SMEs and the Networks Governance Structure in Tanzania: Literature Review and Research Issues

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Abstract
This paper reviews the networks and the IMP literature to inform research on the network phenomenon in small and medium enterprises in Tanzania. It is noted that while a lot of work in this area has been done in Western Industrialized countries, little by way of serious research has been undertaken in Sub-Saharan African (SSA) countries. The role of networks in enterprise development and growth in these countries remains unexplored and therefore unclear. It is argued here that research on networks needs to be contextualized if it is to gain currency. Integrating the networks and the IMP perspectives this paper identifies three crucial areas relevant for future research in Tanzania: *viz*, the network-performance nexus, female versus male networks and social networks**.**

Introduction
The main purpose of this paper is to provoke research on networks in Small and Medium Enterprises (SME) in Tanzania. We integrate the networks, IMP and entrepreneurship literature to justify research in this area. In the entrepreneurship literature networks have been identified as one of the solutions to problems faced by SMEs, especially at the start-up stage. A research focus on this line of enquiry at the SME level in a developing country such as Tanzania is important and relevant for various reasons. First, the literature has pointed out that many problems small businesses face are related to their liabilities of smallness, newness and therefore isolation (K'Obonyo, 1999). It is posited that there is an inverse relationship between firm size and age and failure, with smaller and newer firms facing higher risks of

failure than larger and older ones. The major advantages of larger firms arise from their dependence relationships, economies of scale and government support in times of crises. Predicated on the assumptions of flexible specialization, it has been argued that for small firms to get out of their liabilities of smallness and newness they must first overcome their liability of isolation by engaging in linkages or networks. Put differently, the fragility, which accompanies small size, can be offset by the supportive environment by resilient networks. The second reason for focusing on small business networks, which also is in a way related to the review above, is the fact that many Africans are first generation entrepreneurs (RPED, 1997). Networks, which serve as channel for technological exchange, should lead to accumulation of capabilities on the part of the partners. The assumption here is that linkages allow firms to rely on others experience for learning (Bangens, 1998). The learning should be faster than when one has to rely on capabilities from within. Thirdly, the current globalization poses a serious threat to small firms in developing countries, which may be isolated by nature of their size and lack of technology. Networks should therefore enable SME firms to overcome this isolation. Lastly, research suggests that the degree of flexibility is greater for small enterprises than for large firms and therefore are able to adapt faster to changes in the market place and to coordinate their actions for a common purpose. Networks should enable small firms to realize this common goal.

The success of networks is engendered by the positive synergistic effects that are created by such linkages and that are necessary for firms to have a competitive edge in a complex and uncertain environment (During and Oakey, 1998). The major point of departure in the network research is that " firms generally exist and develop drawing on a set of suppliers and customers which have substantial impact on firm performance, as "no business is an island...(Hakansson and Snehota, 1989). Any single firm is dependent on others in the environment to gain access to resources such as capital, personnel, technology, raw materials, markets and the like. This means that the environment of firms is an important part of their existence. This environment, from the perspective of a single firm, is viewed in terms of its networks, which basically is the set of companies and organizations the single firm is interacting with (Bangens, 1998).
Against this background, the paper presents a review of existing literature on networks and firm linkages and proceeds to propose a research agenda on the subject in Tanzania.

Networks Research in Tanzania: Problem Definition

As alluded to above, networks and IMP research needs to be contextualized if the theories are to gain currency. In the same vain, Fang and Kriz (2000) have argued for the need to incorporate the variable culture in the IMP perspective in order to "generate more powerful knowledge characterizing today's business." In most

African businesses, for example, research has found that contractual relationships are not common; and that such relations are more often governed by trust and or social/cultural ties. The same applies to Asian owned businesses found in East Africa (RPED, 1997). The African kinship structure and the Asian network phenomenon appear to be very strong in these countries. Despite their importance, their role in business relationships has not adequately been investigated. There is therefore need to explore the influence such social ties has on business development and growth. Furthermore, the issue of culture might have affected the way women and men entrepreneurs form networks. Performance of women in business in Tanzania has been found to be poor (Rutashobya, 2000). One of the reasons for their poor performance might be related to the way women form networks, the composition and characteristics of such networks. Insights from organizational and gender perspectives suggest that the social system in which interaction networks are embedded produces unique constraints on women, causing their networks to differ from those of their male counterparts both in terms of composition and characteristics (Ibarra, 1993), and entrepreneurial outcomes. Little research has gone into investigating these issues in Tanzania. Three central questions therefore remain unanswered: To what extent are female and male entrepreneurs networks different? What are the composition, intensity and size of such networks? What are the characteristics of such networks, in terms of the way they are exploited to gain instrumental resources and expressive benefits?

A study on female and male entrepreneurs networks is also grounded on assumptions of gender and cultural perspectives. Hofstede (1991) for example notes that women and femininity are associated with interest in people and warm relationships, and that men believe women tend to the relationships. In contrast, men and masculinity often are associated with such traits as assertiveness, independence, ambition, and toughness. This view is also supported by Bhatnager and Swamy (1995) who observe that women are more sensitive than men and often more concerned with interpersonal relationships than men. The literature also appears to suggest that women are more caring and nurturing and are often aware of other peoples' feelings.

From a gender perspective, the social and psychological distance along gender lines has produced a constricted opportunity for interaction for women entrepreneurs. The above arguments and observations have implications for network studies. Gwen (1990) observed that while women's networks comprised of more kin and less non-family members, men's networks comprised of fewer family ties and more coworkers. It would be interesting to find out the difference between female entrepreneurs and male entrepreneurs networks, as it has been argued that the degree to which networks are beneficial or constraining depends on type of network properties (their composition and characteristics of the relationships).

Finally, since network and IMP researchers are also interested in network outcomes, research to investigate the network-performance nexus in Tanzania is important. While such research has been undertaken in Western Industrialized countries, no such research has been undertaken in Tanzania.

Significance of Research Focus on SME Networks in Tanzania

As most Third World countries are still searching for viable ways of developing enterprises, most policy makers, planners and academics in SSA have now acknowledged that the future of their countries competitiveness and economic growth will heavily depend on the private sector in which SMEs play a major role. In the same vein, small businesses have been recognized as "seedbeds for indigenous entrepreneurship", which may lead to economic prosperity in SSA, especially after the failure of the large public enterprise sector. According to ILO estimates about 70% of the people in Sub Saharan Africa (SSA) rely on small and informal establishments for their livelihood. Similarly, employment data from eight selected SSA countries revealed that, by 1997, the share of small firms in total wage employment ranged between 48% and 85% (Bendera, O.M, 1997). Tanzania's small business sector contributed 57 percent of total wage employment.

It is quite clear therefore that the sector also plays a catalytic role in poverty alleviation in SSA. The question then remains of how to stimulate growth in small as well as medium enterprises (SMEs) in these countries. The role of finance in stimulating growth in the SME sector has, for example, received a great deal of attention in policy and development programming. In the literature, however, this emphasis on finance has met with some criticisms. The weak financial position in most small businesses could be a manifestation of serious management problems, which may include their weak capacity to build networks.

Network Governance: Theoretical Perspectives

The literature points to a number of theoretical perspectives that attempt to explain network governance at the level of the firm. A distinctive feature is that the network paradigm borrows heavily from other disciplines such as marketing, organizational theory, industrial organization economics as well as sociology, among others. As a starting point, we subscribe to Thorelli's (1992) view that the classical economic theory of the firm does not offer the network analyst a suitable point of departure. This is not surprising though, as according to Thorelli, applied economics (management) perspectives have sometimes contradicted economic theories. We will in the ensuing discussion attempt to present a review of recent theories of the firm that provide a better point of departure for network researchers.

The point of departure in understanding the theoretical perspectives of networks is a focus on how firms organize themselves to manage exchanges with others in the environment. The basic assumption, as we alluded to earlier, is that all firms are dependent on the environment to secure a number of strategic resources such as raw materials, intermediate components, capital, information, distribution outlets, customers and the like; a phenomenon which embraces the boundaries of the firm and which lays the foundation for division of labour and specialization or "flexible specialization.” Subsequently, the network approach is grounded in a number of complementary rather than competing perspectives, which we describe in the ensuing paragraphs. Most of the theories attempt to explain either why networks are formed or highlight the conditions that lead firms to choose a particular governance structure. Our account below attempts to describe five perspectives, which have received great attention in recent scholarship work. They are the resource dependency theory, the interaction perspective, the social exchange perspective, the transaction cost economics (TCE) theory and the social network approach.

The resource dependency model has its focus on the individual firm and the way it handles individual relationships. The basic assumption is that the firm uses the relationship to "gain access to resources which are vital to its continuing existence". The relationships are multiple because the firm has to deal with many "publics" in order to meet its industrial and commercial requirements. So apart from suppliers and customers the firm has to deal with other publics such as banks, shareholders, government, and associations among many others. This perspective differs from the modern view of networks theory in its unit of analysis. While the network focuses on aggregate network, the resource dependency theory' unit of analysis is the individual firm.

The interaction perspective, which is a product of the IMP (Industrial/international Marketing and Purchasing Group) uses as the basic unit of analysis the dyadic relationship between buyers and sellers of manufactured products or raw material and component parts. Their focus is therefore the two party relationships although recently the analysis has also accommodated several party relationships. This is perhaps a major point of divergence with the network paradigm. A point of concurrence is the condition that the relationship should be close, and of long term nature, involving a complex pattern of interaction between and within each firm. The actors should therefore work towards maintaining the relationship rather than treating them as a one-time transaction. Some of the variables that are posited to sustain the relationship include an appropriate atmosphere of cooperation rather than conflicts, social exchange and trust-social capital etc.

The social exchange theories on the other hand focus on explaining the operation of the network phenomena. Proponents of the social exchange theories argue that social exchange has an important function of reducing uncertainty and opportunism between actors in the inter- organizational relationship. It plays a very important role especially in the longer term in terms of building successive social exchanges (building blocks), which gradually interlock the parties involved. Social exchange eliminates the need for contractual relationships among network partners; instead the relationship is based on mutual trust (social capital). Building this trust takes a long time and its success is a function of individual personalities and experience from each side. The social exchange theorists argue that very " complex network behaviour can result from the interplay of relatively simply defined exchange relationship". In terms of congruence with the modern network approach, social mechanisms prescribe some conditions for successful inter-organizational relationships.

Institutional economists through their transaction cost economics (TCE) perspective, as characterized by Williamson (1975, 1985, 1991) and others, perhaps provide the most elaborate and widely quoted theory of the firm that helps to closely explain, theoretically, the network phenomena. TCE is a theory about the strategic choice of governance structure made by managers faced with given levels of asset specificity, uncertainty, and frequency of interaction. The point of departure is the central premise that the chosen governance structure will be the one that minimizes transaction costs. Given transaction costs economizing objectives of the firm, the three conditions, *viz* asset specificity, uncertainty and frequency of interaction will predict the type of governance structure a firm will choose among three options-market, hybrid, or hierarchy (internalized in the organization). The theory relies on three behavioral assumptions, namely opportunism, bounded rationality, and risk neutrality, in predicting how firms choose governance structures. We will in the ensuing explain further the assumptions of the theory.

Williamson in his earlier analysis discerns two alternative ways (governance structure) in which the exchange may be officially handled between technologically separate units in a production or work in process, namely the market or hierarchy. The question is how the behavioral assumptions of asset specificity, uncertainty and frequency of relations determine the kind of governance structure a firm will choose? Jones, Hesterly and Borgatti (1997) for example argue that customized exchanges with high level of human asset specificity are not effectively coordinated by market mechanisms and would therefore require either hierarchies or networks. This is because, as Williamson (1985) argues, customized (or asset specific) exchanges create dependency between parties hence imbalanced relationships. Coupled with uncertain environment, unequal exchange may lead the strongest party to adopt opportunistic behaviour, which may be costly to the other firm. Ford (1992) observes, "Man is not just characterized by bounded rationality but also by opportunism and this makes markets operate inefficiently." According to Williamson such conditions will favour hierarchy (internalization of transactions). It is noted that Williamson's earlier analysis only explained governance structure in terms of the market-hierarchy dichotomy and it is only later (1991) that he admitted that his hybrid governance structure provided stable relationship, although he remained silent on the conditions under which a firm will choose this type of structure. This is perhaps a major weakness of the TCE theory. A point of divergence between TCE theory and the network paradigm is that while TCE focuses at the single relationship, the network approach focuses on the aggregation of relationships.

Social network perspective goes beyond TCE theory to prescribe social mechanisms that allow network governance to emerge and thrive and that are necessary for coordinating and safeguarding exchanges (Jones, Hesterly & Borgatti (*op.cit*). The major focus in this theory is the individual personalities who make economic exchanges possible and bind the actors through mutual orientation, trust, and investment in the social exchanges. It is understood that such needs and conditions engender "structural embedded ness which provides the foundation for social mechanisms such as restricted access, macro culture, collective sanctions and reputations" to emerge in the network governance. The underlying premise is that these social mechanisms" reduce transaction costs, gaining comparative advantage over market and hierarchies, which enable network governance to emerge and thrive. At this juncture it is necessary to distinguish between two types of social network theories, namely those that attempt to explain social mechanisms in inter-firm or economic relationships, as explained above, and those that explain social interaction in society, but provide instrumental resources to businesses. In the later case, the differences in network properties, viz composition, and relationship characteristics will engender differential access to instrumental resources such as information. It has, for example, been argued that information shared among actors in homophilous networks will be redundant, and that such ties may stifle innovation. It has further been argued that homophilous networks (relations with similar others) will have stronger ties than heterophilous networks (relations with certain others).

A number of scholars have however cautioned that too much embedded ness may create its own set of problems. Strong social ties may generate what K'Obonyo calls a "dysfunctional state of organizational isolation" to the disadvantage of weak members in the economy. Roger (1995) also argues that while social capital is advantageous in many ways to members of particular social group, the social isolation that occurs puts outsiders, especially if the groups are organized along ethnic lines, at a disadvantage. He further argues that since the cooperation is based on trust, those within the group will win more credibility than those outside it. Therefore strong ties within a social network will lead to isolated cliques of entrepreneurs that are not integrated with the other groups. As a result, entrepreneurship development will be unequally distributed among different groups in society. This is generally possible because of problems of inter-group communication where crucial business information is shared among members of the strong network to the disadvantage of members outside the network.

Another reason could be that most likely apprenticeship, through which entrepreneurial skills and tacit knowledge is acquired, will be biased against non-members. The Asian network phenomenon in East Africa is a case in point here. It is therefore very important that research in this area be done to explore features of networks that may serve as constraints rather than advantages. African kinship structure and gendered patterns of social networks should also be examined to investigate elements of such social structures, which serve as constraints to business rather than facilitating the entrepreneurial function. Insights from the social networks literature also suggest that strong social ties are inefficient for instrumental purpose, while weak ties are.

From the above review, a contrast between the social network theory and the inter-firm network ideas is not easy as they both complement each other. It is observed that the networks approach describes both economic and social exchanges. In the inter-firm relational exchanges, social exchange or social capital plays the role of interlocking the actors into a long-term relationship, which is not necessarily bounded by legal recourse but trust. The social mechanisms, as we observed earlier, help to safeguard the exchanges from opportunistic behaviour by members of the network. Factors, which help to sustain the aggregation of relationship in networks, are, according to Easton (1992), mutual orientation, trust or bonds, investment in the relationship and dependency.

To summarize, the above perspectives provide useful insights and form the basis for examining research issues in a study on network governance. We note the complementarities of the theories, since no single theory gives a complete picture of networks governance structure. From the above analysis, three areas pertinent for future research in Tanzania are identified and presented below.

RESEARCH ISSUES

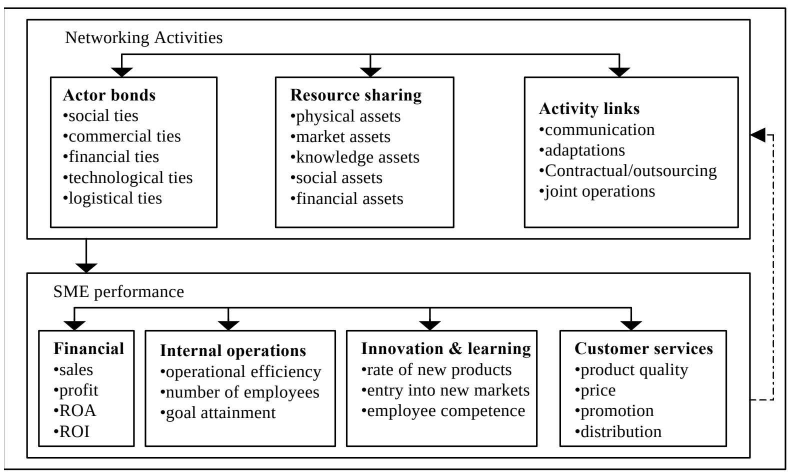
SME Networks and Firm Performance

The major research question here is: Do networks or no networks make a difference in firm performance? Integrating resource-based perspective, TCE and social network theories, this study component seeks to examine the influence SME inter organizational networks have on firm performance. The major objective in forming linkages, according to the above perspectives is access to resources and cost minimization hence growth enhancement. The network-performance nexus has been investigated in a number of studies including that by Benson-Rea and Wilson (2000). Such studies, as noted earlier, have been undertaken in Western industrialized countries little has been done in developing countries. Bangens (1998) observes "the way firms act is closely linked to the sociocultural context." This calls for the need to test the phenomena in a developing country context. Our interest is its effect at SME level.

Model and hypotheses

We integrate the network model and the balanced score card approach to build a network-performance nexus model. We have chosen the network model for the following reasons: first, the model identifies the main variables in the networking process and explains the relationships among them. Second, it is an analytical tool that has recently dominated the network literature (Sorensen and Reve, 1998), such that many researchers in this area have been applying it in their theoretical and empirical studies (see for example, Bangens, 1998; Sorensen and Reve, 1998; Foss, 1999). The balanced scorecard approach, on the other hand, provides a relatively comprehensive framework for measuring a firm's performance, since examining performance on the basis of its four perspectives enables a researcher to capture and analyse data regarding both *what is done* (results) and *how is done* (behaviours).

Figure 1: A model linking Networking and SME performance



Source: Adapted from Hakansson, 1987 and Kaplan and Norton, 1992.

The model illustrates a relationship that *SME performance is dependent on Owner-managers' involvement in Networking.* It has three main elements in the independent variable (actor bonds, resource sharing and activity links) and four in the dependent variable (financial, internal operations, innovation and learning and customer services). Below is a brief discussion of each of the main elements of the independent variable alongside with the hypotheses to be tested for their relationships with the elements in the dependent variable.

Resource sharing:

Resources represent a necessary condition for any activity to be carried out. They refer to a wide range of assets, which include physical goods (for example machines) and intangibles (for example knowledge). Control over resources can be either direct (by owning them) or indirect by having close relationships with those who possess the direct control. A typical feature of resources is that they are heterogeneous and their value or utilities depend on with which other resources they can be combined (Hakansson, 1993). Thus, by finding the most efficient ways of combining their resources (for example through technological co-operations) the actors can mutually benefit. Learning about resources, the firm's own, those owned by others, and how to govern the sharing processes is, therefore, an important approach to improving performance among actors. For example, it has been noted that resource-sharing processes enable firms to acquire competitive advantages (Foss, 1999), core competencies and capabilities (Prahalad and Hemel, 1990). Accordingly, with regard to SME actors in Tanzania, we expect that:

Hypothesis 1: The more SME actors are involved in resource sharing activities, the better their firms' performance.

Actor bonds:

Actors (in this study defined as owner-managers of SMEs) perform activities and control resources. Since no business is an island, each actor is fundamentally embedded in a web of more or less strong, trust based, lasting relationships (Hakansson and Snehota, 1986). These relationships enable an actor to access resources from other actors and to perform activities worth for exchange. The relationships also act as 'building blocks' of bonds among actors, and are important in that trusted actors frequently act on the focal actor's behalf. This phenomenon helps in increasing the flow of relevant information (and other resources) to the focal actor, and further reduces uncertainty and opportunistic behaviours among actors (Cromie, et al.1993). Thus, we expect that:

Hypothesis 2: The more the bonds between an SME actor and other stakeholders, the better the firm's performance.

Activity links:

Activities are carried out within and between individual firms and link resources to each other. They include the acts of transformation, transaction and communication (Hakansson, 1987). The literature points that the dependence relationship among activities of firms is one of the preconditions for actors to engage in networking activities. For example, one of SME characteristics is that they are inherently flexible, able to satisfy client requirements by employing complementary activities of other small or large firms (Bryson, et al. 1993). This suggests that:

Hypothesis 3: The more the activity links between an SME actor and other actors, the better the firm's performance.

Female and Male Entrepreneurs Networks

The major question here is to what extent does gender influence inter-organizational and social networks? Studies in Tanzania have revealed that female entrepreneurs face a number of problems that retard development of their enterprises (Rutashobya, 1995). Could these problems be explained in terms of firm linkages and inter personal relations? This study component seeks to examine differences in female and male entrepreneurs' networks. We argue that the social system in which interaction networks are embedded produces unique constraints on women, causing their networks to differ from those of their male counterparts both in terms of composition and characteristics, and that differential enterprise performance by gender may partly be explained by differential access to social capital arising out of gender differences in network relationships and composition.

Empirical evidence in this line of inquiry by Gwen (1990) has supported the general view that women's personal networks are different from men's networks. Gwen observed that, women's business discussion networks differed from men's in terms of both size, composition and characteristics of the relationships. While women's networks comprised of more kin and less non-family members, men's networks comprised of fewer family ties and more coworkers. He attributes this finding to two competing theories. One theory posits that men and women have different dispositions with respect to who they would like to form network with, with women being more disposed to maintain closer ties to kin and fewer non family ties and men being disposed to forming more ties outside the family.

From a gender perspective, it has been argued that the social distance or power distance along gender lines in society, has produced a constricted opportunity for interaction for women entrepreneurs. Apart from their low position in society, the numerous stereotypes and biases against women as incompetent human beings limit their ability to develop instrumentally usefully heterophilous ties. The psychological boundary between men and women that has been created by gender based power differences has tended to reinforce the situation. Furthermore, the gender division of labor pervasive in society, which has engendered women's multiple roles, has also influenced their network composition. Ties with more kin and less non-family members have been argued to be conditioned by preference for social insurance than economic benefits. Therefore, in our inquiry of Tanzanian's small business entrepreneurs, this suggests that:

Hypothesis 1(a): When compared to their male counterparts, female entrepreneurs will have a relatively larger proportion of kinship members than professional members in their network composition.

Hypothesis 1(b): When compared to their male counterparts, female entrepreneurs will tend to have homophilous than heterophilous ties.

It has also been argued from the literature that the nature and scope of opportunities available through networks are dependent upon the type of people (network composition) that one interacts with, which according to Alderfer (1987), can be examined with respect to either organizational or identity affiliations of the focal individual's contacts. This is because as more individuals are involved in the network, the focal actor is enabled to have access to different sources of information and resources that are vital into his/her entrepreneurial activities. Access to instrumental network benefits will also depend on the relationship characteristics. It has further been argued that relations with similar others (homophilous networks) will not instrumentally useful, as information shared among the actors will most likely be redundant. Hence in our study on entrepreneurs networks in Tanzania, we expect that:

Hypothesis 2: Female entrepreneur's networks will be less likely exploited in pursuit of business objectives than the male entrepreneurs' networks.

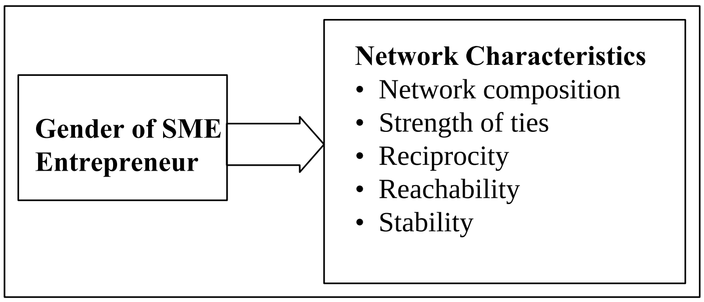
Having looked at the composition and possibilities of exploiting networks in facilitating business activities, strength of the ties among network members is another important network characteristic (Cromie, et al. 1993). It defines the intensity and quality of relations, and is often associated with the age of contacts, homogeneity, frequency of interactions and emotional involvement. In that respect, network ties can be categorized as strong or weak, and that homophilous ties will most likely be stronger than heterophilous ties. Strong ties are important for their support and help in solving problems, especially during times of crises and uncertainty, however, at the expense of economic benefits. With female entrepreneurs being perceived to be more inclined to emotional involvement, their network composition being largely focused on kinship members, we expect that:

Hypothesis 3: When compared to their male counterparts, female entrepreneurs will have a relatively large proportion of strong ties than weak ties in their networks.

Apart from network composition and strength of ties, the other explanatory variables of network characteristics in the model (reciprocity, reachability, multiplexity and stability) are also important when modeling the differences between male and female entrepreneurial networks. Reciprocity refers to the pursuit of common interests, goals and mutual benefits (Oliver, 1991). Reciprocity thus, has a harmonious and stabilizing effect on the relations between network members. Reachability (or centrality) refers to the proximity or distance from the focal actor to certain individuals in the network (Monsted, 1995). That is, the presence of direct or indirect flows of resources between an actor and others. The concept of multiplexity refers to the multiple uses associated with a relationship in the network. For example, are ones family friends also sources of business information, advice, or business partners? We therefore intend to use an aggregate of the above variables in ascertaining the differences between the characteristics of female and male entrepreneur's networks. These differences will then enable us to infer entrepreneurial outcomes of male and female entrepreneurs.

Model
The analysis presented above can be summarized in a model shown in figure 2. The model illustrates that gender of the SME entrepreneur is the main determinant of, and has a direct influence on the characteristics of the network the entrepreneur is likely to have.

Figure 2. A model linking Gender and Network Characteristics



Social Networks
We note that social networks studies have been applied to a wide range of settings including the industrial or inter-organizational, the civic society, rural development, and others. Most of these studies have demonstrated the vital importance of social networks for a number of economic outcomes even where social networks were established for non-economic purposes. "The Network Capitalism" of South Asia has often been cited as a good example. In Western industrialized countries, the highly efficient, highly flexible "industrial districts" based on networks of collaboration among small entrepreneurs has also been highly acclaimed. The success of the rotating credit associations in Third World countries has often been associated with social networks (Marysse, 1999). Networks success is now observed in a number of industrial and service organizations including high technology firms, film companies etc. In recent years, social networks have been investigated in civic society. Putman (1993) argues that social networks in the form of civic engagement and participation at community level fosters norms of generalized reciprocity and an emergence of social trust.

According to the proponents of social network theory, networks facilitate coordination, and communication, amplify reputations and thus allow "dilemmas of collective action" to be resolved. When economic exchange is rooted in dense networks of social interaction, incentives for opportunism are reduced. According to the social network theorists, the depth and durability of social networks rest on social capital-which refers to features of social organizations such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit. In inter-organizational relationship, as alluded to earlier, social networks will minimize transaction costs giving network governance a comparative advantage over markets and hierarchies.

The literature therefore points to two forms of social networks. First in an established economic exchange or inter-organizational relationship, social networks provide the social mechanisms which safeguards exchanges from the "dilemmas of collective action" (i.e. it eliminates opportunism by a stronger party). Here the role of social networks is to foster social trust (social capital) and generalize reciprocity, which facilitate adaptation, coordination, and safeguarding of exchanges for mutual benefit.
Secondly, social networks outside economic exchanges provide an environment for exchange of valuable information, provides mentoring as well as social insurance. One's membership to some associations or ethnic group is an example. Here social networks also foster social trust and generalized reciprocity which facilitates exchange of valuable information such as market data, sources of capital, sources of labour, sources of inputs and the like. The literature points to the usefulness of such social networks but cautions that " certain forms of social capital inhibit economic development by constraining innovation". This view appears to be consistent, implicitly, with Max Weber's "spirit of Protestantism" which stimulated an individualistic ethic that renounced traditionalism including the extensive obligations that provided security for all those included in the extended family or ethnic group (Marysse, 1999, p.8). On the basis of this view some scholars have called for the need to "free individuals from family and kinship ties as a condition for a successful transition to capitalism" (Marysse,*op.cit*).

By integrating the social network perspective, TCE theory and resource based theory; future studies can explore the influence of both forms of social networks on SME development in Tanzania. More specifically future research can explore the role of social networks in influencing entrepreneurial start-ups, and growth. Studies on the positive and negative role of social networks such as kinship, ethnic groups on SME performance are also important, so also are the entrepreneur’s perceptions of such networks. Operationalization of such a study will entail an examination of the social network properties, as discussed above, and their role in engendering instrumental or expressive benefits hence entrepreneurial performance.

Conclusion

This paper has attempted to present a review of the network and the IMP literature to inform research on the network phenomenon in SMEs in Tanzania. It is noted that while the phenomenon has been studied in Western industrialized countries, little has been done in developing countries such as Tanzania. Using Insights from the theoretical perspectives three areas relevant for future research in the country are identified. The research issues highlighted, though not exhaustive, can be studied in any African setting. The authors have planned to investigate and or explore these issues in Tanzania in the next three years, thanks to the support by Sida/SAREC.

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