations, particularly in developing countries

that are characterized by a lack of skilled and experienced human capital, necessitating the use of informal institutions systems to achieve organizational performance. Peng and Zhou (2015) go on to say that institutional theory encourages the creation of an organization's social capital development strategy, which identifies the types of talent, skills, and capabilities needed to improve the organization's performance because it will increase operational efficiency and thus increase volume of export products channelled to international markets. For successful market analysis, an organization should be in a position to adopt appropriate internal norms and routines which is able to give the firm necessary competitive advantage in a new international market. As a result, IBV recognizes the relevance of the institutional environment, claiming that institutional factors influence enterprises' strategic decisions and performance (Simon, et al.,2011). This competence is especially crucial for businesses in the informal sector, such as handicrafts, which require consistency in performance directed by institutional constraints (LiPuma *et al.* 2013). Therefore, the Institutional theory advocates the adoption of the internal organizational mechanism that defines, both internal and external working relationship with the all the stakeholders to the firm.

2.2.3 Social Capital Theory

Bourdieu (1985) proposed the Social Capital Theory, which holds that companies are defined by a unique bundle of resources resulting from close contact between members and the corporate structure, which can provide both benefits and drawbacks. These one-of-a-kind assets are referred to as human, monetary and social capital (Stafford, Danes & Haynes, 2013). Social capital refers to the assets invested in interpersonal ties both inside the company (internal social capital) and between the business and its external partners (external social capital). Furthermore, social capital in the workplace, for example, is critical for addressing the company's

distinguishing characteristics, since strong familial ties may drastically affect interactions inside and across firms (Arregle, Batjargal, Hitt, Webb, Miller, & Tsui, 2015). As a result, social capital is critical in defining the behavioural and social resources that handicraft enterprises might use to make vast and varied set of goods.

According to Portes (1998), while social capital is intangible, it may have a significant impact on the creation of appropriate human capital, as well as the orderly use and assurance of physical and financial resources, when organizations collaborate effectively. According to the social capital theory, the firm's cohabitation and relationships with its stakeholders give distinct access to resources, and these resources enable enterprises to attain a long-term competitive edge in their operations (Irava & Moores, 2010). Human capital in the manufacturing sector, in particular, is special due to the members' devotion and their strong implicit firm-specific understanding. As a result, social capital is defined as the resources based in human interactions, and it is particularly influenced by the holding of relational links among company members, which can impact intra- and inter-organizational relationships (Arregle et al., 2015).

The study is relevant to this study from the fact that handicrafts business involves interaction between employees and organizational structure to boost performance. The social capital theory has postulated how best an organization can enhance interaction between employees and organizational structure effectively in order to enhance performance.

2.3 Social Capital Dimensions

Scholars suggest that social capital could be divided into triple dimensions (Adler and Kwon, 2002; Chang & Chuang, 2011) namely, structural, relational, and cognitive social capital. Chang et al. (2012) also opined that social capital can be constructed out of organizational culture. In

this regard therefore, organization culture can be categorized as one of the dimensions of social capital. In the current study, the study aimed to incorporate four dimensions of social capital in order to establish whether significant relationship exists between the social capital dimensions and export performance. Handicraft business in Kenya is known by its customer segmentation whereby foreign communities are the main target. With globalization, the world has become a village due to advancement in technology which boosts networking of producers and the customers in different part of the world. With effective implementation of social capital dimensions, networking will be made efficient and effective.

2.3.1 The Structural Dimension

According to Nahapiet and Ghoshal (1998), organizational structural aspect of social capital is characterized by various objective interactions between people in the organization and other factors that constitutes operationalization of activities. In respect to Andrews (2011) recommendations of his study, effective interactions between employees in an organization creates synergy that leads to cooperation among different units in a firm leading to increased individual and collective performance. Network ties, which offer access to resources and expertise, are a crucial ingredient of structural social capital. Pitas and Ehmer (2020) opined that information regarding market requirements, availability and regulations is an important aspect of export performance particularly among the small businesses. As a result, according to Charoensukmongkol (2020), Social capital is a significant shared resource that may be used to achieve shared objectives. Social capital includes distinct bonding (exclusive) and bridging (inclusive) elements that, depending on the circumstances, may strengthen exclusive identities or encompass a broad spectrum of identities.

It is worth noting that in most public administration studies, the term "network" refers to intra-organizational collaboration and is thus utilized differently. Network design, network connections, and high levels of social engagement have all been linked to greater flexibility and ease of information flow inside a company, according to research (Stadtfeld et al., 2019; Shu, Ren & Zheng, 2018). Personal contacts can have advantageous timing consequences, according to Farmer and Schelnast (2021), since being part of a network not only enhances access to information but also increases the likelihood of being notified immediately. With advancement in technology, networking has been made convenient due to ease of communication as a result of sophisticated means of communication. Organizations with advanced technological framework have the tendency of facilitating implementation of structural social capital. As a result, vibrant firms with international market such as handicrafts SMEs will tend to get instant notification from buyers on the need of their products in the market hence improving sales performance.

2.3.2 Relational Dimension

Trust between individuals in an organization is referred to as relational social capital (Claridge, 2018). Individuals' favorable perceptions of the purpose and behavior of various organizational members are characterized as trust (Straub et al., 2020). At both the community and organizational levels, several researchers have conducted considerable number of studies and recognized trust as a key component of social capital (Mercado & Vargas-Hernández, 2019). According to the studies, trust is built from employee to employee and employee to organization. When organizations trust their employees, the later pays back and therefore there will be a synergy of mutual concern with the goal and objective of the organization.

There are two forms of trust that have an impact on organizational social capital: fragile and resilient trust (Kramer et al., 2014). Fragile trust is founded on legal and contractual grounds and

does not persist following a transaction. Resilient trust, on the other hand, is built on an organization's members' moral integrity principles, resulting in far stronger and longer-lasting bonds. According to Aldrich and Meyer (2015), organizations with high social capital would have resilient trust, even among people who are not directly related. Low social capital organizations, on the other hand, will be defined by fragile trust, even among individuals who interact directly and routinely. Existence of trust between members and organizational leaders, may enable sensitive information to be exchanged, collaborative action to be taken in the lack of formal channels, and reduced resistance to organizational change (Bakker, De Koning & Van Tatenhove, 2019).

Relational social capital is seen as a firm's asset (Priyanath & Premaratne, 2015). Relational social capital, according to Chang and Chuang (2011), is established where trust exists. According to Jones and George (1998), relational social capital lets individuals trade resources, increase communication, and encourage collaboration. It is possible to build high levels of relational social capital, collaboration, and increase organizational performance (Nupus, Setiadi, & Soesanto, 2017). Social capital can raise trust, honesty, and integrity which helps to access more information and capital and get a competitive advantage (Ozigi, 2017). Okello (2017) discovered a relationship between relational social capital and medium-sized business development in Kenya in relation to SMEs growth. According to the research, the fundamental characteristics of relational social capital include trust, norms, duties, expectations, and identity.

2.3.3 Cognitive Dimension

Andrews (2011) stated that the cognitive aspect of social capital is the ability of employees, organizational leadership and stakeholders to have a common vision and mission of an organization with a sole purpose of achieving the goals and objectives. Lehner (2014) in the

same context argued that cognitive social capital is characterized by ability of involved parties to come together and formulate organization policies that are implemented jointly. Pitas and Ehmer (2020) define shared objectives as the extent to which network members have a single vision and approach for accomplishing network goals. Shared aims can be achieved by shared language and codes, shared narratives, or both. In social interactions and relationships, language is the major means of communication. Codes aid in the creation of a shared language that improves communication and mutual understanding. As a result, a single language and set of codes might provide a shared conceptual framework for evaluating the expected gains from trade (Kramer et al., 2014).

According to Charoensukmongkol (2020), cognitive social capital helps to improve language proficiency and communicate with international partners dealing in export and import. Knowledge sharing helps people who are related to the organization to continue the effective communication skills. Besides, sharing the ideas and the story leads to increase understanding between people relating to the organization and also the internal market partners (Schelnast, 2021). As a consequence, the organization may anticipate and predict coworker behaviors while also allowing the usage of feedback from diverse members and any changing situations (Nupus, Setiadi, & Soesanto, 2017). The cognitive social capital plays a significant role to get a business advantage for business better than competitors and to generate revenue and overall business performance (Ozigi, 2017).

2.3.4 Cultural factors

Having different background in relation to language, industrial experiences, political systems, tribe and level of education are all cultural characteristics that can damage or increase a firm's social capital. Charoensukmongkol (2020) added political and environmental components to the

notion and suggested the following definition, which was then accepted by Mercado and Vargas-Hernández (2019). The term "cultural factors" refers to a collection of elements that obstruct the flow of information between the company and the market. Kramer et al. (2014) in their findings of his study indicate that cultural factors have an impact on the market entry, the survival SMEs and entry to new markets.

Lehner (2014) opined that entrepreneur's language as a facet of cultural factors plays a critical role in enhancing flow of information between the manufacturer, suppliers and the market. Information is paramount for business opportunity seizing and negotiation for optimum market prices. Pitas and Ehmer (2020) on their part argued that political systems in a country shapes the stability of small and medium enterprises. With stable political environment, investors venture into diverse business due to security of their investments and thus enhancing performance of small businesses locally and in foreign markets (Nupus, Setiadi, & Soesanto, 2017). Cultural factors of social capital therefore is considered as an important aspect that enhances performance of handicrafts business and helps to secure foreign markets thus enhancing export performance.

2.4 Measures of Export Performance

Financial/economic and non-financial/non-economic measurements are the most common types of export performance indicators. According to Sadeghi, Rose and Madsen (2021), economic measures are the best indicators of export performance and they comprise of sales-related measures and market related measures. According to the author, sales-related measurements include things like intensity of exports and growth, export sales efficiency, export sales growth, export sales return on investment, and export sales volume, among others. Carneiro et al. (2016) opined that these measures directly depict the extent of export performance given a uniform economic condition of countries involved in export activities. Market-related export performance

measures, according to Chen, Sousa, and Xinming (2016), include the share of export market, growth of export market share, acquiring a footing in the market, diversification of market in different regions, and the entrance rate of new market, among other things.

Non-economic export performance measures on the other hand as highlighted by Staehr (2021) consists of two broad categories; general and miscellaneous. According to Lazarov (2019), generic export performance metrics include export success, how rivals assess export performance, fulfilling expectations, overall export performance, and strategic export performance, among others. Non-economic measures, on the other hand, are described in terms of achieving objectives such as responding to pressures in regard to competition for markets, building organizational image as well as international market awareness, acquiring and adoption of new technology, quality of products and services in comparison to competitors, firm reputation in relation to competitors, and so on (Sadeghi, Rose & Madsen, 2021). From the export performance measures cited, the current study will draw focus on financial/economic aspect particularly export sales volume that is categorized under sales-related aspect.

2.5 Social Capital and Export Performance

The way social capital relates to organizational performance has sparked a lot of interest in the past. The relationship between social capital and credit access in microfinance, as well as the consequences for rural development in Pakistan, was explored by Akram and Routray (2013). Engagement in local groups, variety of affiliations, and degree of trust both general and as an institution revealed to be essential factors of structural and cognitive social capital that affect the ability of households to get loans. However, the combination of these factors into a single social capital index revealed that the index does not affect the involvement of the microfinance. This

outcome supported the theory that integrating all aspects of social capital into a single index reduces the explanatory power of social capital.

In Portugal, Pinho (2013) investigated the impact of relational social capital in investigating intermediary ties of the exporter. The paper's goal was to use a conceptual model that built on and synthesized the theoretical underpinnings of social capital and cooperation. It was thought that the network of relationships and the set of resources incorporated within it had a significant impact on the level of collaboration between exporters and intermediaries. Five of the six associations studied were found to be favourably supported, according to the findings. The research discovered that the elements of social capital, cognitive (shared ideals) and relational (trust), had a favorable and substantial influence on both commitment and collaboration.

Paul et al. (2009) looked at how to measure social capital in relation to entrepreneurship in small businesses in the United Kingdom. The study's purpose was to investigate the depth and breadth of social capital for new venture development, as well as its impact on new venture formation access. The study's analysis of the social capital literature, while not exhaustive, revealed certain common themes, such as measurement issues and a lack of consensus among scholars of the definition of social capital that might be applicable in all organizational and industrial aspects.

Okello (2017) conducted research to determine the impact of social capital on the success of medium-sized businesses in Kenya. On a population of 142 CEOs, the study used a descriptive correlation research approach. Most medium-sized businesses want network variety for their staff, which has resulted in increasing customer network expansion over time. Engagements in

social organizations, on the other hand, have no bearing on the increase, as the expansion of the customer network has a favorable impact on sales volumes for the companies.

2.6 Summary of the Findings

Structural social capital according to the studies reviewed, brings various organizational stakeholders on board. With togetherness and appropriate strategy of operational performance and implementation of objective organization activities, it is eminent that goals and objectives of such an organization will definitely be achieved. Employees always feel valued when they are brought o board to discuss matters performance and safety of operational environment. In this regard, structural social capital enhances interaction between the management and junior employees who participate in daily activities in the organization. The interaction between the management, junior staff and subordinates improves flow of information that is regarded as critical in employee performance. With effective framework that allows information flow as a result of structural social capital, the management is able to listen to the grievances of junior staff and act accordingly thus solving conflicts that may affect performance negatively.

Additionally, the studies have indicated that relational social capital enhances trust between employee and the management as well as within employees. Coupled with engagement and commitment at workplace, the studies have shown a positive relationship with performance. In the context of handicrafts activities, employee trust in dealing with operational activities particularly sales, is an important aspect that contributes to increased performance. Integrity serves as an imperative employee characteristic that influence how services are rendered. When employees are given mandate to deliver every aspect of organizational activities, there will be an increase in performance since the management may not be present every time to deliver what they are limited to.

On the other hand, the cognitive aspect of social capital supports the virtue of sharing organizational vision, mission and goals. In this regard, the studies have shown that with set targets, shared organizational goals will give employees motivation to commit in improving the standards of their organization through engagement and commitment. As a result, cognitive social capital in handicraft SMEs may enhance their export capacity through engagement and commitment of the staff members to better the status of their SMEs.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the approach that was used by the researcher to achieve the intended study objectives. As a result, it looks at the research design, target population, data collecting methodologies, and sampling techniques. The chapter also discusses statistical data analysis techniques and presentation.

3.2 Research Design

Eriksson and Kovalainen (2015) defined a study design as a blueprint that guides a researcher chronologically in achieving the objective of the study. A research design, according to Bell, Bryman, and Harley (2018), provides a structure for gathering and analysing data in order to link significance to the study purpose with methodological efficiency. A study design therefore is a guide that should be followed in analysis of the problem at hand and establish a solution to the problem.

This study used a descriptive study approach. Descriptive research is a qualitative design that allows the researcher to measure the relationship between variables of a phenomenon of interest qualitatively through perception ranking of the respondent. The descriptive study describes the present circumstances and attitudes and documents them in line with the current situation (Wimmer & Dominick, 2006). Researchers are able to investigate the relationships between variables and form explanatory inferences based on the findings. This design was appropriate for the research since it aimed to look at the impact of social capital components on the export performance of handicrafts small and medium businesses in Nairobi County.

3.3 Target Population

The target population for research is a group of individuals or enterprises that a researcher is curious in researching for particular characteristics or features (Hancock & Algozzine, 2016). The study population is defined as the research subject, the presence of objects or events, and the time period. As a result, the research's target population was Nairobi County's handicrafts small and medium enterprises. According to the Export Promotion Council (EPC) (2019) there are 87 handicraft companies operating in Nairobi, Kenya Kenya Expat (2021), as detailed in Appendix

II, there are 87 active handicrafts companies in Nairobi, Kenya. This was a census study where all the 87 handicrafts was respondents in the study.

3.4 Data Collection

The research was based on primary data collected using semi-structured questionnaires. In this regard, the questionnaire was limited to closed-ended questions. Section A contained questions on the characteristics of handicraft SMEs, whilst Section B identified social capital aspects adopted by handicrafts SMEs in Nairobi County. Section C comprised of questions on export performance. The questionnaires were distributed by means of electronic mail. The use of emails was expected to be the dominant approach of distributing the questionnaires because of the Covid protocols in place. According to Mugenda (2008), use of questionnaires makes it simpler to maintain privacy, use less time, and efficiently manage the data collecting process. Respondents was required to provide responses on a five-point scale.

3.5 Data Analysis

The descriptive statistics are measured so as to give a strong platform for evaluating the data. After collection, the questionnaires were edited and coded to ensure that the parameter of measure has the appropriate features, such as completeness, reliability, and consistency. Nonetheless, discrepancies were addressed by the data cleaning process before the study's final phases and scientifically transformed into the appropriate categories. The results of the study were summarized using descriptive analysis, which will involve presenting the analysed data in standard deviations, percentages, and averages on tables.

Inferential statistics were used to study the association between social capital dimensions (structural, relational, cognitive, and cultural traits) and export performance.

Regression model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where Y = Export performance

X₁ = Structural dimension

X₂ = Relational dimension

X₃ = Cognitive dimension

X₄ = Cultural dimension

ε = Error term

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

The findings and results of the analysis are presented in this chapter. The four research questions stated in chapter one serves as the foundation for presenting the findings and recommendations of the study in this chapter. Tables were employed to display the results of descriptive and inferential statistics in the study. Descriptive statistics was carried out to summarize the data and provide distribution pattern while inferential statistics was computed to find the relationship of the variables under study.

4.2 Response Rate

The response rate is used to determine a test's statistical power; the higher the response rate, the greater the test's statistical power. A total of 87 questionnaires were issued, with 68 being filled and submitted electronically for analysis. As seen in Table 4.1, this corresponded to a response rate of 78.2 percent.

Table 4. 1 Response Rate

Questionnaires	Number	Percentage
Filled and collected	68	78.2
Non-responded	19	21.8
Total	87	100

In this regard therefore, the response rate of 78.2 percent was deemed adequate for drawing inferences and drawing conclusions about the study topic. While giving recommendations of appropriate response rate, Mugenda & Mugenda (2003) opined that 50% rate of response is satisfactory, 60 percent is considered acceptable, and 70 percent is considered very good. According to Bailey (2000), a response rate of 50% is considered satisfactory, while a response

rate of more than 70% is considered excellent for representative analysis. Regarding the authors' aforementioned guidelines, the response percentage of 78.2 percent is excellent for generalized findings.

4.3 Demographic Information

The purpose of the study in this section was to determine the general demographic information of both the respondents and the organization in terms of gender, organization age, working experience, and current employee classification.

4.3.1 Number of Employees

The number of employees in a company might help in assessing the size of a company a researcher is interested in investigating a particular characteristic. The larger the company, the more staff it has since the load of activities in large companies is always overwhelming an organization is understaffed.

Table 4. 2 Number of Employees

Category		Frequency	Percent	Cumulative Percent
Valid	Less than 20 employees	4	5.9	5.9
	20-30 employees	19	27.9	33.8
	30-40 employees	38	55.9	89.7
	Over 40 employees	7	10.3	100.0
	Total	68	100.0	

According to the findings as shown in Table 4.2, majority of handicrafts SMEs (55.9%) in Nairobi CBD have 30-40 employees, 27.9% of the SMEs have 20-30 employees, 10.3% have over 40 employees while 5.9% have less than 20 employees. The findings imply that handicrafts SMEs are small organization based on the small number of employees (less than 50)

4.3.2 Age of the Organization

Organizations differ in length of service or the number of years in operation. In this regard therefore, the study aimed to establish the number of years that the handicraft businesses have

operated in order to establish the extent at which the SMEs have been involved in the industry. Age of the organization also helps understand the period at which an organization has been involved in various aspects of the topic that the researcher ought to investigate.

Table 4. 3 Age of the Organization

Category		Frequency	Percent	Cumulative Percent
Valid	Less than 5 years	5	7.4	7.4
	5-10 years	9	13.2	20.6
	11-15 years	48	70.6	91.2
	Over 15 years	6	8.8	100.0
	Total	68	100.0	

As shown in Table 4.3, the study findings in relation to the age of the handicrafts SMEs studied showed that 70.6% of the SMEs have been operating for between 11-15 years, 13.2% have an operational lifetime of 5-10 years while 8.8% and 7.4% of the SMEs have been operating for over 15 years and less than 5 years respectively. As a result, the implication drawn from the findings is that majority of the firms have operated for a significant period of time that social capital has been implemented and undergone significant change with respect to change in export performance.

4.3.3 Respondents' Working Experience

Respondents are key informants of a study. Their level of experience in the industry plays a significant role in determining the quality of information regarding specific characteristic of interest. The higher the level of experience, the more informative a respondent is and the higher the quality of information obtained and therefore enhancing credibility of the findings.

Table 4. 4 Respondents' Working Experience

		Frequency	Percent	Cumulative Percent
Valid	Less than 1 year	3	4.4	4.4
	1-5 Years	27	39.7	44.1
	6-10 years	31	45.6	89.7

Over 10 years	7	10.3	100.0
Total	68	100.0	

According to the findings in Table 4.4, nearly half of the employees in SMEs involved in handicrafts business (45.6%) have 6-10 years of working experience, 39.7% have worked for 1-5 years, 10.3% for over 10 years while only 4.4% have been working in the business for less than a year. The findings suggests that majority of the respondents had significant working experience and therefore they were informed of social capital practices in the organization and its perceived effect on export performance.

4.4 Descriptive Statistics

This section sought to find out whether the statements on social capital dimensions varies or are in agreement with the situation in the major handicraft SMEs in Nairobi. The rating scale was from 1 to 5 Where, 5 = strongly agree; 4 = agree; 3 = neutral; 2 = disagree; 1= strongly disagree. The means that were greater than 3.5 implied that the respondents agreed with the statement while the means less than 2.5 shows that there was disagreement among majority of the respondents on the view of the statement. A standard deviation greater than 1 represents a high respondent's variation with the statements and vice versa.

4.4.1 Structural Dimension

Table 4. 5 Structural Dimension

Statement	N	Mean	Std. Deviation
The organization management encourage interaction among employees thus enhancing better working conditions	68	3.941	.5431
Information regarding market requirements, availability and regulations is well formulated in the organization	68	3.750	.8530
The channels via which information is transmitted inside an organization are defined by network configuration of the organization	68	3.632	.8447

There is a well-organized network of relationships that allow access to resources and information	68	3.632	.7899
There is formal and informal collaboration and coordination, as well as inter-colleague engagement	68	3.412	.7173
Overall Mean		3.673	

According to majority of the respondents as shown in Table 4.5, the management of handicraft businesses encourage interaction among employees thus enhancing better working conditions (M=3.941, SD = 0.5431) and that information regarding market requirements, availability and regulations is well formulated (M=3.750, SD= 0.853). In addition, it was agreed among the respondents that the channels via which information is transmitted inside an organization are defined by network configuration of the organization (M=3.632, SD= 0.844) and that in majority of handicrafts SMEs, there is a well-organized network of relationships that allow access to resources and information (M=3.632, SD= 0.7899). in order to enhance social capital strategies in handicrafts businesses in Kenya, some organizations have formal and informal collaboration and coordination, as well as inter-colleague engagement (mean=3.412). The findings thus imply that handicrafts businesses in Kenya have implemented structural dimension strategy moderately.

4.4.2 Relational Dimension

Table 4. 6 Relational Dimension

Statement	N	Mean	Std. Deviation
Organizational leaders and staff have a high level of trust, which allows them to share sensitive information and encourage collaborative action	68	4.015	.7430
Relational social capital helps to exchange resources, improve communication and foster cooperation between people	68	3.956	.7810
The management encourages integrity among employees	68	3.927	.7190
Individuals have positive expectations about the intentions and behaviors of various organizational members	68	3.912	.7068

There is minimal resistance to organizational change as a result of trust	68	3.765	.7749
There more resilient trust between the organization and employees	68	3.706	.7929
Roles, connections, experiences, and interdependence in organizations provides organizational unity of purpose	68	3.559	.8531
Overall Mean		3.834	

In respect to relational dimension, the respondents agreed that organizational leaders and staff have a high level of trust, which allows them to share sensitive information and encourage collaborative action (M=4.015, SD=0.743) and that having a well-equipped relational social capital helps to exchange resources, improve communication and foster cooperation between people (M=3.956,SD=0.781). In addition, the study also established that management of handicraft business in Kenya encourages integrity among employees (M=3.927, SD=0.719) and on the other hand, individual employees have positive expectations about the intentions and behaviors of various organizational members (M=3.912, SD=0.7068). Relational social capital in general talks about trust between employer and employees as well as within employees. In this regard, the study established that there is minimal resistance to organizational change as a result of trust (M=3.765, SD0.7749) and that there is more resilient trust between the organization and employees (M=3.706, SD=0.7929). Furthermore, the study established that roles, connections, experiences, and interdependence in organizations provides organizational unity of purpose (M=3.559, SD=0.8531). As shown by the low standard deviations, majority of the responses inclined within the mean hence low deviation.

4.4.3 Cognitive Dimension

Table 4. 7 Cognitive Dimension

	N	Mean	Std. Deviation
The business management encourages unity of purpose towards organization goals	68	4.015	.8010

Cognitive social capital helps to improve language proficiency and communicate with international partners dealing in export and import	68	3.941	.7895
There is willingness and ability to define collective goals in the business which are then enacted collectively	68	3.897	.7359
The organization shares the same vision, mission and goals among members	68	3.838	.6826
Employees in the company have a shared understanding and attitude to completing everyday activities and achieving desired results	68	3.824	.7318
Sharing the ideas and the story leads to increase understanding between people relating to the organization	68	3.691	.9184
Overall Mean	68	3.315	

As a result of implementation of cognitive dimension of social capital, majority of the respondents agreed that the business management encourages unity of purpose towards organization goals (M=4.015, SD=0.801) and that cognitive social capital helps to improve language proficiency and communicate with international partners dealing in export and import (M=3.941, SD=0.7895). Similarly, the respondents agreed (M=3.897, SD=0.7359) that there is willingness and ability to define collective goals in the business which are then enacted collectively and that the handicraft SMEs shares the same vision, mission and goals among members (M=3.838, SD=0.6826). Additionally, the study established that employees in the SMEs have a shared understanding and attitude to completing everyday activities and achieving desired results (M=3.824, SD0.7318) whereby sharing the ideas and the story leads to increase in understanding between people relating to the organization (M=3.691,SD=0.9184). The findings shows that cognitive social capital improves togetherness and unity of purpose in the organization hence increase in performance.

4.4.4 Cultural Factors

Table 4. 8 Cultural Factors

Statement	N	Mean	Std. Deviation
The is a common language of communication in the organization	68	4.029	.6458
Cultural factors in the organization does not prevent market entry strategies that are put in place	68	3.927	.8520
The political environment at the moment encourages business operations	68	3.868	.6890
The organization's cultural factors bind all the stakeholders together thus enhancing connection and interaction	68	3.868	.8794
Employees have different levels of education qualification which brings diversified knowledge in the business	68	3.779	.8258
Overall Mean		3.894	

From the findings, the study established that cultural social capital factors ensures that there is a common language of communication in the organization (M=4.029, SD=0.6458) and that according to the findings, organizational cultural factors do not prevent market entry strategies that are put in place (M=3.927, SD= 0.8520). Additionally, majority of the respondents agreed that political environment at the moment encourages business operations (M=3.868, SD =0.8794) hence bind all the stakeholders together thus enhancing connection and interaction (M=3.868, SD = 0.8794). According to majority of the respondents, employees have different levels of education qualification which brings diversified knowledge in the business (M=3.779, 0.8258). The findings shows that cultural factors within and outside the organizations have been considered and measures taken to ensure there is no adverse effect on organization performance.

4.5 SME Export Performance

The export performance of the SMEs was evaluated using the balance scorecard measures. These perspectives include financial and the non-financial measures.

4.5.1 Financial Measures

Table 4. 9 Financial Measures

Statement	N	Mean	Std. Deviation
The amount of export has increased in the recent past	68	4.221	.5139
There is increased export sales return on investment in the past 5 years	68	4.206	.6362
Export sales growth has been increasing consistently	68	4.074	.6305
Sales on international markets has increased significantly	68	3.853	.7776
Overall Mean		4.0885	

Based on the findings in relation to the effect of social capital on export performance of handicrafts business in Kenya, majority of the respondents opined that to a considerate extent (M=4.221, SD=0.5139), the amount of export has increased in the recent past and that there is increased export sales return on investment in the past 5 years (M=4.206, SD=0.6362). Additionally, the findings established that to a considerate extent, export sales growth has been increasing consistently (M=4.074, SD=6305) and that sales on international markets has increased significantly (M=3.853, SD=0.7776). The average mean to the study suggest that to large extent, the financial performance of the handicraft SMEs operating in the CBD had increased as a result of the social capital resource within the organizations and the groups in the business of exporting the handicrafts.

4.5.2 Non-Financial Measures

Table 4. 10 Non-Financial Measures

Statement	N	Mean	Std. Deviation
The rules, regulations and procedures for export has been lessen to encourage export	68	4.412	.6962
The intensity of export firms has increased significantly over the years	68	4.250	.5827

The export market share has expanded significantly	68	4.132	.7512
The cooperation among employees has led to increased production of export products	68	4.029	.5456
Overall Mean		4.206	

In relation to non-financial measures, the study established that the rules, regulations and procedures for export has been lessen to encourage export (M=4.412, SD=0.6962) and that the export intensity of export firms has increased significantly over the years (M=4.250, SD=3827). Additionally, the study found that to considerate extent, export market share has expanded significantly (M=4.132, SD = 0.7512) and that cooperation among employees has led to increased production of export products (M=4.029, SD =0.5456). To a large extent, the results suggest that social capital had increased the export market share for the firms and also decreased restrictions and regulation in the foreign market because of the lobbying made as a group and government

4.6 Regression Analysis

Regression analysis was performed in order to establish the statistical relationship between the variables under consideration. The relationship between the dependent and independent variables was determined using regression analysis. The study looked at four integral dimensions of social capital: relational, structural, cultural and cognitive elements. These characteristics were treated as independent factors and compared to the dependent variable, export performance.

Under regression analysis, academic studies consider the model summary, ANOVA and regression coefficient table. These are the three major analysis for interpretation of inferential statistics results.

4.6.1 Model Summary

The model summary is one of the outcomes of regression analysis. The model presents the coefficient of correlation and determination which are the two main interpretable aspects of variation in dependent variable as a result of change in independent variable.

Table 4. 11 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.859 ^a	.737	.720	.58937

a. Predictors: (Constant), Cultural, Structural, Cognitive, Relational

From the findings in regard to the model summary of regression analysis, the study found a coefficient of correlation of 0.859. The finding shows that the dimensions of social capital and export performance correlates positively and strongly. In addition, the coefficient of determination of 0.737 imply that social capital dimensions incorporated in the study explain 73.7% of export performance. As a result, other factors not considered in the study such as terms of trade, international export policies, government regulations etc., explains 26.3% of export performance. Therefore, social capital in handicraft business is an important factor of export performance, according to the findings.

4.6.2 ANOVA

The ANOVA table is often used to determine model fitness in regard to the regression data. The null hypothesis asserts that the model is statistically appropriate for the data. If the significance value is less than 5%, the null hypothesis is accepted.

Table 4. 12 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.337	4	15.334	44.146	.000 ^b
	Residual	21.883	63	.347		
	Total	83.221	67			

- a. Dependent Variable: Export performance
- b. Predictors: (Constant), Cultural, Structural, Cognitive, Relational

Based on the findings, the study revealed that the analysis of variance's significance value is 0.000, which is less than 5% (0.05). As a result, we accept the null hypothesis and conclude that the regression model suits the data significantly.

4.6.3 Regression Coefficients

The statistical elements that are fitted in a regression model are represented as regression coefficients. The strength and link between individual independent variables and dependent variable are explained by statistical factors or coefficients. The nature of the influence on the dependent variable as a result of the change brought about by the effect of independent variables is determined by the significant values.

Table 4. 13 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	T	
(Constant)	-.075	.294		-.256	.799
Structural dimension	.325	.121	.298	2.689	.009
Relational dimension	.276	.116	.255	2.369	.021
Cognitive dimension	.440	.110	.386	4.007	.000
Cultural factors	.045	.090	.039	.501	.618

- a. Dependent Variable: Export performance

The findings show that without the dimensions of social capital considered in the study, export performance of handicrafts SMEs could reduce by a value of 0.075 units. Introduction of structural dimension enhances export performance by a factor of 0.325 which is a significant ($\alpha=0.009<0.05$) effect according to the findings. Similarly, a unit advancement in relational dimension of social capital improves export performance by a significant ($\alpha=0.021<0.05$) factor

of 0.276. The findings also established that cognitive dimension is the most effective dimension of social capital. This is due to the significant ($\alpha=0.000<0.05$) positive (0.440) effect realized on export performance as a result of additional unit of the dimension in operational performance in the SMEs. On the other hand, cultural factors and export performance have a positive relationship although insignificant. Since the cultural factor is insignificant, then it does not affect the export performance of the SMEs and thus not included in the model. As a result, the regression model based on significance effect on the outcome variable is presented as;

$$Y = -0.075 + 0.325X_1 + 0.276X_2 + 0.440X_3$$

4.7 Discussion of the Findings

In establishing the relationship between social capital and export performance, the present study incorporated four major aspects of social capital; structural, cultural, relational and cognitive dimensions. From the findings, the study established that structural dimension has a positive and significant effect on export performance of handicraft small and medium enterprises in Nairobi. Addition strategic advancement in structural social capital enhances production of handicraft products for exports hence increasing export volume. The findings are in tandem with Pitas and Ehmer (2020) who opined that information regarding market requirements, availability and regulations is an important aspect of export performance particularly among the small businesses. Similarly, according to Charoensukmongkol (2020), social capital is a significant shared resource that may be used to achieve shared objectives.

In addition, the study established that relational social capital not have a positive relationship with export performance but also have a significant effect. The findings shows that implementation of more strategic relational social capital improves trust among employees and with the management of the SMEs thus enhancing achievement of organization goals.

Consequently, performance will improve thus leading to increase in export volume. The study supports earlier findings by Jones and George (1998) that relational social capital lets individuals trade resources, increase communication, and encourage collaboration. It is possible to build high levels of relational social capital, collaboration, and increase organizational performance

Based on the findings also, cognitive dimension of social capital was found to a critical component in enhancing workforce performance. The study found that with proper policies for improving organizational culture that supports effective cognitive social capital, employee commitment is increased. As a result, output per individual employee improves thus causing increase in overall organizational performance. For firms dealing with foreign markets, for instance handicrafts SMEs, there will be a significantly increase in export volume. In earlier study, Charoensukmongkol (2020) argued that cognitive social capital helps to improve language proficiency and communicate with international partners dealing in export and import. Knowledge sharing helps people who are related to the organization to continue the effective communication skills.

The study discovered a positive but insignificant association between the variables when it came to the influence of cultural component on export performance. This implies that with establishment of more cognitive strategies in the organization through employee training on cognitive needs, there an insignificant increase in performance. The study findings contradict earlier findings by Kramer et al. (2014) that cultural factors have an impact on the market entry, the survival SMEs and entry to new markets

CHAPTER FIVE: DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary, conclusion and recommendations of the findings in accordance with the analysis results in the previous chapter. The recommendations provided in this chapter are for theory and application in firms in equivalent sector that the present study focused on.

5.2 Summary of the Findings

The study focused on establishing the relationship between social capital and export performance particularly in handicraft industry and specifically the SMEs in the industry that operates within Nairobi City County with major focus on export business. In the analytical phase, the study focused on four important characteristics of social capital that were objectively considered as independent variables. There were structural, relational, cognitive, and cultural components in these categories. Both inferential and descriptive statistics were computed in the investigation. Inferential statistics provided a statistical relationship finding for independent and dependent variables, whereas descriptive statistics gave a summary and pattern distribution for the data. According to the descriptive data, majority of respondents believed that the management of handicraft firms encourages employee engagement and interaction, resulting in improved social working environment. Additionally, it was agreed among the respondents that the channels via which information is transmitted inside an organization are defined by network configuration of the organization hence social capital is shared in the process.

Based on inferential statistics, the study established that structural dimension positively and significantly affects export performance of handicraft SMEs in Kenya. With an additional unit of structural dimension, there is an increase in export performance by a unit of 0.325 ($\beta=0.325$) which was found to be statistically significant ($\alpha=0.009<0.05$). the study also found that in an

aim to enhance structural social capital, the management of SMEs in the handicraft industry encourage interaction among employees thus enhancing better working conditions. In addition, there is a well-organized network of relationships that allow access to resources and information thus enhancing structural social capital for performance improvement.

In terms of the study's second specific objective, it was discovered that the relational component of social capital positively and significantly relates with export performance of handicrafts SMEs dealing with export business. There is a factor of 0.276 rise in export performance with an increase in relational social capital adoption by a unit value, which was shown to be statistically significant ($\alpha=0.021<0.05$). In an attempt to enhance implementation of relational social capital, the study found that organizational leaders and staff have a high level of trust, which allows them to share sensitive information and encourage collaborative action. In addition, relational social capital helps to exchange resources, improve communication and foster cooperation between employees hence improving overall business performance.

In a similar finding, cognitive dimensions positively and significantly relate with export performance of the firms under study. The implication drawn from the findings shows that advanced implementation of cognitive measures in an organization cause a significant ($\alpha=0.000$) improvement in export performance by a positive factor of 0.440. The findings imply that cognitive dimension of social capital plays a core role as far as increase in export performance is concerned. One of the roles of cognitive dimension is that it helps to improve language proficiency and communicate with international partners dealing in export and import. As a result of cognitivism of working environment in the handicraft SMEs, the management encourages unity of purpose towards organization goals.

Although cultural dimension of social capital plays a significant role in enhancing export performance of SMEs in handicraft businesses in Kenya, the findings found that the positive effect ($\beta=0.045$) is insignificant ($\alpha=0.618$). However, the findings found that cultural factors in the organization does not prevent market entry strategies that are put in place and that there is a common language of communication in the organization that fosters performance of employees. In regard to the overall effect of social capital dimensions on export performance as presented in 73.7% of export performance results is attributed to social capital. This thus imply that 26.3% of the export performance outcome is associated with other factors that was incorporated in the study.

5.3 Conclusion

It is evident from the findings, in regard to the first specific objective, that a positive and significant relationship exists between structural dimension of social capital and export performance. This was as a result of increased employee interaction within the organizations and among the SMEs which in turn resulted in improved communication between the management and the employees of these organizations. Consequently, it becomes imperative that the management to these firms comes up with effective communication channels within the organization with a view to accessing joint resources and thus reducing the level of assets required to enter and operate in a foreign market and also improve the synergy among the staff competencies and organizational linkages.

Furthermore, the study's findings show that relational social capital has a considerable beneficial impact on the export performance of SME's in the handicraft industry on the international market. The conclusion drawn from this finding is that communication is critical in enhancing trust, and that management should work to increase trust among employees through department

exchange programs and bringing different employees together to develop internal competencies that will help them enter the foreign market more effectively.

In addition, the study further concludes that cognitive dimension of social capital helps to improve language proficiency and communicate with international partners dealing in export and import. As a result, there is efficient information flow between organizations and international market stakeholders thus enhancing connection and coordination of trading activities between the supplying SMEs and the destination market. As a result of effective implementation of cognitive dimension, there is willingness and ability to define collective goals in the business which is then enacted collectively.

Structural dimension in an organization plays a critical role in promoting interactions between employees and units within the operating environment. Employees' interaction facilitates sharing of knowledge that is significant for operational performance in the organization. When employees interact, there is more innovative ideas that are generated from international, regional and local perspective. In this regard therefore, employee capability in solving business problems is improved and consequently increasing individual and collective organizational performance. Convenience in service delivery is always what employers look for because it is believed that employees with vast knowledge, skills and expertise will help the rest of the workforce to gain appropriate organizational.

In order to achieve organizational goals and objectives, togetherness of employees, the management and the stakeholders through shared vision and mission is paramount strategy for implementation. Under social capital perspective, cognitive dimension allows employees to develop sense of togetherness and possession as a result of shared vision and mission. With

involvement in international business practices, cognitive social capital is critical in enhancing performance in international market as a result of shared goals with the international partners.

Operational activities in an organization depends largely on the norms and routine practices embraced by the management. A favourable cultural practice enhances effective implementation of already established social capital. Appropriate culture that includes periodic training of employees and educating the entire workforce on the importance of social capital improves applicability of social capital in operationalization of organization policies. Similarly, a culture that supports adequate research and development facilitates up to date acquisition of innovative social capital strategies that can equip employees to perform better.

5.4 Recommendations

From the findings, it is worth noting that social capital dimensions significantly improve export performance. Consequently, the study recommends that the management of handicraft SMEs should ensure effective implementation of social capital dimensions in order to increase production of handicrafts products for export. Organization management should ensure that there is good organizational culture that supports adoption of relational social capital since it helps to exchange resources, improve communication and foster cooperation between people.

The study results reinforce the importance of communication within an organization and also among the different SMEs in the quest to harness the social capital benefits. It is recommended that an open communication channel within the organization is developed with a view to developing trust and which in turn results in improved sharing of new ideas about available export opportunities. This in turn is expected to result in improved export performance at both individual and alliance level.

Similarly, the study also recommends that as far as cognitive dimension of social capital is concerned, business management should encourage unity of purpose towards organization goals for betterment of organizational performance. More of strategies relating to adoption of cognitive social capital should be implemented because it helps to improve language proficiency and communication with international partners dealing in export and import.

5.5 Limitations

The study encountered a few setbacks although the researcher devised proper ways that ensured achievement of study objectives was not halted. First, the study delved on examining the relationship between social capital and export performance. The scope of the study was confined within handicrafts SMEs that have foreign market access implying that they deal in export business. As a result, the study was limited to SMEs dealing with handicraft businesses and basically within Nairobi County.

Secondly, the study faced a challenge in data collection since the interviewees were busy however, the researcher took time to convince them to fill in the questionnaire at their free and convenient time. Moving from one SME to another was also a big challenge in data collection. To mitigate this limitation, research assistants were hired and deployed in different SMEs. The study was also limited to descriptive statistics and not longitudinal although it was not a threat in achievement of study objectives.

5.6 Suggestions for Further Studies

The present study delved on the effect of social capital on export performance of handicraft SMEs in Nairobi. As a result, the study recommends that future studies be done on the topic while focussing on different sector of economy in order to establish whether there is different view of the findings. The study used descriptive statistics and whether the findings can be generalized in different designs is subject to confirmation by future scholars.

The study incorporated four major social capital dimensions as independent variables in the study. It is therefore suggested that future scholars should consider incorporating more dimensions that may greatly influence export performance of handicraft businesses. In addition, intervening variables should be incorporated such as organization culture to establish whether there is more or reduced effect on the export performance.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

The aim of this questionnaire is to feed this study with relevant information in order to achieve its objective. Therefore, I assure all the participants that it is an academic information needed and

not for any business-related benefits. The objective of my study is to establish the impact of social capital on the export performance of handicrafts small and medium firms in Nairobi County. Please tick (√) one of the boxes to indicate that you have answered all of the questions in the questionnaire. It is with great humility to inform you that all aspects of confidentiality will be maintained in this study.

SECTION A: OORGANIZATIONAL CHARACTERISTICS

1. How many employees are there in your organization?
 - a) Less than 20 () b) 20 – 30 ()
 - c) 30 - 40 () d) Over 40 ()

2. What is the age of the Handicraft business?
 - a) Less than 5 years () b) 5 – 10 ()
 - c) 11 - 15 () d) Over 15 years ()

3. Working experience in the business.
 - a) Less than 1yr () b) 1-5yrs ()
 - c) 5 - 10 yrs. () d) Over 10 years ()

SECTION B: SOCIAL CAPITAL

1. The organization's social capital practices are listed below. Please use the rating system below to indicate the extent to which the following organizational social capital characteristics are practiced in your company;

Where, 5 = Strongly Agree; 4 = Agree; 3 = Undecided; 2 = Disagree; 1= Strongly Disagree

a) Structural dimension

Statement	5	4	3	2	1
The organization management encourage interaction among employees thus enhancing better working conditions					
There is formal and informal collaboration and coordination, as well as					

inter-colleague engagement					
There is a well-organized network of relationships that allow access to resources and information					
Information regarding market requirements, availability and regulations is well formulated in the organization					
The channels via which information is transmitted inside an organization are defined by network configuration of the organization					
b) Relational Dimension					
Individuals have positive expectations about the intentions and behaviors of various organizational members					
Roles, connections, experiences, and interdependence in organizations provides organizational unity of purpose					
There more resilient trust between the organization and employees					
Organizational leaders and staff have a high level of trust, which allows them to share sensitive information and encourage collaborative action					
There is minimal resistance to organizational change as a result of trust					
Relational social capital helps to exchange resources, improve communication and foster cooperation between people					
The management encourages integrity among employees					
c) Cognitive Dimension					
The organization shares the same vision, mission and goals among members					
There is willingness and ability to define collective goals in the business which are then enacted collectively					
Employees in the company have a shared understanding and attitude to completing everyday activities and achieving desired results					
Cognitive social capital helps to improve language proficiency and communicate with international partners dealing in export and import					
Sharing the ideas and the story leads to increase understanding between people relating to the organization					
The business management encourages unity of purpose towards organization goals					

d) Cultural Factors					
The is a common language of communication in the organization					
Employees have different levels of education qualification which brings diversified knowledge in the business					
The political environment at the moment encourages business operations					
Cultural factors in the organization does not prevent market entry strategies that are put in place					
The organization's cultural factors bind all the stakeholders together thus enhancing connection and interaction					

SECTION C: EXPORT PEFORMANCE

2. Indicate the extent to which the social capital practices influence your organization export performance

Where, 5 = Greatly; 4 = Considerately; 3 = Moderately; 2 = Remotely; 1= Not at all

Statement	5	4	3	2	1
a) Financial measures					
The amount of export has increased in the recent past					
Sales on international markets has increased significantly					
Export sales growth has been increasing consistently					
There is increased export sales return on investment in the past 5 years					
b) Non-financial measures					
The cooperation among employees has led to increased production of export products					
The export market share has expanded significantly					
The intensity of export firms has increased significantly over the years					
The rules, regulations and procedures for export has been					

lessen to encourage export					
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THANK YOU SO MUCH FOR YOUR TIME

APPENDIX II: LIST OF HANDICRAFTS SMES IN NAIROBI COUNTY

1. Africa Curios Ltd
2. African Arts and Craft enterprises
3. African Crafts
4. African Outsourcing Group
5. African Splendor Ltd

6. Alivan Freeport Enterprise
7. Arcade Trade
8. Asonomoo Carving Self Help Group
9. Attika Crafts Agency
10. Awama Afrikana Arts
11. A-Z Range of African Arts and Jewellery Ltd
12. Baticec Heritage
13. Beacon of Hope
14. Bemos Crafts developers
15. Bingwa Curios
16. Binti Apparels
17. Biop company
18. Chakacha Handicrafts
19. Chemi Chemi ya ukweli
20. Christian Women Empowerment Foundation
21. Chuka weavers
22. Clear crafts
23. Clear view promotions
24. Constant Gardener
25. Craft caravan
26. Craft and Things
27. Crafts of Africa cultural gallery
28. Cross cultural crafts
29. Curiosity Artefacts
30. Design Giant Self-help group
31. Dynamic Ventures Africa Ltd
32. Eastleigh Community centre
33. Ecosandals
34. Elgon curios
35. Elivab
36. Embu Weavers
37. Ethima Craft
38. Geneve (K) Limited
39. Ghymil Handicraft – Kenya
40. Gilo Tye and Dye
41. Gitagia Art & Gallery
42. Gramwa designs
43. Imara Designers
44. International Limited
45. International Marketers

46. Interweave crafts
47. Isinya weavers
48. Jacaranda workshop
49. Jambo Ethnic Arts
50. Janbella Kenya Nairobi
51. Jedando Modern Handicrafts
52. Jony Craft company
53. Kazuri beads
54. Kencraft curios limited
55. Kenya crafts
56. Kipenzi designs
57. Kipepeo designs trust
58. Kisii soapstone exporters
59. Kiwas crafts
60. Korogosho Bega kwa Bega
61. Langata Handmade crafts
62. Lazarin Handicrafts
63. Leather Masters Limited
64. Ledama African curios
65. Leo Arts
66. Lilco Limited
67. Litha crafts and Gifts
68. Little Chris Wob Agencies
69. Maasai Hunt Kenya
70. Maasai Market
71. Maasai Village weavers
72. National Juakali Exhibitors & Marketing association
73. National volunteer network trust
74. Nayma Limited
75. Nik Nacks Limited
76. Nina curios
77. Njemba weavers
78. Nobel exporters
79. Nyauo Fashion House Limited
80. Omusi craft enterprise
81. Sabara crafts Nairobi
82. Safari bead Limited Nairobi
83. Salom enterprises Nairobi
84. Samilli Investments Nairobi
85. Sanbora Design House Limited Nairobi

- 86. Sanpac Africa Limited Nairobi
- 87. Seventh gallery