

BUSINESS NETWORKING AND SOCIAL COHESION AMONG BUSINESS COMMUNITY IN MALAYSIA



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ABSTRACT

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Background: Business network is a social capital component that is owned and shared with the business community members. This network is examined through relationships and engagements between families and members of the business community as well as outside the community. Business networking and community collaboration are seen in the business community engagement with activities carried out and engagement in organizations that benefit the community. Business networks help to improve the efficiency of the business community by facilitating coordination and actions for mutual benefits as well as impacts on the business community. Objective: The objective of this study is to explore the dimensions of business networking used by the business community from various ethnic groups as well as to examine the impacts of business networking on the social cohesion in Malaysia. Results: The social relationship and trust among the business community are the dimensions and indicators in identifying the social capital in the business networking. There is a significant relationship between the business network and the social cohesion among the Malay, Chinese, Indian and Bumiputera respondents. The business networking did affect the respondents' social cohesion in Malaysia. Conclusion: The dimensions of business networking in the social capital have helped Malaysian business community to remain their social cohesiveness with the support from government agencies in terms of marketing products and capital. Thus, the impacts of business networking on the social cohesion in Malaysia are positive and significant.

1. INTRODUCTION

Historically, economic development has taken place through rapid industrialization led by agricultural transformation which increased productivity per unit of labor and land. The role of the business community has become very significant in this recent trend, particularly with regard to flexible specialization. They take advantage by turning increasingly to the new resources offered by the opening-up of international borders and in some cases by increasing export either directly or indirectly. It has recently become difficult to speak of economic development, without considering the effects of market and economic internationalization and globalization. Nevertheless, the

business communities are unable to achieve their goals by themselves alone. They need supports and resources from 'outsiders' such as other firms, supporting institutions, relatives and friends to identify opportunities and resources rapidly. Therefore, business networks are particularly valuable to the small businesses and entrepreneur's community.

The success or failure of business community in the business field depends on their innovative behavior in forging business networking with family, friends, workers, agents, customers, suppliers and competitors who brings benefits to them in both material and non-material manner. This corporate culture transformation in globalization era of 1990s able to establish good business networking with the various groups and ethnics and build a good business reputation that further affects the success of business community as well as to expand the marketing of products offered and identifies opportunities and resources. The government policy and market forces has changed the social structure in the society including Chinese business organization and bumiputeras which is lead to create an economic tolerance and inter racial cooperation in business among Malay, Chinese, Indian ethnics and other bumiputeras.

The business network is often associated with symbolic or face to face interactions which are due to the development of society from *Gemeinschaft* community where the people share common values and beliefs to the *Gesellschaft* community which can be found in the modern society with weak individual relationships. This networking is important in a society as it may lead to a good cooperation between the business community and the customers which then will produce a consensus to cooperate with each other. Hence, this networking can be seen as an interaction to gain profits and expand the marketing.

Business networking is a method of obtaining new contacts and their subsequent application during business opportunities formation. It encompasses introducing people who might be mutually helpful, maintaining long-term contacts and building own business network. Networking is an open platform helping to share information and make business more efficient. The word 'network' is most commonly associated in business peoples' minds with the infrastructure used to connect computing assets within and between organizations, so they may share data and information. Cohesion is the degree to which group members come together as one unit to reach a common goal. Members of cohesive groups see themselves as one entity rather than a collection of individuals. Group members have a positive regard for one another and get along well. They listen to and trust one another and respect each other's opinion even if they disagree. It is a feeling of deep loyalty and togetherness and includes the degree to which each individual has made the group's goal his or her own. The productivity of groups is strongly related to their cohesiveness. In fact, research has shown that cohesive groups perform better than non-cohesive groups in decision-making activities.

The success or failure of business community in the business field depends on their innovative behavior in forging social ties with family, friends, business partners, workers, customers and suppliers who brings benefits to them in both material and non-material manner. Social ties can be established through face-to-face interaction or online manner. The internet usage revolution has had a huge impact on everyday life especially in business around the world. There is thus a lack of research in the discussions of SNS usage among the ethnicities in Malaysia (Kasuma, 2017). Business networking was born of the revolution. Today, more and more men and women in Malaysia have taken the opportunity to engage in this field. The success of involvement in business depends on a number of things besides capital money, infrastructure and availability of goods and services. An important thing is non-material, innovative behavior that seeks to establish business networking with various ethnic groups including family members, friends, customers, agents, suppliers and competitors as well as other business communities.

To note, business networking refers to a formal network involving the relationship between business community and other parties based on business conduct. This also involves a particular interest between the two parties in which they will try to meet their own interests. Based on observations also, a large number of successful business community will put effort in creating business networks with other parties. The network, directly or

indirectly facilitates business and profitable the business community as it will provide more business opportunities, exchange information and ideas and can seek advice from those with special expertise. Hence, the business community should take part in any programs provided by the government agencies as well as private parties to help each other through business networks. The business networking is organized not just for the organizers to get profit, but rather to help the business community in enhancing their business potential. This business networking will help to expand the business by sharing ideas, experiences, guidance and support to all entrepreneurs. In fact, most business networks do not charge an expensive fee to their participants, but only as a proof of commitment to business community to remain successful.

In this study, business networks are defined as personal relationships between a business community and his 'external actors' (outsiders) either individuals or organizations. They are not directly employed by the business community. The business community build up such continuously constructed and reconstructed relationships during interactions (contacts) in order to obtain necessary resources and to perform activities. The nature of the business community's face-to-face interactions can strongly influence their success. Specific social skills, such as the ability to read others accurately, make favorable first impressions, adapt to a wide range of social situations, and be persuasive, can influence the quality of these interactions. In fact, this business network is a social capital component that is owned and shared with the business community members. This network is examined through relationships and engagements between families and members of the business community as well as outside the community. Business networking and community collaboration are seen in the business community engagement with activities carried out and engagement in organizations that benefit the community. Business networks help to improve the efficiency of the business community by facilitating coordination and actions for mutual benefits as well as impacts on the business community.

This paper will investigate the business networking and social cohesion experienced among business community in Malaysia. Thus, the aim of this paper is to explore the dimensions of business networking used by the business community from various ethnic groups and to examine the impacts of business networking on the social cohesion in Malaysia. Moreover, in order to make comparisons, ethnic of the business community will be explored. Therefore, the following research questions are to be answered:

RQ1: What are the dimensions of business networking used by the business community from various ethnic groups?

RQ2: What are the impacts of business networking on the social cohesion in Malaysia?

2. LITERATURE REVIEW

Empirical studies on business networking and social cohesion in Malaysia are still very few, since most studies focus on the basic aspects of identifying entrepreneurs such as the study of entrepreneurial characteristics, entrepreneurship studies, and so forth. The economic development of a country depends largely on the progress shown by the business units within it. The business should show its progress through performance or growth that definitely requires a high commitment by its business community. The impact of the development of a national economy should be reflected in the increase in performance or business growth.

Individuals in any society involve in a number of social relationships and business networking with others. The social relationships and business networking are crucially important to the entrepreneurial process, as discussed by Birley and Cromie (1988); Butler and Hansen (1991); Chu (1996); Johannisson (1987); Ostgaard and Birley (1996); Steier and Greenwood (2000) as well as Van Dijk (1997) because the information needed to start a business is passed to the entrepreneur basically through the existing social networks of friends as discovered by Birley (1985); Butler and Hansen (1991) and family members as studied by Amin (1989) and Ozcan (1995). In addition, financial support is also provided by the members of the social network as discussed elsewhere by Birley (1985); Grabher (1993); Jarillo (1989); Oliver and Liebeskind (1998); Ozcan (1995); Timmons (1994); Veciana and Clarke (1996).

Recent studies show that the impact of business networks is highly significant for individuals to become businessman. According to [Butler and Hansen \(1991\)](#) the business community's social network is like an 'opportunity set'.

Social ties are crucial assets for business community. [Baker \(1990\)](#); [Gulati \(1995\)](#) and [Gulati and Martin \(1999\)](#) revealed that the social ties create opportunities to identify new business ideas, new products, and new markets as well as encourage business community to take risks and innovate, and enhance business success under conditions of uncertainty. These ties also provide benefits such as joint problem solving, information exchanging and resources sharing to actors in the networks as studied by [Uzzi \(1996\)](#). These resources include not only finance and other material resources but also information, ideas, advice and customers. The resources are usually obtained through the business community's personal network. In this aspect, a social network provides the business community with information, support, contact, and credibility.

A number of scholars have been analyzing entrepreneurship, new venture development, and small business development. The major argument of these studies is that a new entrepreneur or a small business owner does not have enough experiences and resources. In order to do business, the business community gathers the necessary resources from the external environment through his personal network. However, a few studies have discussed on how the business networks give impact on social cohesion in Malaysia. This paper is particularly interested to study such business networks because it is argued that a businessman or an entrepreneur of different ethnic faces different dimensions of business networks thus needs different kinds of resources in different phases.

3. CONTRIBUTION OF THE STUDY

This study sought to fill the research gap on the absence of empirical evidence about the mediating effect on the business networking among business communities of various ethnics in Malaysia. By so doing, the study makes a contribution to the existing body of knowledge on business community performance and strategies in the context of a developing country.

4. METHODOLOGY

This study discusses the business networking and social cohesion among Malaysian business community, particularly in terms of the dimensions of business networking, and their relationship with social cohesion. Responses from 554 business community and hawkers were obtained through a survey using questionnaires. It was distributed to individuals of various ethnics who are attached with business community in Malaysia. All respondents from different backgrounds which included different ethnics, gender, age and place of residence were given the questionnaire to be answered. Our sample includes more male respondents (57% compared to 43% female students), with Malays, Chinese, Indians and Bumiputeras respectively. Respondents were informed that participation was voluntary and the information they provide would be kept confidential. Purposive sampling technique was used for sampling in this study.

This type of sampling was chosen because it is very beneficial in documenting a particular quality of a substance or phenomenon that occurs within a given sample. Furthermore, it is a technique that is least expensive, less time-consuming and most convenient. Moreover, self-administered questionnaire was chosen to collect the data for this study. Questions in the survey covered the following areas: demographics, networking relationship, and outcomes of business networking. Correlations and Coefficients of SPSS were used in analyzing data.

5. RESULT AND DISCUSSION

The findings revealed that there is a significant relationship between the business network and the social cohesion among Malay, Chinese, Indian and Bumiputera respondents. The respondents have a positive business

network with their other business communities, customers, and business partners as well. Hence, business networks have a significant impact on social cohesion as can be seen in Table 1.

Table-1. The relationship between business networking and social cohesion

		Business networking	Social cohesion
Min business networking	Pearson Correlation	1	.539

The social relationship among the business community is one of the indicators to identify the social capital. The study revealed that 84% of the respondents, regardless of ethnics, agreed to work in business with various ethnic groups, helped other business community regardless of their ethnics (83%), often learn business ethics from other ethnics (82%), and will sit in discussions if they do face different opinions (80%). However, there are Chinese businessmen who do not agree to find (52%) and share (58%) partnerships from other ethnic groups. As can be seen in Table 2, the results showed that the social relationship among the Malay, Chinese, Indian and Bumiputera business community was in good condition and significant. Overall, it can be said that when business networks are increasing, social cohesion also increases.

Table-2. Social Relationships among Business Community

Item		Business Community				Total
		Malay (%)	Chinese (%)	Indian (%)	Bumiputera (%)	
I am working business with various ethnics	Agree	84.2	85	95.2	77.9	83.6
	Disagree	15.8	15	4.8	22.1	16.4
I plan to find business partners from various ethnics	Agree	60.4	48.3	76.2	49	57.7
	Disagree	39.6	51.7	23.8	51	42.3
I have business partner from other ethnic groups	Agree	52.8	41.7	76.2	45.3	51.2
	Disagree	47.2	58.3	23.8	54.7	48.8
I often learn business ethics from other ethnics	Agree	82.1	75	90.9	82.1	81.7
	Disagree	17.9	25	9.1	17.9	18.3
I have helped other business community regardless of their ethnics	Agree	81.4	85	100	84.4	83
	Disagree	18.6	15	0	15.6	17
I have to borrow goods from other business community regardless of their ethnics	Agree	61.1	73.3	95.2	63	64.1
	Disagree	38.9	26.7	4.8	37	35.9
I have been asked to take care of my other business community irrespective of ethnics	Agree	71.5	83.3	85.7	66.7	72.5
	Disagree	28.5	16.7	14.3	33.3	27.5
We are competing in the business field well regardless of ethnics	Agree	87.8	93.3	100	81.3	87.8
	Disagree	12.2	6.7	0.0	18.8	12.2
We sit in discussions if we do have different opinions	Agree	80.9	88.3	90.5	69.1	80
	Disagree	19.1	11.7	9.5	30.9	20

The level of trust among the business community is also found positive and significant. Based on the research, 87% of the respondents would not mind to ask the condition of other business community even from different ethnic groups. The findings indicated that 83% of the respondents agreed to give other business information to their customers to go to another business community, regardless of ethnics, if they do not trade the preferred item. As shown in Table 3, regardless their ethnics, about 75% of the respondents helped other business community and lift their business items, and 71% agreed to say that it was a common practice to replace the working hours of business associates as they leave for a moment. Whereas 66% of the respondents always eat together while doing business even in different ethnic groups,

Table-3. Level of Trust Among Business Community

Item		Business Community				Total
		Malay (%)	Chinese (%)	Indian (%)	Bumiputera (%)	
I gave other business information to my customers to go to another business community, regardless of ethnics, if I do not trade the preferred item	Agree	82.5	85	100	77.1	82.5
	Disagree	17.5	15	0	22.9	17.5
We always eat together while doing business even in different ethnics	Agree	68.8	56.7	90.9	53.1	65.6
	Disagree	31.2	43.3	9.1	46.9	34.4
It's been a common practice to replace the working hours of business associates as they leave for a moment	Agree	71.4	75	90.9	62.5	71
	Disagree	28.6	25	9.1	37.5	29
I always ask the condition of other business community even from different ethnics	Agree	85.6	95	100	80.6	86.4
	Disagree	14.4	5	0	19.4	13.6
Sometimes I helped other business community and lift their business items, regardless their ethnics	Agree	77	73.3	95.5	62.5	74.8
	Disagree	23	26.7	4.5	37.5	25.2

Majority of respondents in this study see that business networking is a very significant in developing a social cohesion with their customers, business partners, and other businessman different ethnic groups. The help and guidance obtained from both informal networks (family, friends, and business contacts) and formal networks (banks, accountants, and lawyers) influenced the nature of a business significantly. The business networking were crucial and have a significant impact for a successful business particularly during the initial stage of a business. Over time, the social relations extend to business relations: social bonds become business bonds.

This suggests that the respondents are still able to conduct business networks with the government through the assistance of the other ethnic groups by making them as their business partners. Good social networks with other ethnics enable them to succeed in their business. The findings confirmed the importance of networks for business performance and development. [Duchesneau and Gartner \(1988\)](#) also found that surviving business community are more active in social relations than unsuccessful businessman, and successful businessman spend more time communicating with partners, customers, and other business community. [Hansen \(1995\)](#) also found positive relationships between business network variables (entrepreneurial action set size, degree and frequency) and new organization growth.

It can be said that the business community benefits and affects business network with different ethnics in various ways. Firstly, the business networking helps to mobilize resources quickly from different ethnic groups. Secondly, they also help on minimizing costs such as transaction costs since negotiations, bargaining, and written agreements are unnecessary among the network actors of different ethnics as they can trust each other. The business community use their informal networks to overcome the uncertainty distrust that often harm market exchanges. In this respect too, business networks are a means of reducing transaction costs as indicated by [Eyiah \(2001\)](#); [Granovetter \(1985\)](#); [Johanson and Mattsson \(1987\)](#). Thirdly, business networking contributes to business effectiveness. In general, the external resources received through external network relationships with different ethnics are very helpful for the development of products and for the expansion of markets. In particular, the types of information, which are provided by the networks, are necessary not only to identify the business community opportunities that warrant founding a business, but also to ensure the success of the business.

6. CONCLUSION

In general, the social capital which involves the business networking, has given a positive influence to the dynamism of social cohesion of the Malaysian business community. The findings revealed that the business networking established were formed and consolidated by the business community primarily for business purposes. Business networking were forged and consolidated with family members, friends, customers, business partners, competitors and other business community had contributed to the growth and consolidation of the business community. To sum up, the business networking with different ethnic groups can create a successful business community by helping to overcome the lack of resources, the managerial and professional weakness of small business within a broader supportive external environment. Owing to a lack of resources, small business community always need to maintain contacts with their external actors or other business communities to obtain necessary resources. The actors of business networks and supporting networks are very important for business community particularly in developing countries such as Malaysia. Before a new business community starts his venture, his social network relationships work as an opportunity set. Then gradually the business community develops his network relationships with supporting agencies and other firms as well.

The study highlighted the fact that there is an interactive type of business networks between business community and the customers, business partners, suppliers and other business community. The findings showed that business networking did affect respondents' social cohesion in Malaysia. Thus, the impacts of business networking on the social cohesion in Malaysia are positive and significant.

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