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Data Pengkatalogan-dalam-Penerbitan

CD Proceeding for ACCON 08

8th Academic Conference, UiTM Johor

1. Proceeding

ISBN 978-967-0479-03-3

Diterbitkan oleh:

Bahagian Penyelidikan Jaringan Industri dan Alumni
UiTM Cawangan Johor
KM 12 Jalan Muar
85000 Segamat
JOHOR DT

Dicetak oleh:

Percetakan Segamat

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PRELIMINARY STUDY ON SOCIAL NETWORK AMONG MALAY SMEs ENTREPRENEURS: GENDER DIFFERENCES

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ABSTRACT

We take stock of the current body of knowledge and understanding on social network theory and structuralist perspectives to further argue that the effects of structural characteristics on social network differ between men and women. Specifically, we investigate social network, defined as interrelationship between the entrepreneurs and their contact (alter) in business venturing (Fombrun, 1982), among Malay SMEs in Malaysia. The use of social network is considered an important factor for the development of the firm (Birley, 1995). However, there is limited understanding on how the entrepreneurs use their social network (Heald-Fisher, 2010). Moreover, there is dearth attention given to investigate the social network in Malaysia. Both social network theory and structuralist perspective were employed in this quantitative-based study. The data gathered through the mail questionnaire method in which 105 are men and 81 are female respondents represent 53% responded. Using t-test, the study reveals that there is no significant difference in terms of size of network, network activity and network density for both genders. Finally, this study discusses managerial implications and highlights future research directions.

Keywords: Entrepreneurship, Social Network, Gender, Malay, SMEs

1. INTRODUCTION

It is noticeable that Small and Medium Enterprises (SMEs) have consistently identified the access to financing and valuable information are often cited as the main barriers for the SMEs. Given the constraints and limitations, social network is considered as a weapon for expanding the business activities especially during the business start-up stage. During the life of business, SMEs owner-managers' networks evolve and change to suit particular business needs. Social network is adopted by SMEs owner-managers to be important in company development, adding value to business activities and gaining competitive advantage (Kingsley and Malecki, 2004).

A social network is defined as interrelationship between the entrepreneurs and their contact (alter) in business venturing (Fombrun, 1982). The terms of social network and informal network were introduced in entrepreneurship research and are often used interchangeably (Das and Teng, 1997). This conception focus on the actor who connected to entrepreneur and a bulk of researches has analyzed the relationship between the entrepreneurs and their connection. The actor in social network comprises of family members, friends, relatives and business associates (Birley, 1985; Brown and Butler, 1995; Das and Teng, 1997; Premaratne, 2001).

Over the past three decades, most of the scholars have given much attention in exploring the cause and effect of the social network (Birley, 1985; Brown and Butler, 1995; Hoang and Antoncic, 2003; Quan and Motoyama, 2010; Watson, 2007). However, little attention is given to make a comparison of the utilization of social network between the gender (Heald-Fisher, 2010). Moreover, there has been limited investigation carried out on social network-based in Malaysia especially Malay ethnic except Hamed (1995) that discussed the characteristics of network and composition of the alter in the network and Farinda et al. (2009) that discussed the role of network that contributes to business performance.

Therefore, this study endeavors to answer the question of: Do Malay male and female have significance different in terms of network size, activity and density?

In addressing the above question, we make the following contributions. First, little attention given to the study of social network in Malaysia, therefore this study shed light on the structuralist perspectives to spark the attention in understanding the social network phenomenon. Second, entrepreneurship scholars have failed to notice on how the social network is used and give the benefit to the firm (Amburgey and Rao, 1996). Therefore, we advance the research on the value of social network specifically on Malay entrepreneurs that struggle to survive in business in their mainland. Lastly, most of the social network-based research focuses on cause-and-effect of the network, however the current study employs the comparative study between men and women. We hope that the findings of this study will serve a benefit to the entrepreneurs especially for those have an intention to start the business.

2. LITERATURE REVIEW

2.1 Social Network Theory and Hypotheses

A social network is made up of persons to whom the individual primarily relates on a social level. Such individuals include family, friends, relatives and business contact with the trust-based is the main dominant element in their networking (Birley, 1985; Birley and Cromie, 1992, Das and Teng, 1997; Porras et al., 2004; Sequiera and Rasheed, 2006). This theory, on the other hand, integrates the concept of relationships into the exchange equation. Network includes the set of relevant exchange relationships between actors and network analysis is concerned with the influence of structure and interaction of those relationships on performance and outcomes (Cook and Whitemeyer, 1992). In social network research, the person who we investigate their network is called ego, meanwhile the person that connect with the ego is called alter.

Social network literature has adopted the structuralist perspective when it comes to operationalising and measuring network (Borgatti and Foster, 2003). Structuralist perspectives explicate the configuration of network ties of the social network. The network is then structured within which actors interact. It also gives a view on the understanding of role of network structure to the entrepreneur antecedent and outcomes. The perspectives included in this paper comprise the size of the network, network activities and the density of the network.

2.1.1 The Size of Networks

The size of the networks offer the view that larger the size of the networks, the more resources and benefit obtained (Greve and Salaff, 2003). Having the heterogeneity of network contact will offers the entrepreneurs in accessing to the resources at the minimal cost. The process to secure those resources is called cooptation through the social contracting (Starr and MacMillan, 1990). Uzzi (1997) stresses the embeddedness in social relation may lower the cost of transaction to obtain the financing. Therefore, the size of network can be accepted as one most prominent variable in explaining the entrepreneurial outcome (Bozovic, 2007; Ostgaard and Birley, 1996).

The grounding of social network theory portrays the network size plays important roles to the entrepreneurs. For example, Singh, Hybells and Hills (2000) reported that network size plays the significant role in getting the valuable information. Uzzi (1999) found the support that network size is prevalent predictor in accessing the financing for the emerging firm. The duo pioneers in social-network-based research, Ostgaard and Birley (1996) also identified the network size is associated with the better business performance and employment growth. Meanwhile it is undeniable that interconnectivity with heterogeneity of network contact will provides the valuable information and ideas (Granovetter, 1973).

With respect to the gender differences, Reese (1992) found that women have smaller network size compared to men. Greve and Salaff (2003) reveal the similar results that show the significant different in terms of the number of the network contact where female reported to use larger relatives than the men.

Similarly, Moore (1990) gives the view that women used a higher degree of relatives in their network compared to men. Therefore, the hypothesis formulated is:

H₁ There is significant difference between men and women for network size

2.1.2 Network Activity

Most of the social network researches sought to explain the time entrepreneur spend in the network (Woodward, 1988; Greve, 1995; BarNir and Smith, 2002). Developing the network is regard as the activity to assess a new members, whereas the maintaining the network is look upon the cultivation of such relationship. With a large network the time for each person may be smaller, with a smaller network a person may use more time together with each person. By chance, there may be a better chance of picking up useful information by spending a smaller amount of time with a higher number of persons.

Research further shows that men invest more time in network activity (Reese, 1992). Similarly, Cromie and Birley (1992) give the evident that there is significant different for men and women in amount spent in developing and maintaining their contact in Ireland. Meanwhile, a research on financing in Bulgaria found that women may be at a disadvantage in their financing due to the less degree of networking (Manolova et al., 2006). Therefore, we introduced the hypothesis as:

H₂ There is significant difference between men and women for network activity

2.1.3 Network Density

Network density can be defined as the alters that have highly connectedness and known each other in ego network (Haines et al., 2008; Hansen, 1995). This measure also can be pointed as a characteristic of the whole network and also point out the number of ties that link ego and alter compared to the possible ties in the network (Dubini and Aldrich, 1992; Rowley, 1997; Frazier, 2000).

The strong and weak ties theory pioneered by Granovetter (1973) posits a network with high density can be accepted as ego has highly connected with alters in the network. Meanwhile the network with lower density means the alter and the ego are not know each other well and called as a weak ties. The advantage of low density in network provides the ego and the alter with lower redundancy of information. Thus, the bridge gap may serve the other people to fulfill the connection between the ego and the alter and this is called the structural holes (Burt, 2004). Elfring and Hulsink (2002) argue that strong and weak ties are both important for different purposes during venture development. They found that entrepreneurs utilize strong ties to obtain crucial resources and weak ties for achieving legitimacy and discovering opportunities. On the other hand, Jenssen and Koenig (2002) further suggest the strong ties are used to give access for information, whereas the weak ties more associated to secure for the financial assistant.

The comparative study on gender associated with network density remains less examined in the social network literature. However, a study done by Birley and Cromie (1992) conclude that men have denser in network compared to women. This view however against the view by Ridgeway and Smith-Lovin (1999) that found women entrepreneurs' alters have form the closely knit in their network. Similarly Renzulli and Aldrich (2005) finding that indicates the women entrepreneurs' networks have higher degree in network density. Another investigation however found both gender depend on male contact to get an advice (Cromie and Birley, 1992). Further, family members made up the significant roles in the women network (Greve and Salaff, 2003; Staber and Aldrich, 1995), and women tend to name their friends and family members as a primary contact (Aldrich, 1989; Robinson and Stubberud, 2009). Women tend to use the strong ties (friends and family members) because they did not have access to the professional bodies (Watson, 2007). In addition, women confront with inadequacy of time to create a social network therefore avoid the close relationship with others (Martin, 2001). Therefore, the hypothesis stated as:

H₃ There is significant difference between men and women for network density

2.2 Malay Entrepreneurship

The Malay also called the Bumiputeras¹ (indigenous people), 'sons of the soil', in the rhetoric against those who were perceived as having arrived in the wake of colonial rule. The major ethnic groups in Malaysia are Malay, Chinese, Indian and also Bumiputera Sabah and Sarawak. The racial tension derived in 1969 where the riots involving Malays against the Chinese ethnic group, which led to the affirmative action of formation the New Economic Plan (NEP) in 1970. The policies aimed to reduce this tension of income differences between the ethnic groups parallel with the strengthening of the spirits of Malaysian and serve the better in living conditions besides to correct the identification of race with economic function. Since the foundation of the NEP, the equity issue particularly poverty and income inequality for the Malay is remains unsolved. Instead the NEP institutionalized positively providing the grant, trade, education and certain jobs, the level of income for the certain households is still below the poverty line proposed. During the earlier years of post dependence, as Malay only concentrated in rural development, while the Chinese² became more prominent in rapidly expanding modern sectors.

The two-pronged objective of the NEP was to eradicate poverty, as well as to obliterate the strict lines identifying a particular ethnic-group with a particular economic activity and occupation. Under the NEP, emphasis was put on increasing effective Malay ownership and participation in the corporate sector, improving Malay participation in high-income occupations, as well as narrowing income inequality and eradicating poverty. The aim was to attain at least 30 percent effective Malay equity ownership by 2000, but this goal was extended to the year 2010 as stipulated in the Third Outline Perspective Plan (OPP3), 2001-2010.

It is acknowledged that Malays are still lacking in terms of cooperation and networking (Ariff, 2009; Hamidon, 2009; Husain, 2010). Less interaction between the entrepreneurs may hinder the entrepreneurs to mobilize the important resources. Research has showed that the importance of networking for competitiveness and improve the business performance by exchange the material and non-material resources (Kingsley and Malecki, 2004; Premaratne, 2001; Reese, 1992; Jenssen and Koenig, 2002). Ariff (2009) in her study indicates that lack of opinion exchange among Malay entrepreneurs is a factor that contributes to the weaknesses on product quality and penetrates the market. Unlike the Chinese ethnic that historically maintains the concept of 'quanxi' which means the mutual dependency between the entrepreneurs community (Park and Luo, 2001; Peng, 2002), Malay ethnic is regarded too selfish in their business venturing (Hamidon, 2009; Omar, 2006). Moreover, even Malay entrepreneurs are depicted too depending on the financial institutions to secure for the loan, however not all applicants are successful. Omar (2006) in other hand forward the issues of applicants' personality selection and it could lead in bias especially to the 'not-well-known' entrepreneurs. Therefore, the social network is important to the entrepreneurs as a tool to access the important resources especially for the start-up firm (Birley, 1985; Jenssen and Koenig, 2002).

Government has put an effort to give assistance to Malay entrepreneurs such as financial needs. Majlis Amanah Rakyat (MARA), Perbadanan Nasional Berhad (PNS) and Tekun National Foundation (TEKUN) are among the agencies that responsible to provide the funding. For example, MARA has been giving RM500,000 without collateral to suitable applicants in each state (Utusan Malaysia, 2012). Apparently, Malay business is always cited to confront with the shortage of the capital especially to diversify the business (Abu Bakar et al., 2007; Apdal, 2012; Arif, 2009; Mahajar and Md. Hussain, 2000). However, there is a need to monitor the process of offering. Abu Bakar (2008) reported the accessibility to get the financial assistance is very low even though the government hardly promoted the various aids programs

¹ The word Bumiputra is generated from the Sanskrits words Bhumi (earth) and Putra (son). Bumiputra refers to Malaysians of Malay and other indigenous ethnic origin (Malaysia, 1991). The words Bumiputra and Malay will be used interchangeably.

² Malaysian citizen with Chinese, Indian and other origin are called as Non-Bumiputra. The reason for comparing between Bumiputra and Chinese and not other ethnic groups are because these two groups are major players in the Malaysia socio-economics and political environment.

The author noted that graft and bureaucracy problems are among the significant factors that prevent the Malay entrepreneurs to get the assistance. The view is supported by Kamil (2001) that signaled the bureaucracy, slow in decision making and payments are synonymously attached with government agencies. Therefore, it would be suggested that entrepreneurs can turn to social network to get the financial assistance.

The Malay case of bankruptcy also became prominent and the number is significantly increased after the impact of economic crisis in 1997 (Omar, 2006). The existence of Bumiputera Commercial and Industrial Community (BCIC) program was deemed necessary to provide the assistance and also hoped to intensify the Malay business (Shahadan, 2001). Apdal (2012) acknowledges the number of Bumiputera entrepreneurs in SMEs is 200,000 out of 800,000 participants and he endeavors to increase the number of Bumiputera participation by 100,000 in 2012.

3. RESEARCH METHOD

3.1 Sample and setting

Ego-centered network analysis explores the relations around each sampled person, not the total network of which individuals are members. The respondents describe their networks, activities, and their relations with network members. Because of recall problems, most of the research in ego-centered network normally limits their question into five most important connections (Hansen, 1995; Greve, 1995).

Our unit of analysis is Malay entrepreneur. For the purpose of this study, we define the entrepreneurs as the owner-manager that running their business for the profit. Those owner-managers will be SMEs that involved in manufacturing industry. The criteria for the manufacturing industry will follow the category proposed by SME Corp. that classifies the industry into pure manufacturing, manufacturing-related services and agro-based industries together with two indicators; annual sales turnover and number of full-time employees (See Table 1). Manufacturing industry is selected based on the following reasons; a) The SMEs in the manufacturing industry form a vital component of the Malaysian economy in terms of their numbers and contributions to the nation's economy (Hashim, 1999; Long and Wan Khairuzzaman, 2008), b) a research on network is likely to be more valid by using single-industry studies which the network emphasizes on strategic critical linkages (Hoang and Antoncic, 2003). The idea to choose the manufacturing industry is fairly acceptable as manufacturing industry is accepted as one of the prominent industry that impede economy growth.

Table 1: SMEs Categories

SMEs Categories	Micro-enterprise	Small enterprise	Medium enterprise
Manufacturing, Manufacturing-Related Services and Agro-based industries	Sales turnover of less than RM250,000 or full time employees less than 5	Sales turnover between RM250,000 and less than RM10 million or full time employees between 5 and 50	Sales turnover between RM10 million and RM25 million or full time employees between 51 and 150

Services, Primary Agriculture and Information & Communication Technology (ICT)	Sales turnover of less than RM200,000 or full time employees less than 5	Sales turnover between RM200,000 and less than RM1 million or full time employees between 5 and 19	Sales turnover between RM1 million and RM5 million or full time employees between 20 and 50
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Due to the exhausted up-to-date database available, the population will be taken from a listing of firms obtained from the Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia), Federation of Malaysian Manufacturers (FFM), Malaysia External Trade Development Corporation (MATRADE) and Ministry of International Trade and Industry (MITI) and to be combined into one complete listing. The combining list method also been practiced by other scholars for example likes Nelson and Mwaura (1997) and Marshall et al. (1995). Six main sectors were chosen into the listing; food and beverage, electric and electronics, wood product, paper and printing, textiles, apparel and leather, and plastic product that represent 70% from the total number of SMEs in Malaysia.

For the purpose of the current study, stratified random sampling was used to select the sample from each state in Peninsular Malaysia. All the companies then being classified based on geographical zones (North, South, Central and West). Then, random sampling was used to select the sample i.e. 357 by using Krejcie and Morgan (1970) table. Past research indicates by using these methods were will allow the representative of each region to serve as a sample for Malaysian SMEs (Ismail and Jantan, 2004; Ismail et al., 2010).

The pilot test involved 20 companies around Selangor due to cost consideration. The mail survey was used as the main approach for data collection due to the sample are geographically dispersed (Sekaran, 2003). Four weeks from the initial mailing, the reminder letter has been given to the non-response respondents. Overall, there were 186 completed questionnaires has been received, not including 25 mails were bounced back due to the companies have move to another site or terminated. Another 20 mails were considered inappropriate because they could not meet the criteria proposed to select the respondent and incomplete information for the name generator.

3.2 Measurement of Variables

The size of the network is defined as the number of people that the entrepreneurs turn to when they discuss aspects of in running the business (Renzulli et. al, 2000). In order to calculate the network size, ego-network questionnaire will be used. The self-generated answer to indicate the number of the contact by the owner manager through the ego-network method and a simple count of network contact as an indicator of network size are consistent with prior research to examine the entrepreneurial network (Marsden, 1987; Woodward, 1988; Ibarra, 1992; Reese, 1992; Greve, 1995; Hansen, 1995; Perry-Smith, 2006). This information allows an analysis of portion the social networks. One month is given due to recall back purposes and the use of shorter time frame is deems appropriate to avoid respondents' recall lacks validity (Reese, 1992).

In order to examine the network activity the question will ask the entrepreneurs to indicate their frequency meeting or talking in the telephone over the last month. The respondents will then asked to rate their answer on 5-point Likert-type scale, ranging from 1=very seldom to 5=very often. The question to explore the network activity is also used by previous scholars such as Greve (1995) and Reese (1992).

In order to measure the network density, the question will ask the entrepreneurs to nominate the name of their alters either family members, friends, relatives and business contact. In general, the respondents are allowed to name five important alters during running the business. Five name of contact is agreed by the prior researchers as a boundary to calculate the density in the network due to the recall problem (Burt and Ronchi, 1994; Hansen, 1995; Greve, 1995). Three items were adopted and modified from Frazier

(2000) who reported a Cronbach's alpha value of .762. The respondents will then asked to indicate on 5-point Likert-type scale, ranging from "1 = strongly disagree to 5 = strongly agree".

4. ANALYSIS AND FINDINGS

4.1 Descriptive Analysis

Table 2 presents a summary of the respondents' profile. From the table, it shows a higher number of male respondents (105) than female (81). Regarding the age, majority of the respondents were above 45 years old (53.8%). In terms of respondents' business type, the sample consisted of 75(40.35%) sole-proprietorship, 74 private-limited company (74%) and 37 for partnership-based company (19.9%). From the table also reveals the number of questionnaires collected from each state in Peninsular Malaysia. Respondents were segregate into states where the highest frequency comes from Johore 22.6 (42), followed by Selangor 21% (39) and the lowest is Perlis 3 (1.6%). The majority of the companies (65.6%) come from food and beverage sector, while wood product sector represents 17.2%, others 8.1%, textiles, apparel and leather 3.8%, plastic product 2.7%, electric and electronics 2.2% and paper and printing sector represents 0.5%.

Table 3 presents the descriptive information of each variable. The mean size(log) for women is slightly higher (0.66) compared to men (0.58). It indicates that women have averagely bigger social network connection compared to men. It is shown also the mean for the activity for women (4.01) also higher than men (3.83). The finding also diligently indicated that women have more frequent in their networking. The women also have higher mean in terms of network density by 3.72 as compared to male 3.59. This means the women alter have known each other and build more closely knit in their network. As a conclusion, the women have scored higher mean compared to men in all aspects in social network.

Table 2: Respondent Profile (n=186)

Characteristics	Categories	Frequency	Percentage
Gender	Male	105	56.5
	Female	81	43.5
Age	25 or below	8	4.3
	26-30	11	5.9
	31-35	18	9.7
	36-40	23	12.4
	41-45	26	14
	Above 45	53	53.8
Business Type	Sole-proprietorship	75	40.3
	Partnership	37	19.9
	Private-limited	74	39.8
States	Perlis	3	1.6
	Kedah	11	5.9
	Penang	11	5.9
	Perak	17	9.1
	Selangor	39	21
	Negeri Sembilan	4	2.2
	Malacca	11	5.9
	Johore	42	22.6
	Pahang	21	11.3

Category	Kelantan	11	5.9
	Terengganu	10	5.4
	Kuala Lumpur	6	3.2
	Food and Beverage	122	65.6
	Electric and Electronics	4	2.2
	Wood Product	32	17.2
	Paper and Printing	1	.5
	Textiles, Apparel and Leather	7	3.8
	Plastic Product	5	2.7
	Others	15	8.1

Table 3: Descriptive Information on Variables

Variables	Gender	Mean	Standard Deviation	Standard Error of Mean
Size(log)	Men	0.58	0.34	0.03
	Women	0.66	0.37	0.04
Activity	Men	3.83	0.55	0.05
	Women	4.01	0.5	0.05
Density	Men	3.59	0.79	0.07
	Women	3.72	0.75	0.08

4.2 Hypotheses Testing

The t-test analysis is employed to measure the differences in size(log), network activity and density for men and women. The distribution of the size of the network is skewed, therefore logarithm method is used to normalize the data since the parametric statistics requires the normal distribution among the sample (Coakes and Steed, 2007). The logarithm method is also been practiced in previous social network research (Greve and Salaff, 2003; Ostgaard and Birley, 1996).

Table 4 gives overall picture on t-test findings on three variables of social network on gender. Given the Levene's test for all the variables have a probability greater than .05, the assumption of population variances are considered equal. For network size(log), a significance value of .449 (greater than .05), indicates that there is no significant difference between the gender. Therefore, we concluded that there was no significant difference between male and female in terms of network size and H_1 is rejected.

Table 3: The Result of Independent Groups t-test

Variables	t	Df	Sig.
Size(log)	-.759	222	.449
Network Activity	-1.816	222	.071
Density	-1.264	222	.207

The second hypothesis comprises of network activity showed that p value .071 is higher than 0.05. Therefore, the second hypothesis is also rejected. The last hypothesis for network density, it can be seen that significance value of $p=.207$ is greater than .05, therefore we reject the H_3 . We conclude that there was no significant difference between men and women in network density.

6. DISCUSSION

The findings of the current study provide the view that gender does not provide the significant difference in terms of the utilization of the social network properties: network size, network activity and density. The first finding indicates that men and women are not significantly difference in terms of network size. Our finding support the earlier finding of Renzulli et al. (2000) and Cromie and Birley (1992) that men and women entrepreneurs have almost similar in terms of average size of alters. Further, the findings with respect to network activity suggest there is not significant difference between the genders. This finding supports the view of Cromie and Birley (1992) and Heald-Fisher (2010) that state men and women have used the network at the same rate. Finally, the result indicates that men and women have not significantly difference regarding the network density, thereby again consistent with the view of previous investigation Cromie and Birley (1992) and Aldrich et al. (1989) that found both genders have embed in their social network with high degrees of interconnectedness (Aldrich et al., 1989; Cromie and Birley, 1992; Klyver and Terjesen, 2007).

It should be noted that we recognize a number of limitations in this study. First, the data to be analyzed in this study mostly come from the food and beverages sector, therefore it is not provides the true picture of social network for another sectors. Second, our analysis did not captured the content flying in the network between the entrepreneurs and their alters. By asking the simple question on diversity of the alters, it is not reveal the picture on the motive and how the entrepreneurs used the important resources (Podolny and Baron, 1997). Finally, the current study did not consider the background of business either the business is categorized into family-based-business or not. It is imbalance to analyze between to those independently running the business with the family-based-business due to the influence of family members to develop the bigger network size (Anderson et al., 2005).

An area of concern that warrants future investigation is the content in the social network. Our analysis indicates the heterogeneity of network for the entrepreneurs, it implies that the importance of the alters in securing the resources and useful to the entrepreneurs. It would be interesting to explore the types of resources transferred and for what purpose those resources are used. Another avenue for further research is exploration on comparing the social network between Malay and Chinese entrepreneurs. The use of guanxi concept practiced by Chinese in Malaysia has been less acknowledged academically. Therefore, the comparative study is needed on why Chinese entrepreneurs were more successful in their business compared to their counterpart.

7. CONCLUSION

In conclusion, our study extends the exploration on social network area by comparing the utilization of social network between men and women. The survey data provides the conclusion that no significant difference between men and women in terms of utilization of social network. Business practitioners can be benefit from our study by carefully selecting and creating the legitimate social network in order to enhance the business performance especially for those interested to create a new business. For academic researcher, it is encouraged to explore inter-ethnic social network to find the strength and weaknesses between the ethnic.

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