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## Article

# Impact of networking capability on organizational survival of SMEs: Mediating role of strategic renewal

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## **Impact of Networking Capability on Organizational Survival of SMEs: Mediating Role of Strategic Renewal**

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### **Abstract**

Organizational survival (OS) is still in spotlight in management literature because of the threats posed by the uncertain and volatile business environment across the globe. Fierce competition among organizations and unstable business environment has made organizations to focus on their survival in first place. The main purpose of this study is to examine the role of networking capability (NC) having four dimensions i.e. coordination (CO), relational skills (RS), partner's knowledge (PK), and internal communication (IC) of a firm in the assurance of its survival. The mediating role of strategic renewal (SR) in these relationships is also investigated. For testing these relationships, data was gathered from 469 managers/owners of small and medium enterprises (SMEs) and was analyzed accordingly. Besides descriptive analysis, correlations, and regression, mediation analysis were carried out by using Baron and Kenny's approach and PROCESS Macros. The results proved that CO, RS, PK, and IC have significant positive impact on OS. Moreover, SR also has strong mediating effect on the relationships between NC and OS. This study has some meaningful contributions towards both theoretical and practical knowledge of the subject matter.

**Keywords:** networking capability, strategic renewal, organizational survival, and small and medium enterprises, SMEs.

### **1. Introduction**

Due to intense competition and hostile business environment, the probabilities of business failure have increased significantly (Govindarajan & Srivastava, 2016). Almost

every organization is striving for its long run survival and considers it as the most important business objective (Stubbart & Knight, 2006). Several previous studies have discussed that the survival is the most desirable result for organizations whose managers successfully navigate their organization across a hostile competitive environment (Greenwood & Suddaby, 2006). According to Josefy et al. (2017) OS is a condition where a firm has sustained its business operations, retained its original ownership, and stayed financially solvent. For ensuring long term survival of small and medium enterprises (SMEs), the importance of organizational networking capabilities (Park & Luo, 2001) and strategic renewal could not be overlooked (Agarwal & Helfat, 2009; Herbane, 2019).

Founding on the resource dependence theory, the survival of the organizations is dependent upon their ability to grasp desirable resources and its maximum exploitation for the fulfillment of their business objectives (Hessels & Terjesen, 2010). It is very obvious that every resource is not accessible to each organization, so they are required to have a proper network of their partners having the complementary resources which could be shared for the sake of mutual advantage (Yang et al., 2018). The resources, markets, and technologies, which could not be accessed by a firm in isolation, could be accessed by having appropriate networks across industry (Karami & Tang, 2019). Management literature supports the efficacy of the concept of Networking Capability in this case. NC could be defined as an organization's abilities to develop, sustain, and make use of inter-organizational relationships with several partners firms in order to gain competitive advantage (Walter et al., 2006). According to Walter et al. (2006), NC have four dimensions i.e. CO, RS, PK, and IC. CO could be defined as the capability of a firm to synchronize its resources with other partnering firms. RS are the abilities of an organization to make relationship with the important players working in the industry. PK means how much a firm knows about the strengths and weaknesses of its partner while; IC refers to the exchange of information across the departments of an organization.

NC is focusing more on formation and maintaining relationships that are advantageous to the organization (Taylor & Pandza, 2003). The main motive behind these sorts of relationships is to get access and to complement the required resources, which consequently boost competitive advantage for the organization (Dickson & Weaver, 2011). So, firms must have appropriate RS to develop and maintain constructive relationships. Moreover, firms should also have the capability to manage resources both inside and outside their premises for effective exploitation of resources. These resources are acquired by developing networks while the resource deficit is covered by identifying potential partners having relevant resources (Kale et al., 2000). In this study, NC is operationalized on the basis of the study by Walter et al. (2006) by considering all of its four dimensions, i.e. CO, RS, PK, and IC.

SR could be described as a process that permits firms to adjust their path dependence by changing their strategic targets and capabilities (Schmitt et al., 2018). According to them, the antecedents of SR are both the resources and learning possessed by any organization. Similarly, the process of SR is either induced or autonomous. The outcomes of SR could be in the form of co-alignment (i.e. reactively aligning organization with its environment) and co-creation (i.e. proactively creating environment for its growth). In this study, SR refers to all the efforts undertaken by the management of any SME for the purpose of

changing itself not only according to the environmental requirements but also taking initiatives for betterment of industrial practices.

Therefore, the primary gap in the literature which is attempted to be filled in this study is to understand the importance of NC in ensuring survival of SMEs while observing the mediating role of SR on the relationship. Consequently, the main motive behind this study was to investigate the impact of NC of firms on the OS. The mediating role of SR was also examined to comprehend the internal processes involved in the conversion of networking capabilities of an organization into its survival. Data was collected from manufacturing sector SMEs working in Gujranwala District of Punjab province of Pakistan. This study was designed to provide an insightful understanding of the effectiveness of NC of an organization and its SR capabilities in ensuring the long-term survival of SMEs operating in complex environment of Pakistan.

## **2. Literature Review**

### *2.1 Organizational Survival*

OS is defined by Josefy et al. (2017) as the ability of an organization to continue business operations, maintaining its original ownership, and remaining financially solvent (avoiding bankruptcy). The roots of OS are from biological sciences and the main theme of OS was the idea that, in nature, there is competition to survive and only the fittest survives. Similarly, when the organization is unable to survive, it may be declared that it has failed. The failure can be of three types: firstly, discontinued business operations; secondly, change of ownership through acquisition or merger; thirdly, the business is declared as bankrupt or insolvent. OS depends upon different factors including size of the organization (Page & Soderbom, 2012), organizational flexibility and specialization (Filatotchev & Toms, 2003; Yousaf & Majid, 2018), organizational age (Pakes & Ericson, 1998), financial position (Clementi & Hopenhayn, 2006), sales, profitability, working capital, retained earnings (Altman, 1968), market structure (Sapienza et al., 2006), and government policies (Schwartz, 2013). However, according to researchers' knowledge, there is no study in existing literature that linked the networking capability with OS and also evaluated the mediating role of strategic renewal. These links are further elaborated in coming sections.

### *2.2 Networking Capability and Organizational Survival*

Various researchers have declared numerous antecedents for OS. For instance, age of the firm (Geroski, 1995), firm size (Giovannetti et al., 2011), owner's gender (Kalleberg & Leicht, 1991), prior experience of the owner (Dahl & Reichstein, 2007), foreign direct investment and foreign presence (Mayer & Ottaviano, 2007), innovation (Dess & Lumpkin, 2005), legitimacy (Flynn & Luodan, 2002), institutional linkages (Baum & Oliver, 1991), and service diversification (Knudsen et al., 2005).

However, few researchers have linked OS with the comprehensive concept of NC. In this study, OS has been associated with the NC on the basis of the following arguments. Firstly, resource dependence theory suggests that the performance and survival of any firm is dependent upon its ability to capture more resources. For instance, Baum and Oliver (1991) suggested that institutional linkages are very vital for the OS because social

support and legitimate relationships with other organizations help organizations to minimize the chances of failure. Similarly, Bonel and Rocco (2007) explored the role of Coopting, the multiplex nature of relationships where two or more parties can produce value by complementing each other's activity, in OS in very harsh Chinese business environment. Campos et al. (2006), by using multi-agent framework, highlighted the importance of establishment of networks within the industry for increasing the organizations' survival rates. These institutional linkages and coopting are closely related with the relationship skills dimension of NC.

Moreover, Lamberg et al. (2009) highlighted the significance of CO (a dimension of NC) and strategic uniformity in competitive behavior of an organization in survival of the organization. Gras and Mendoza-Abarca (2014) postulated that the OS is dependent upon the availability of funding sources and access to other resources, which could be achieved by selecting an appropriate partner. So, PK (a dimension of NC) is also closely linked with OS. Furthermore, Rosanas (2008) termed IC as the crucial requirement for the firm's long-run survival because it is the employees' readiness to collaborate and freely share knowledge with each other to resolve their firm's problems and hence improving the chances of its survivability.

### 2.3 Coordination

CO comprises of resource integration and synchronization for ensuring its effective utilization in order to achieve the organizational objectives (Bengesi & Le Roux, 2014). The main essence of CO is the situation where various important organizational resources and activities are shared beyond the boundaries of organizations, which connects different individuals and independent organizations together, hence developing a network of mutually beneficial interactions (Walter et al., 2006). According to Barney and Arika (2005), until and unless knowledge and other resources are finely coordinated and shared among the firms, working together is of little use and have nominal impact. While supporting the same argument, Barney (1991) hinted upon the competitive advantage of an organization which is achieved when these organizations coordinate effectively with the existing resources in such a manner that rival organizations cannot manage or copy. This argument suggests that for maximum benefits, effective resource coordination is initiated by bringing together the resources possessed by the organization and its partners; these resources are then assigned to the most relevant organizational operations from where maximum yield is obtained and hence competitive advantage for the firm is created.

In this notion, ability of a firm to cultivate effective CO is vital for an organization to get maximum advantages from resource sharing among partners and its efficient utilization. Dickson and Weaver (2011) added that these networks allow organizations to have an access to relevant and up-to-date technology, resources, information, as well as to learn new skills from networking partners. Especially, the organizations which are limited by their constrained resources could benefit from effective CO of resources among the partnering organizations and subsequently improve their strategic performance and ensure their survival in long run (Majid et al., 2019). Therefore, we could hypothesize that;

- **H<sub>1</sub>:** Coordination has a positive impact on organizational survival

#### 2.4 Relational Skills

Effective RS are vital to develop confidence and trust among networked firms and enable them to share their unique resources, if not then the relationship will be apprehensive and vague having no advantages to the networking partners (Hittet al., 2009). These RS have greater significance for an organization to build and endure long-term relationship with shared advantages among contributing firms. RS are the social competence of an organization, which is essential for relationship management because in most cases, relationships are situations of inter-personal exchange (Kale et al., 2000). Moreover, it is also debated that organizations having better RS are more efficient in building the environment of trust and confidence among the partnering organizations and ultimately result in more friendly exchanges of ideas and resources.

RS include various skills like communication, interpersonal, problem solving, emotional stability, conflict management, empathy, and sense of justice (Marshall et al., 2003). Subsequently, organization having effective RS will build productive relationships which will benefit all the partnering firms and will lead to better performance (Teece, 2007). While discussing the RS component of NC, Mitrega et al. (2012) identified three stages of it i.e. relationship initiation, relationship development, and relationship termination capabilities. Firms capable of maintaining all the three skills are more likely to outperform their competitors because they are more efficient in acquiring new knowledge and learning better techniques of doing business (Kale et al., 2002; Yousaf & Majid, 2017). Gentry and Leslie (2007) and McCallum and O'Connell (2009) have also advocated the importance of RS for the organizational development and better performance. Founding on these arguments, we hypothesized that:

- **H<sub>2</sub>:** Relational skills has a positive impact on organizational survival

#### 2.5 Partners' Knowledge

PK could be defined as the systematized and arranged information about the partner firms (Walter et al., 2006). This information is helpful in understanding the potential strengths and weaknesses of each prospective partner (Malhotra et al., 2005). Especially for SMEs' sustained relations, PK can be helpful in designing suitable exchange mechanism and avoidance of any misunderstandings and instabilities (Kale et al., 2000). Prior knowledge of partners could reduce the number of unnecessary disputes and helps in avoiding partnering with the incompatible and unsuitable partners (Hittet al., 2009). Furthermore, it is noteworthy that PK also enables a firm to recognize other partnering firms having relevant resources and capabilities to fulfill their needs to attain performance targets. Thus, hypothesis 3 states:

- **H<sub>3</sub>:** Partner's knowledge has a positive impact on organizational survival

#### 2.6 Internal Communication

IC is an important component of NC (Cornelissen, 2004). It comprehends sharing of information and assimilation of knowledge resources of strategic importance across the organization in order to develop synergies among partners and converge their attention on the areas which could be advantageous for their organization (Men, 2014). It enables organization to effectively disseminate information and knowledge acquired from the

outside world. IC could be defined as the management of professional interactions among all the involved people having common interests within an organization (Cornelissen, 2004). Kalla (2005) highlighted the multi-disciplinary interest in IC and defined it as the combination of formal as well as informal communication taking place across the hierarchy within an organization.

For attaining a competitive position in an industry and ensuring long term survival, both the implicit and explicit knowledge are required and are disseminated through effective IC (Kitchen & Daly, 2002). Song, Wang and Parry (2010) emphasized the importance of the formal processes involved in the knowledge acquisition and utilization in achieving competitive position irrespective of the market conditions and environmental threats. According to Freeman et al. (2007) OS could be guaranteed if the concerns and wishes of all the stakeholders are properly addressed, which is not possible without having effective IC. In the same notion, Welch and Jackson (2007) advocated the importance of IC as effective management of stakeholders' needs. Therefore, we hypothesize that;

- **H4:** Internal communication has a positive impact on organizational survival

### *2.7 Mediating Role of Strategic Renewal*

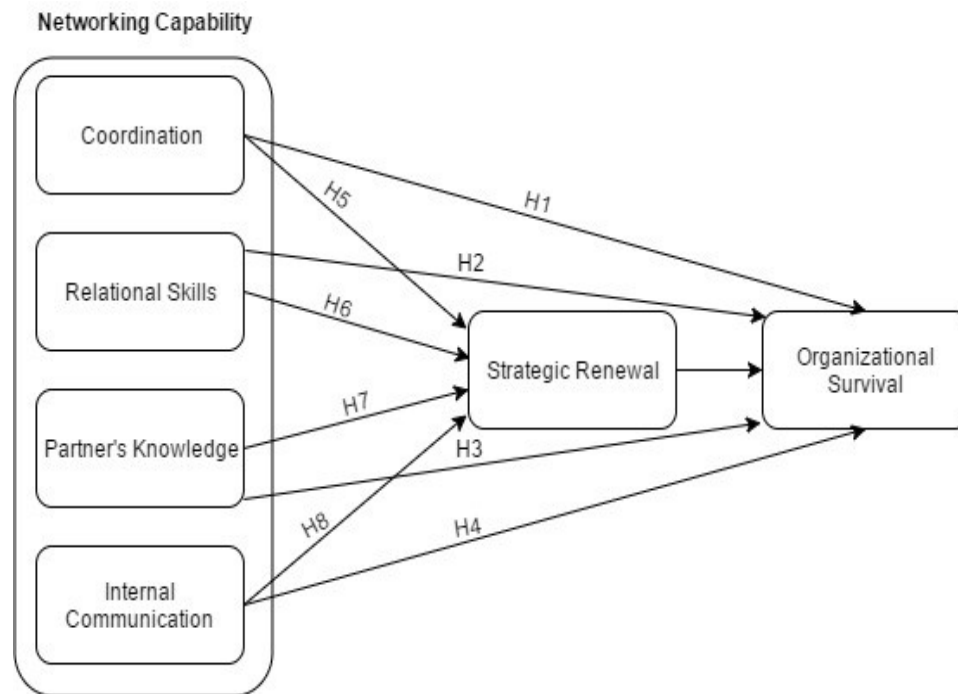
SR enables organizations to discover and learn completely new techniques of utilizing their core competences and competitive attitudes (Floyd & Lane, 2000). According to Guth and Ginsberg (1990), the word strategic suggests that the main idea on which an organization is founded is renewed by it. Thus, SR refers to the activities undertaken to transform the core capabilities linked to the competitive advantage of an organization (Flier et al., 2003). Furthermore, Burgelman (1983) and Floyd and Lane (2000) clarified that not all renewals are strategic but the renewal which comprehends the entire organization could be term as SR. Hence all the changes brought to the individual or group level within an organization lie outside the scope of SR (Friesl et al., 2019).

The studies carried out on SR hold a central position in strategic management literature, especially in basic research spheres like strategic processes (Floyd & Wooldridge, 2000; Volberda & Baden-Fuller, 2003), competitive strategy (Agarwal & Helfat, 2009; Lengnick-Hall & Inocencio-Gray, 2013), and corporate entrepreneurship (Verbeke et al., 2007; Zahra, 1993). According to Schmitt et al. (2018) SR encompasses the transformation of an organization's core capabilities related to its competitive advantage, deals with the entire organization, impacting all organizational levels and is crucial to break path dependence that ultimately result in guaranteeing long-term OS. Since, OS is the ultimate objective for the organizations, their managers, and owners, many of the organizational theorists have considered survival as the primary solution for them while navigating across the hostile business environment (Stubbart & Knight, 2006).

Burgelman (1991) made it clear that OS depends significantly on the modification and renewal capabilities of organizations during strategy making processes. Herbane (2019) also emphasized the significance of SR in ensuring long run survival of SMEs. SR denotes the renaissance, replacement or rearrangement of the existing organizational characteristics (Agarwal & Helfat, 2009; Teng, 2007). Organizations operating in complex business environments bear extensive and in describable changes in technological, economic, social, and political spheres are more vulnerable to the threats and hence their survival is endangered (Schmitt, Raisch, & Volberda, 2018). So, it is the

SR which assists firms to change their path dependence by shifting their strategic capabilities and direction (Albert et al., 2015). The identification of environmental challenges and then the formulation and application of these change processes are the central essence of SR (Basu & Wadhwa, 2013; Peltola, 2012). As every organization requires changing themselves at one time or another, SR is an important contemplation for ensuring their long run survival and prosperity (Jones & Macpherson, 2006). Based upon the above discussion, the following hypotheses are formulated;

- **H<sub>5</sub>:** Strategic renewal mediates the relationship between coordination and organizational survival
- **H<sub>6</sub>:** Strategic renewal mediates the relationship between relational skills and organizational survival
- **H<sub>7</sub>:** Strategic renewal mediates the relationship between partner's knowledge and organizational survival
- **H<sub>8</sub>:** Strategic renewal mediates the relationship between internal communication and organizational survival



**Figure 1: Theoretical Framework**

### 3. Methodology

The study at hand was undertaken with an aim of investigating the impact of NC on the OS while measuring the mediating effect of SR in developing countries context. The



study's nature was quantitative and has utilized cross sectional data for hypotheses testing. According to Mackenzie and Knipe (2006) the quantitative and cross sectional studies are more suitable when the purpose of research is to examine the association among constructs.

Wolf et al. (2013) recommended a minimum sample of 450 respondents if the analysis is carried out with mediation models. Data collection process was started in March 2018. Initially 850 self-administered questionnaires were distributed among the managers/owners of SMEs. Out of which 587 were received back and only 469 instruments were found completely filled and were considered fit for analysis. The data collection team had collected 469 useable responses at 55.17% response rate with a sampling error of  $\pm 5\%$  and 95% confidence level.

### *3.1 Measures*

In this study, a five-point Likert scale was used to measure the items of NC (Walter, Auer & Ritter, 2006) and SR (Saez-Martinez & Gonzalez-Moreno, 2011). The items for measuring OS was developed by the authors after considering the study of Josefy et al., (2017) and were also recorded on five points Likert scale.

### *3.2 Independent Variable*

The NC was operationalized and measured by considering its four dimensions i.e. CO, RS, PK, and IC. The questionnaire developed by Walter et al., (2006) was used in the study to measure NC. The measurement of NC contains 19 items, the coefficient of Cronbach's  $\alpha$  for which was 0.809.

### *3.3 Dependent Variable*

OS was the dependent variable in this study. The measurement of OS was based on three domains i.e. operations, ownership, and solvency, as mentioned by Josefy et al. (2017). After considering the theoretical development of the variable, an instrument was developed by the authors to measure it. The measurement of OS consisted of 17-items, for which the coefficient of Cronbach's  $\alpha$  was 0.817.

### *3.4 Mediating Variable*

In this study, after extensive literature review, SR was taken as a mediating variable in the relationship between NC and OS. SR was measured with 4 items as articulated and used by Saez-Martinez and Gonzalez-Moreno (2011). The coefficient of Cronbach's  $\alpha$  was 0.839 for these items.

### *3.5 Control Variables*

With the aim of having accurate estimates, this inquiry focused on the background and contextual factors that could possibly affect the study results acquired from the manufacturing SMEs. This research deliberated the business age and business size as control variables. Business age was codified as; 1 is for 1 to 5 years of age of the firm, 2 is for 6 to 10 years, 3 means 11 to 15 years, 4 reflects 16 to 20 years and 5 is for the firm having age more than 20 years. Similarly, business size was classified as; 1 for firms having less than 50 employees, 2 for firms having 51 to 99 employees, 3 for firms having 100 to 150 employees, and 4 for firms having more than 150 employees.

#### 4. Analysis and Results

Data were analysed by descriptive statistics, correlation, and regression. In the current study two tests were used Baron and Kenny approach and PROCESS Macro for testing the mediation. We have applied Fornell and Larcker (1981) method to check the discriminant validity. For the confirmation of discriminant validity, the shared variance among the constructs and AVE for each construct was compared. It was found that the values of shared variance with any construct is lower than the AVE values for every construct. Value of Cronbach's  $\alpha$  was used to check the reliability of the construct.

##### 4.1 Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) technique was used to check the model-fit. For checking the construct validity, various indicators were used and the overall model-fit was evaluated. The values of;  $\chi^2 = 1329.77$ , CFI = 0.95, GFI=0.93, and RMSEA=0.049, revealed that our overall model is fit. The values of CFI, GFI, and RMSEA sufficiently fulfilled the standard requirements. As the values for CFI and GFI should be 0.90 or greater (Hu & Bentler, 1999) and RMSEA value must be 0.05 or less (Browne & Cudeck, 1992).

##### 4.2 Tests for Discriminant Validity and Multi-Collinearity

Keeping in the view the Myers (1990) suggestions, all constructs were also verified for multicollinearity problem. According to Myers, the multicollinearity problem might exist, if tolerance statistic bears the value less than 0.2, the maximum variance inflation factor (VIF) is bigger than 10, and average VIF is under 1. In the current study, any of these problems were not found. As the value for tolerance statistic was greater than 0.2, all values of maximum VIF were less than 10, and the average VIF value was greater than 2. The reliability statistics i.e. factor loading, composite reliability,  $\alpha$  values, and average variance extracted of the questionnaire items used to measure the constructs of this study are depicted in the Table I.

**Table 1: Factor Loading, AVE and CR of the Variables**

		FL	$\alpha$ – Value	AVE	CR
Coordination					
CO1		.788	0.768	0.659	0.920
CO2		.765			
CO3		.871			
CO4		.773			
CO5		.901			
CO6		.762			
Relational Skills					
RS1		.877	0.810	0.738	0.918
RS2		.849			
RS3		.799			
RS4		.909			

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Partner Knowledge				
PK1	.801	0.865	0.743	0.920
PK2	.879			
PK3	.832			
PK4	.932			
Internal Communication				
IC1	.841	0.79	0.715	0.926
IC2	.876			
IC3	.891			
IC4	.818			
IC5	.801			
Strategic Renewal				
SR1	.865	0.839	0.733	0.916
SR2	.897			
SR3	.814			
SR4	.847			
Organizational Survival				
OS1	0.865	0.817	0.726	0.978
OS2	0.871			
OS3	0.800			
OS4	0.811			
OS5	0.891			
OS6	0.915			
OS7	0.921			
OS8	0.831			
OS9	0.852			
OS10	0.854			
OS11	0.842			
OS12	0.858			
OS13	0.823			
OS14	0.799			
OS15	0.907			
OS16	0.811			
OS17	0.823			

Extraction Method: Principal Component Analysis

Rotation Method: Promax with Kaiser Normalization

### 4.3 Descriptive Analysis

Table 2 depicts the values of mean, standard deviation and the correlation of the study variables. Table 2 shows the value of  $r$  (correlation coefficient) of the study variables. The correlations coefficients recognised significantly positive relationships among independent variables, mediating variable, and the dependent variable. Table 2 presents positive relationship between CO and SR (0.24\*\*), RS and SR (0.25\*\*), PK and SR (0.38\*\*), IC and SR (0.27\*\*), CO and OS (0.33\*\*), RS and OS (0.29\*\*), PK and OS (0.26\*\*), IC and OS (0.35\*\*) and SR and OS (0.32\*\*). Positive and significant

relationships among variables provide support for mediation analysis according to the standards mentioned by Baron and Kenny (1986).

**Table 2: Correlation**

Variables	Mean	SD	1	2	3	4	5	6	7
Business Age	3.2	.79	1						
Business Size	2.3	.86	.09	1					
CO	2.7	.82	.06	.01	1				
RS	2.2	.89	.04	.03	.20**	1			
PK	3.7	.91	.07	.10*	.28**	.32**	1		
IC	3.5	.89	.03	.09	.22**	.23**	.17*	1	
SR	3.4	.91	.07	.10*	.24**	.25**	.38**	.27**	1
OS	3.3	.87	.03	.09	.33**	.29**	.26**	.35**	.32**

#### 4.4 Mediation Analysis

Primarily, Baron and Kenny method (known as causal steps approach) was utilized for testing of the study hypotheses and endorsing the mediation effect of SR. Table 3 exhibits the results of the mediating effect. Both the simple as well as multiple regressions were utilized to verify the Baron and Kenny (1986) four conditions for mediation. The 1<sup>st</sup> condition was satisfied as the results produced in Table 3 express that CO is positively associated to SR ( $\beta = 0.24$ ,  $t = 5.85$ ,  $p = 0.00$ ). Similarly, relational skills is also associated positively to SR ( $\beta = 0.25$ ,  $t = 6.94$ ,  $p = 0.00$ ). In the same way, PK is linked positively to SR ( $\beta = 0.38$ ,  $t = 9.74$ ,  $p = 0.00$ ), and IC is also positively associated to SR ( $\beta = 0.27$ ,  $t = 6.13$ ,  $p = 0.00$ ).

**Table 3: Regression with SR as Mediator and OS as Dependent Variable**

Independent factors	Strategic Renewal					Organizational Survival				
	R <sup>2</sup>	S.E	B	t	Sig.	R <sup>2</sup>	S.E	$\beta$	t	Sig.
CO	0.17	0.041	0.24	5.85	0.00	0.15	0.049	0.33	6.73	0.00
RS	0.21	0.036	0.25	6.94	0.00	0.14	0.042	0.29	6.90	0.00
PK	0.16	0.039	0.38	9.74	0.00	0.20	0.039	0.26	6.66	0.00
IC	0.19	0.044	0.27	6.13	0.00	0.16	0.041	0.35	8.53	0.00
SR (Mediator)	--	--	--	--	--	0.23	0.028	0.32	11.42	0.00
Note: The regressions are applied separately between one IV, MV and DV. RS: Relational Skills; PK: Partner's Knowledge; IC: Internal Communication.										

The 2<sup>nd</sup> condition was also satisfied. As CO is associated positively to OS ( $\beta = 0.33$ ,  $t = 6.73$ ,  $p = 0.00$ ), RS is positively related to OS ( $\beta = 0.29$ ,  $t = 6.90$ ,  $p = 0.00$ ), PK is

positively linked to OS ( $\beta = 0.26$ ,  $t = 6.66$ ,  $p = 0.00$ ), IC is related positively to OS ( $\beta = 0.35$ ,  $t = 8.53$ ,  $p = 0.00$ ). On the basis of these outcomes, the H1, H2, H3 and H4 were accepted in this study.

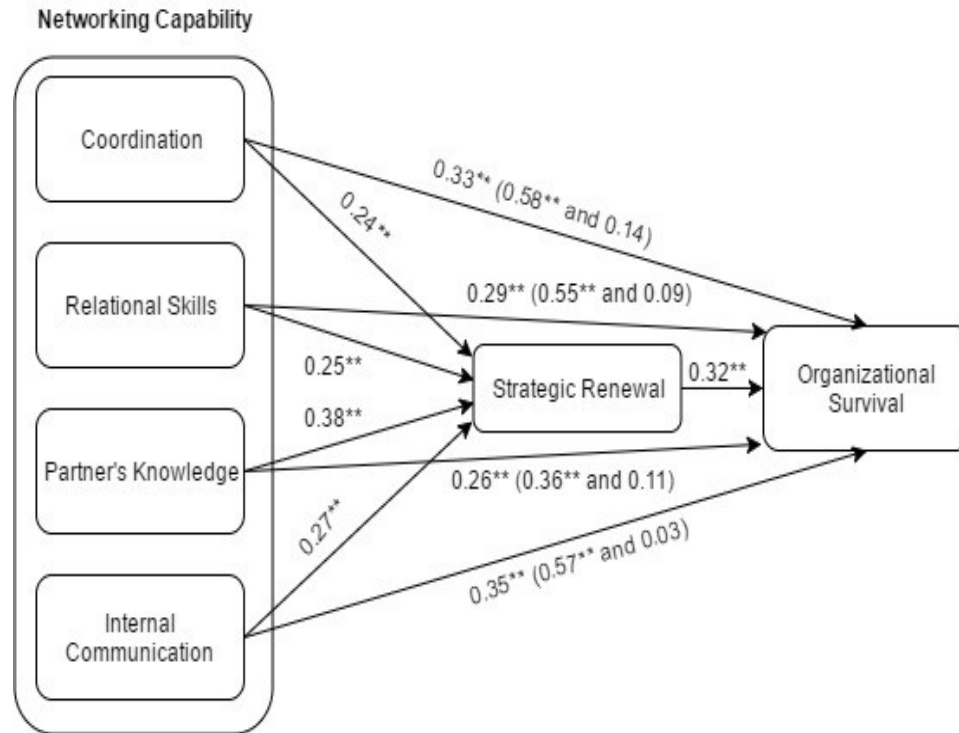
The third prerequisite for mediation postulated by Baron and Kenny was also satisfied. As SR is associated to OS positively ( $\beta = 0.32$ ,  $t = 11.42$ ,  $p = 0.00$ ). Hence, three steps in model proposed by Baron and Kenny are confirmed as shown in the results of simple regression.

**Table 4: Multiple Regression Results for OS**

Model	Factor	R <sup>2</sup>	F	St. Error	$\beta$	t-value	Sig.
1	CO	0.32	87.24	0.089	0.14	0.45	0.65
	SR			0.045	0.58	10.45	0.00
2	RS	0.35	82.29	0.048	0.09	1.34	0.05
	SR			0.067	0.55	11.44	0.00
3	PK	0.41	61.91	0.078	0.11	1.31	0.40
	SR			0.052	0.36	8.12	0.00
4	IC	0.38	86.41	0.059	0.03	0.63	0.52
	SR			0.043	0.57	10.57	0.00

Note: SR: Strategic Renewal; OS: Organizational Survival; RS: Relational Skills; PK: Partner's Knowledge; IC: Internal Communication

The values of multiple regression analysis are shown in the Table 4, which was utilized to check the 4<sup>th</sup> condition offered by Baron and Kenny for the validation of the mediating role. The fourth condition was also met as it is evident from the results of the multiple regressions analysis as shown in table 4. As it is clear from the results, with the inclusion of SR as a mediator in the model, the direct impact of CO was insignificant ( $\beta = 0.14$ ,  $t = 0.45$ ,  $p = 0.65$ ). Similarly, the direct effect of RS was also found to be insignificant ( $\beta = 0.09$ ,  $t = 1.34$ ,  $p = 0.05$ ). Contrastingly, the direct impact of PK was also insignificant ( $\beta = 0.11$ ,  $t = 1.31$ ,  $p = 0.40$ ). While the direct effect of IC was also insignificant ( $\beta = 0.03$ ,  $t = 0.63$ ,  $p = 0.52$ ). Founding on these results, the H<sub>5</sub>, H<sub>6</sub>, H<sub>7</sub>, and H<sub>8</sub> were accepted. The details of both the simple and the multiple regression analysis after applying Baron and Kenny approach are shown in figure below.



**Figure 2: Baron and Kenny Approach Results**

Preacher and Hayes (2008) approach to mediation was also applied as Baron and Kenny approach only confirms the existence of mediation. The results of Preacher and Hayes test are shown in Table 5.

**Table 5: Normal Test Theory Approach**

Mediation model	Total effect			Direct effect			Indirect effect (Normal test approach)		
	$\beta$	t	P	$\beta$	t	p	$\beta$	Z	p
CO→SR→OS	0.35	7.21	0.00	0.07	0.71	0.61	0.28	4.21	0.00
RS→SR→OS	0.42	6.51	0.00	0.08	0.98	0.56	0.34	3.99	0.00
PK→SR→OS	0.24	4.72	0.00	0.03	0.65	0.47	0.21	3.91	0.00
IC→SR→OS	0.39	4.34	0.00	0.09	0.91	0.77	0.30	4.94	0.00

Note: SR: Strategic Renewal; OS: Organizational Survival; RS: Relational Skills; PK: Partner's Knowledge; IC: Internal Communication; CO: Coordination

The results of normal test theory (NTT) indicated that CO has significant indirect effect ( $\beta=0.28$ ); while the direct effect is insignificant ( $\beta=0.07$ ,  $t=0.71$ ), and the outcome of NTT ( $Z=4.21$ ,  $p<0.01$ ) established the mediation effect of SR ( $\beta=0.35-0.07=0.28$ ) which confirmed H5. Similarly, the result revealed that the direct effect of RS is insignificant ( $\beta=0.08$ ,  $t=0.98$ ) while outcome of NTT i.e. ( $Z=3.99$ ,  $p<0.01$ ) established the indirect effect ( $0.42-0.08=0.34$ ). This confirmed H6 of the study. The insignificant direct effect of PK in the table is  $\beta=0.03$  and results of NTT ( $Z=3.91$ ,  $p<0.01$ ) established the mediation ( $0.24-0.03=0.21$ ). So, H7 is also confirmed. The mediation of SR between IC and OS is also confirmed from insignificant results of IC ( $\beta=0.09$ ,  $t=0.91$ ), with significant indirect effect ( $\beta=0.30$ ) while normality test theory also proving the mediation ( $Z=4.94$ ,  $p<0.01$ ) which confirmed H8.

## 5. Discussion and Conclusion

### 5.1 Theoretical Contributions

Although the significant role of NC in ensuring OS has already been hinted upon in the management literature (e.g., Fernhaber & McDougall, 2005; Herbane, 2019; Lee et al., 2001; Park & Luo, 2001), but the internal mechanism of how and when it becomes effective for ensuring OS, especially in the case of SMEs, has not been explained explicitly. In this study, we extended the argument by suggesting that the effect of NC on OS depends upon the organizational capability of renewing strategically. Thus, this study offers an improved understanding of these underlying processes and the circumstances in which NC could effectively be exploited for ensuring long term OS of these SMEs. Particularly, this study advances the theoretical understandings in two folds. Firstly, the study's findings add to the management literature regarding the SMEs by revealing the internal mechanisms between NC and OS from the viewpoint of SR. Secondly, the four dimensions of NC i.e. CO, RS, PK, and IC were individually tested for their role in enhancing the survival of manufacturing SMEs.

However, few studies have endeavored to explain the involved sub-processes in the relationship between NC and OS in case of SMEs. We assumed the resource dependence theory for the clarification of how NC could be utilized to ensure OS by positing SR as an essential mediator in the relationship. Therefore, our study unwrapped an important causal factor i.e. SR in explaining the impact of NC on OS. Furthermore, this study carried forward the previous studies on NC and OS (e.g. Abatecola et al., 2016; Fernhaber & McDougall, 2005; Khan & Lew, 2018; Lee et al., 2001; Park & Luo, 2001) by offering a more comprehensive understanding of how NC and SR together play their role in ensuring OS in the context of SMEs.

Secondly, through empirical study of manufacturing SMEs in Pakistan, we contributed to the current literature on NC by elucidating its importance in developing economies where resources are scarce and difficult to access. Being a developing country of South Asia, Pakistan has gone through a substantial economic growth in recent times and has a great potential for employment creation, revenue generation and technological advancement (Yasir et al., 2017). But still, when compared with developed countries of the world, it is lagging behind because of weak institutional frameworks and ineffectual legal systems (Asif & Majid, 2018; Iriyama et al., 2016), which has made SMEs to face more complex environments. In same notion, our findings propose that sound networking capabilities

could help in better exploitation of valuable resources for superior organizational performance in developing economies. Consequently, our findings offer vital implications for organizations to ensure their long run survival in developing economies by effectively networking with suitable partners and timely renewing themselves by utilizing the knowledge and other resources mutually shared by them.

### *5.2 Managerial Implications*

An appropriate NC has become progressively essential phenomenon for organizations in the prevailing hostile business environment. Our study offers SMEs' owners and managers several valuable ideas regarding how to form networks that could help them in getting access to the valuable resources which might not be available for an individual firm. The NC could assist them in sharing these valuable resources for the fulfillment of their business objectives and enabling them to stay alive. From managerial point of view, our research findings reveal that appropriate networking capabilities of these SMEs is an efficacious approach for ensuring OS. Thus, managers of SMEs should focus more on developing their networks across the industry, in which they are operating, for filling the resource gaps. These networks would not only provide the desirable resources but would also help in drastically decreasing the cost of production by utilizing the complementary resources of their partnering firms. These networks could also enable the organizations to effectively respond to their customers' ever changing demands and hence getting an upper hand against their business rivals.

Furthermore, the findings of our study reveal that just having appropriate NC is not adequate for ensuring survival of SMEs; the key for an organization is to have the ability to strategically renew itself. Therefore, managers of SMEs are required to make proper arrangements for renewing organizational strategies, processes, routines, and structure for better and sustainable performance. On one hand, managers require to develop their relations with their partners in the industry for better performance and long run survival while, on the other hand, they are also required to continuously renew themselves for better identification and utilization of opportunities present in their business environment.

Overall, the study findings suggest that appropriate networking capabilities along with timely SR of the SMEs is a better solution for ensuring OS in intensely competitive business environment. Therefore, practically, organizations should not only develop networks with suitable partners but should also renew themselves strategically to outperform their business rivals and ensure their survival in the longer run.

### *5.3 Limitations and Future Research*

Besides numerous significant contributions, there are a few limitations of this study which could suggest some important directions for future research. Firstly, as the results of this study were based on the data collected through survey from manufacturing SMEs working in Pakistan, therefore, there is a probability that our results could be specific to the sector from which data is collected and the country where research is carried out. However, the extension of our research to the other sectors of the economy of other developing nations would be a productive investigation. Secondly, as we have studied the mediating role of SR in the relationship between NC and OS, there could be other variables such as leadership styles (Zhang et al., 2018), management philosophy



(Watson, Blackstone & Gardiner, 2007), or dynamic capabilities (Salvato & Vassolo, 2018; Schilke et al., 2018; Winter, 2003), influencing the relationship. For future research, further investigation of the topic could address some of these other factors.

After empirically and theoretically investigating into the relationship among NC, SR, and OS, this study offers significant comprehensions of the subject matter. This study will also inspire future research on how effective management of networks and timely SR could help an organization in ensuring its long run survival in developed countries' perspective.

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