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Abstract:

Small businesses are regarded by policy makers and academics alike as being significant sources of wealth creation, employment generation and innovation. Yet, few small businesses grow. One possible way of explaining why so many businesses do not succeed is through the notion of 'barriers'. Social networks can mitigate those barriers. Previous studies on networks typically identify and predict what kinds of networks affect firm success, rather than attempt to explain how or why this is the case. This thesis' aim is to elaborate on the understanding of the impact of networks on small business growth. To achieve this aim, a qualitative study was conducted on 107 ethnic, small business owners in Sri Lanka and 86 South-Asian ethnic, small business owners in the United Kingdom using semi-structured interviews. The purpose of the study was three-fold: firstly, its purpose was to examine how and why small business networks develop, from the perspectives of ethnic, small business entrepreneurs, secondly, to explore whether and to what extent the effect of the institutional context on social networks differed between the UK and Sri Lanka, and thirdly to explore what the implications of these differences had for business performance. Data was analysed using non-parametric statistical techniques. First, the study examined how and why small business networks developed. The results supported the conflicting pattern from the literature and were able to reconcile it. The analysis confirmed that access to different resources required different types of relations in terms of density and ties strength. Next, the research found ethnic entrepreneurs in the UK and SL show institutional differences in trust and social network characteristics. Finally, the findings suggested that the relationship between networks and small business growth is mixed. While structural characteristics of advisor and business network are more robust in explaining sales performance in the UK, relational characteristics of advisor and business networks are more forceful in explaining sales performance in Sri Lanka. These findings imply that successful entrepreneurs are those who can develop the right kind of relationship with others. The result of this research indicates the value of studying small businesses owned by a particular ethnic group and the importance of gaining a greater understanding of ethnic entrepreneurship.

