

## The Network Diversity Effect on The Performance of SME Construction Firms in Malaysia

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### Abstract

This article highlights some issues and looks at how SMEs are performing in the construction industry, which is declining in 2021. It suggests that the performance of construction companies is either declining or trending in the wrong direction, which is concerning for the Malaysian economy and needs to be looked into. This report highlights the gap in the literature that motivated this investigation. Previous studies have looked into the impact of entrepreneurial resources on an organization's performance, and their findings shows inconsistency between firms' performance and network diversity. Quantitative research approach with random sampling method was organised, 168 samples of CIDB-registered SME construction firms were analysed to study the effect of network diversity on the organizational performance of SME construction firms. The research proposal is offered based on the gaps discovered. It was found that the efficacy of organizational performance of small and medium-sized construction firms is significantly correlated with network diversity, as exemplified by virtual and closed networks, future research should explore further on the construction firm's growth factors.

**Keywords:** SME, Network Diversity, SME Construction Firm Performance, Organisation Effectiveness.

### Introduction

The Organization for Economic Cooperation and Development (OECD) member countries' small and medium-sized enterprises (SMEs) accounted for 99 percent of all firms and contributed between 50 and 60 percent of added value, according to the SME (OECD, 2000; Annual Report 2018/2019). Due primarily to rising global investments and a boost in corporate confidence, the global market conditions for SMEs and entrepreneurship have consistently improved since the 2008–2009 financial crisis. Despite recent signs of tightening, bank lending to SMEs has been expanding moderately globally. This is because SMEs are no longer as interested in traditional bank financing as they are in enhancing their business

profiles to attract other funding sources and regaining their profit margins. In keeping with the new government direction and administration, the SME Annual Report 2023 witnessed a number of changes on the SME policy front. However, funding creative ventures, start-ups, and microenterprises continues to be difficult to come by. The National Entrepreneurship Policy 2030 (Dasar Keusahawanan Nasional, or DKN 2030), the Shared Prosperity Vision 2030, and the establishment of the Ministry of Entrepreneur Growth (MED) are a few examples of measures to put a greater emphasis on the growth of entrepreneurship. The goal of the Plan is to provide the right environment so that the SME sector may become the next major driver of growth.

### **SMEs Construction Firm in Malaysia**

Develop, due to its 90% market share and ability to perform a variety of construction project operations, SMEs are essential to the expansion of the Malaysian economy (Husain, 2018). Although SMEs play a significant role in the building supply chain, they are also highly vulnerable to risk (Aziz & Zainon, 2023). As a result of significant infrastructure growth, the construction industry has emerged as one of the fastest-growing globally. The construction industry has always struggled with poor performance, which has resulted in delays (Idrees and Shafiq, 2021; Momeet et al., 2022; Chang et al., 2021). There were more building projects between 1990 and 1997, particularly in the Klang Valley. Because of this, the government took precautionary action and warned the public about asset bubbles in the beginning of 1995 (BNM, 1999). Recent government legislation has loosened the process for foreign ownership of residential buildings. Foreign purchasers do not need to seek Foreign Investment Committee permission for home purchases over RM250,000. There are several initiatives in 2006 that would have an effect on the building industry (BNM, 2007). Since every related firm would be aggravated or worsened by a recession, the majority of these enterprises would not be able to endure it, endangering the organization's sustainability as a whole (Tan, 2004).

As subcontractors to major construction firms and general contractors, they are essential to small- and medium-sized projects. Government laws mandate that SMEs increase their output, efficiency, and capacity to produce goods of a higher calibre. Furthermore, the government wants Malaysia's construction sector to be a leading, knowledgeable, and innovative global solution supplier (Husain, 2018; CIDB, 2006). To achieve this, the government has realized that in order to raise standards for the industry's significance as follows, it must be promoted, new building techniques and technologies must be introduced, and the sector's reliance on labour must be reduced.

- SMEs in the construction sector are crucial to the expansion of the Malaysian economy because they make up more than 90% of the industry's size and support a variety of construction project operations. However, most of them are experiencing problems.
- The construction industry is one of the five sectors of Malaysian SME. Due to massive construction projects in non-residential sectors including hotels, resorts, malls, and golf courses—all of which are essential for economic growth—the tourism industry grew quickly.

Although the sector contributes 4.8% of GDP and is important both empirically and theoretically for socioeconomic growth, not much research has been done on these subjects. In addition, a few people seem to have disregarded this important industry, and the

significance of the construction sector to socioeconomic growth is not well understood. The building industry is a major economic sector that makes a substantial contribution to the social and economic growth of a nation, as several studies have demonstrated. Specifically, the construction industry in Malaysia is becoming increasingly important as a percentage of GDP, even with increased development budgets allotted to it (Gibson et al., 2003). Moreover, the government's approach to expanding the private sector's participation in the New Economic Model (NEM) continues to be limited.

According to Isa et al (2015) there has been a rise in the importance of opening up international markets in the construction industry, especially for developing countries like Malaysia. They added, "The government has urged Malaysian SME owners—the majority of whom are contractors—to develop global strategies to compete with well-established contractors throughout the world, such as those in Japan, Korea, China, the United Kingdom, the United States, and Australia," in support of the country's economic transition towards developed country status (Isa et al., 2015).

### **Problem Statement**

The service industry, which include businesses like retail, accountancy, restaurants, wholesale, transportation and communication, construction, and financial intermediaries, employs about 86.6% of all SME. Despite its less successful performance, the service sector continued to be the largest contributor to the economy in 2021, accounting for 60.8% of the GDP of Malaysian SME (MSME). However, MSMEs' hegemony in the construction and service sectors declined in 2021. The performance of small and medium-sized construction companies was 5.8% in 2018, -15.0% in 2019, and -3.1 in 2021. This suggests that construction companies' performance is either dropping or drifting sideways, which is bad news for the Malaysian economy (DOSM, 2022).

A research study carried out in Malaysia found that 34% of the projects surveyed had schedule overruns ranging from 100 to 300 days, and 57% of the projects had time overruns above 1,100 days (Ilyas et al., 2020). This has resulted in increased costs, a decreased profit margin, and a tarnished reputation for contractors. Client income is frequently reduced, and expenses are increased as a result of late occupancy. Furthermore, it is estimated that at least 30% of all garbage dumped in landfills in Malaysia comes from the building industry, exacerbating the country's already serious environmental problems (CIDB, 2008). It also makes it more difficult for them to learn, apply, and assimilate new knowledge and technologies.

According to Che Omar & Anas (2014) and other sources, Malaysian SMEs often face challenges related to a lack of funding, limited resources, insufficient market knowledge, intense competition from larger companies, inadequate technology use, slow international market penetration, and a weak network. Should the current situation continue, small and medium-sized construction companies' output would not only fail to capitalize on business prospects but also contribute minimally to the GDP. Finding out what barriers need to be addressed in order to enhance SMEs' performance in the construction sector is the aim of this study.

### **Practical Challenges**

#### **Different opinion in upholding the Strategic Factors**

Entrepreneurial resources such as network diversity are first-order indicators of positional advantage, and recent research employing small and medium-sized firms (SMEs) indicated that these organizational orientations were positively associated to firm performance (Eric, 2012). The relationship between resources and performance, however, is a topic of debate among researchers. Some contend that a firm's ability to use a resource as a competitive advantage is more important in determining performance than resources alone (Zollo & Winter, 2000).

### **Low understanding in the importance of Technology Application.**

According to a recent empirical study by (Azizah et al., 2022). Malaysian SMEs are still not making good use of web-based marketing. Other web-based marketing methods are still used less frequently; emailing remains the most widely used medium. Consequently, for network diversity dimensions, strategic apps were established. Diverse networks provide entrepreneurs with access to important resources, including knowledge and support, for growing their business (Drakopoulou et al., 2002).

### **Theoretical Issues**

The effectiveness of Malaysian construction SMEs has not been thoroughly or still insufficient on the study. Rauch and colleagues (2009) found that there is a lack of global agreement on network diversity (ND) and construction company performance in the corpus of research that is currently available. Aimilia et al (2011) research reveals that there has never been a comprehensive empirical investigation of the connection between network diversity (ND) and construction firms performance. Empirical research is crucial in explaining the success of small and medium enterprises. SME development initiatives have been implemented by the Malaysian government for a number of years with the aim of increasing productivity and product quality in order to facilitate the adoption of new technologies by local enterprises. Small and medium-sized businesses (SMEs) nevertheless faced a variety of operational difficulties despite the plethora of government support programs (SME Corp., 2022). In contrast, it's believed that government support initiatives fall short and are unimpressive when it comes to fostering the expansion of regional SMEs.

Numerous government measures have been put in place to encourage the growth of small and medium-sized enterprises (SMEs), according to SME corp (2022), these programs include financial incentives, technological support, information sharing, funding for scientific research, and training that exchanges experiences.

What core problems, in general, prevent small business owners in the construction sector from achieving the highest levels of performance and productivity for their companies? The second issue is how these abundant resources, which are created by the government as well as naturally occurring, may be prudently examined, put to good use, and reorganized. Following that, these resources are converted into successful business outputs. Thus, theoretically, it may be quite beneficial to look into the underlying reasons for the subpar performance of Malaysian construction SMEs. In these conditions, the present empirical investigation and its conclusions might be able to bridge the knowledge gap between the academic and industrial viewpoints.

### **Organization Performance**

According to Li et al (2006) and Ventkatraman & Ramanujam (1986), organizational performance is a gauge of a company's capacity to meet its goals. Penrose (1995) defined organizational performance as a measure of a company's financial health. Sustainable production is crucial to the survival of SMEs. Businesses need to regularly assess their production to maintain sustainability because the environment is constantly changing (Cocca & Alberti, 2010; Najmi et al., 2005). Different organizations operate differently from one another, and this is widely acknowledged (Stoelhorst & van Raaij, 2004). Examining the elements that lead to SMEs' better success in a competitive environment is essential.

### **Network Diversity**

The definition of a personal network, according to Gilmore *and* Carson (1999), is "a collection of individuals who may or may not be acquainted and who, in some ways, contribute something to the entrepreneur, either passively, reactively, or proactively, whether specifically elicited or not." Taormina and Lao (2007) describe personal networking as forging strong social and professional ties with others. New business development may depend substantially on these partnerships (Klyver et al., 2006). Networks provide entrepreneurs with important information and tools to aid in the growth of their companies (Drakopoulou et al., 2002)

Thus, a number of research studies have discovered a connection between networking and business performance, and the literature Greve et al (2003) has long recognized the significance of personal networks to an entrepreneur's success.

It's common knowledge that networking is important for company success, and entrepreneurship literature is starting to focus more on this subject (Elfring & Hulsink, 2003). One of the most useful tools available to an entrepreneur is a network, which gives them access to capital, expertise, information, and other networks (Birley, 1985; Elfring & Hulsink, 2003). According to Robinson (2011), networks are crucial for aspiring business owners and young entrepreneurs because they provide access to resources like advice and information, which are vital for the growth of new companies.

According to studies, networks and cooperation are two tactics that many companies, particularly SMEs, utilize to grow, adapt, and compete in a market that is constantly changing (Watson, 2012). These companies use it as an essential and practical tool with a variety of contacts to assist them in achieving their corporate goals. By networking, these business owners can connect with others who are interested in starting and growing their own companies as well as new tools, resources, and potential customers (Westerlund & Svahn, 2008; Ascigil & Magner, 2009).

According to recommendations made by Idris et al (2013) small and medium-sized business owners should focus on developing and growing their networks as one of the main strategies for enhancing their competitiveness and performance. Prior research has shown a favourable correlation between entrepreneurs' network involvement and firm performance (Birley et al., 1985). Furthermore, research indicates that networking is highly correlated with a company's ability to expand and survive (Watson, 2007).

Additionally, it is evident that networks affect how well a business performs (Birley et al., 1985). In this study, the improvement of network diversity should improve the SME performance.

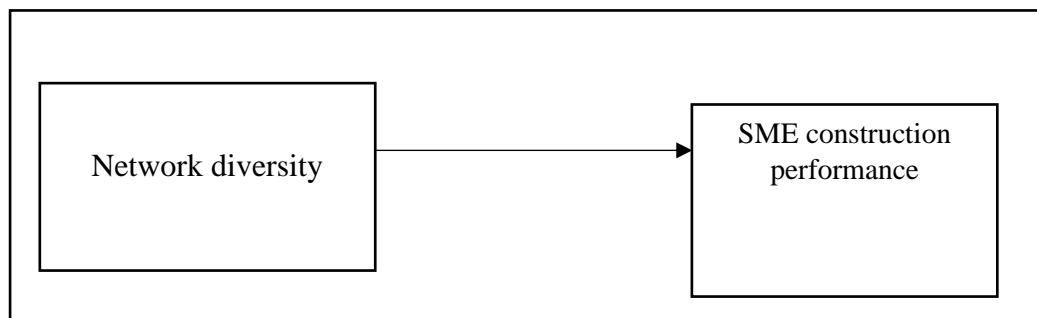
**Objective of the Study**

The objective of this study is

- To determine whether there is a significant effect of Network diversity on SME construction firm performance.

**Research Model and Hypothesis Development.**

Figure one below illustrates the proposed research and development model which hypothesized that Network diversity the SMEs Construction firm Performance.



*Figure 1: Proposed Research Model*

**Resource-based Theory**

One of the areas of research that has expanded the fastest in recent years is Resources View theory (RBV), which was first introduced by Wernerfelt in 1984 (Galbreath, 2005). Resource-based view theory (RBV) provides a detailed explanation of the theory of competitive advantage and how businesses can obtain a competitive advantage by employing their resources efficiently (Makadok, 2001; Newbert, 2007; Wernerfelt, 1984). These resources might be either tangible or intangible assets (Collis, 1994) or capabilities (Teece et al., 1997) which are intangible collections of skills and information. A business can preserve its competitive advantage, according to the RBV, if it can: (a) generate sustainable economic growth; (b) use its ability to identify, develop, deploy, and safeguard specific resources; and (c) differentiate itself from competitors.

An organization's capital equipment, brand name, personnel experience, and reputation are among its assets, according to Barney (1991) these resources, being unique, valuable, and unrivalled, are regarded as strategic assets and crucial factors in creating a long-term competitive advantage (Barney, 1991, 2002).

Skills, brand name, knowledge, expertise, perceptions, reputation, and culture are examples of intangible corporate resources (Connor, 2002; Hall, 1992). Physical assets owned by the company, such as machinery, buildings, raw materials, etc., are known as tangible business resources (Carmeli & Tishler, 2004). In order to help a company adopt strategies that improve performance, firm resources relate to the numerous assets, capabilities, information, expertise, and organizational procedures that belong to the company.

Despite their immobility and heterogeneity, tangible and intangible resources—such as knowledge, expertise, skills, perceptions, culture, reputation, and network—have a



substantial impact on a corporation's performance (Hall, 1992; Connor, 2002; Peteraf, 1993; Barney, 1991). These unusual and special arrangements of strategic resources within a business can therefore enhance performance and give it a continuous advantage over rivals (Barney, 1995; Miller & Shamsie, 1996). According to Amit et al. (1993) a firm's ability to identify, create, use, and protect particular resources—and to establish those resources different from those of its competitors—would help it prosper and sustain a competitive edge. Barney (1991) asserts that a business must possess strategic competencies in addition to essential tangible and intangible resources that are extraordinary, uncommon, costly to duplicate, and non-replaceable. Therefore, RBV was a reasonable candidate to be the guiding theory for this research.

### **Proposition**

#### **Network Diversity and Performance of Firm**

As per Fatima et al (2011), network diversity refers to the capacity of a network to expedite the involvement of heterogeneous social network users, therefore augmenting the variety in connections, experience, and knowledge (p. 37). Network diversity, according to Hamed (1995), is typified by networks that have a variety of linkages among people from different backgrounds. Network diversity rises with the number of significant participants in a network, as per the findings of (Fatima et al., 2011).

Because of the possible ease with which they can access the range of entrepreneurial resources necessary for the success of their enterprises, entrepreneurs must be able to forge more varied connections and bonds with other participants within the network. This holds true irrespective of the strength of the connections (Aldrich & Carter, 2004). According to Kim and Aldrich (2005), this implies that corporate executives should invest more time and energy into creating networks with a variety of contacts who may hold a wide range of skills or resources in order to assist the company in achieving better results.

According to research by Low and MacMillan (1988), in order for entrepreneurs to gain access to a wide variety of new and innovative information as well as other potentially important resources, they need a diverse range of network connections. Several studies have shown that an entrepreneur's capacity to build relationships with individuals from diverse backgrounds has a substantial impact on their ability to obtain vital resources, including money, information, and emotional support—all of which enhance the operation of their firms (Lavie, 2007; Watson, 2007).

Despite conflicting results from the studies mentioned above regarding the relationship between networks and small business growth, most people believe that networks are essential for achieving entrepreneurial success (Wasanthi, 2011; Maurer & Ebers, 2006; Stuart & Sorensen, 2007; Watson, 2011). However, not much has been done with the empirical data that connects social networks to the commercial performance of SMEs. Thus, the following theories are put forth:

H1: There is a significant influence exist between network diversity and SME construction firm performance.

### **Methodology**

### Sampling

The study's population consists of all CIDB-registered SME construction firms' enterprises that have been listed and categorized alphabetically. SME Corp acts as an information and referral center for SMEs, managing data and services for them. SMEs have been chosen because of their significant national influence. In all, contractors make up over 40,000 businesses in the construction industry, all of which registered with CIDB in 2016. The study sample frame consists of 40,000 small and medium-sized construction enterprises.

The random sampling method's procedures and the recommendations given by Saunders, Lewis, and Thornhill (2009) indicate that 381 is an appropriate sample size for this group. The 168 samples included in this study, or 11% of the total, are sufficient, according to the majority of investigations conducted in Malaysia. An ideal sample size, according to Roscoe (1975), is between thirty and five hundred. While there are a variety of guidelines about the minimum sample sizes that should be followed, no one criteria can accurately determine the level of sample size accuracy. Sekaran and Bougie (2019) suggest utilizing 100 to 150 participants as a general guideline to select the suitable sample size.

Since the questionnaires for this study are distributed through mail, a total of 1524 questionnaires, which reflect the entire sample frame, were issued to all owners and managers of SMEs construction enterprises in Peninsular Malaysia. As primary informants with personal knowledge of the industry they were in, owners and managers are the respondents in this study and are therefore most suited to reply to the research (O' Cass & Ngo, 2007; Heide & Weiss, 1995; Weerawardena, 2003). The organization level is the analytical unit used in this study.

### Scale Reliability

To ensure their dependability, a few of the questions have been adapted specifically for this investigation.

Table 1

*Reliability Coefficient of the Study Variables*

<b>Variables</b>	<b>Alpha</b>
Factor1 SME (organization effectiveness)	.818
Network Diversity	.910

Table 1 displays the coefficient alphas for each research variable. These range from 0.818 to 0.910, all of which are over the acceptable criterion of 0.70 (Hair et al., 2006). The investigation's overall findings demonstrated that each instrument has correct items and is a meaningful measure.

A further rationale for using Cronbach's alpha is its versatility in handling continuous variables, or those that may be evaluated through the use of an interval or ratio scale (Huck, 2004). This study would adhere to Hair et al (2006) guidelines and employ the well-recognized Cronbach's alpha limit of 0.60, even if an alpha coefficient of 0.70 or above is regarded acceptable.

### Factor Analysis



This study's construct validity was evaluated using factor analysis. Factor analysis is used to find the underlying structures or factors in the variables that are being studied, according to Hair et al. (2006) state that it can help determine whether a piece of measurement equipment is constructing adequacy. A principal component factor analysis with varimax rotation was performed to examine the links between the items used in the recommended measures. Principal components were chosen since they are often used (Hair et al., 2006). A factor analysis validated the recovery of two factors with eigenvalue values of 1. The word "organization effectiveness" has replaced "SME performance" as the first component. The second element was designated as "organization growth."

Table 2  
*Firm performance After Factor analysis*

**Pattern Matrix<sup>a</sup>**

	Component	
	1	2
FP2	.948	.
FP1	.895	
FP8		.909
FP9		.827
FP6		.823
FP5		

Extraction Method: Principal Component Analysis.

Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 10 iterations.

**The Firm Performance after factor analysis**

Many studies have measured the performance of organizations using a range of measures, including growth, financial profitability, and operational efficiency (Thomas & Ramaswamy, 1996). This study has employed the firm performance measurement developed by (Butler et al., 2001).

The component analysis in this study identified two reliable dimensions of firm performance, which we would now were given a new name, refer to as organization effectiveness and organization growth (see table 2).

This result is consistent with the dimensions put forth by Wood (2006), who proposed that one measure of a firm's performance is its financial performance, which acts as a proxy for firm effectiveness, and Butler Phan, Saxberg, and Lee (2001), who suggested that firm effectiveness and growth serve as predictors of future performance. Consequently, the financial result and prospective future performance of the firm are indicated by the study's conclusions on organization effectiveness and growth, respectively.

**Firm Effectiveness**

Firm effectiveness is the measure of how well staff and management work together to produce results. Kelly (2008) states that these steps involve improving the standard of output and bolstering the ability of employees and managers who demonstrate effectiveness in the workplace. Regarding the operational definition, this study backs up the notion that a

business's efficacy is assessed by how well it grows sales volume through assertive marketing initiatives, enhances its reputation through creative branding tactics, and satisfies customers by offering premium goods at affordable costs. Consequently, this study demonstrates how construction firm owners and managers can function more effectively when their firms are more productive.

**Firm Growth**

A firm’s growth is measured using both financial and non-financial criteria. To increase sales and revenue, funding and financing are necessary. Business growth is the process of improving specific performance metrics for a firm, according to business dictionary.com (<http://www.businessdictionary.com/>). There are two ways to grow a business: either raise the operation's profitability by reducing costs, or boost the firm's revenue by increasing sales of products or services. Any business that generates a substantial quantity of positive cash flow or earnings that rise considerably quicker than the rate of the overall economy is considered a "growth company," according to Investopedia.

Reinvesting its own retained earnings can be a very advantageous strategy for a business that is expanding. Because of this, it typically pays out little to no dividends to its stockholders.

Several scholars have suggested various metrics to assess growth; the most frequently suggested ones include physical output, market share, assets, sales, employment, and profits (Ardishvili et al., 1998).

**Network diversity after Factor analysis**

Table 3

*Network Diversity*

**Rotated Component Matrix<sup>a</sup>**

	Component	
	1	2
ND14	.941	
ND15	.932	
ND18	.896	
ND17	.785	
ND16	.775	
ND2		.891
ND1		.813
ND8		.728

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Two reliable Network Density dimensions, new name was given and referred to as closed network and virtual network after factor analysis result (see table 3). This result is in line with the parameters that Mansor (2022) stated.

Table 4  
*Cronbach Alpha for Dimensions of Network Diversity*

Network Diversity		Cronbach Alpha ( $\alpha$ ) after Factor Analysis
Virtual network	5	.934
Close network	3	.804

Based on the cumulative variance of Eigen values, factor analysis revealed components, as shown in Table 4. The total score of these criteria is 88.955%.

Five elements E-mail (ND14), LinkedIn (ND17), Instagram (ND16), Facebook (ND18), and Blog (ND 15) converged into factor one, according to Table 4's rotational component matrix. The Cronbach Alpha for this factor was .934. As a result, this part was trustworthy. The "Virtual Network" is the new name for this component.

The three elements that make up the second factor— (Siblings), ND2 (Relatives), and ND8 (Financial Institution Officer)—have a Cronbach Alpha value of .804. As of right now, this part is called "Close Network." Figure 2 shows the proposed research and development model, which used factor analysis to hypothesize that network diversity would improve the performance of SMEs construction enterprises.

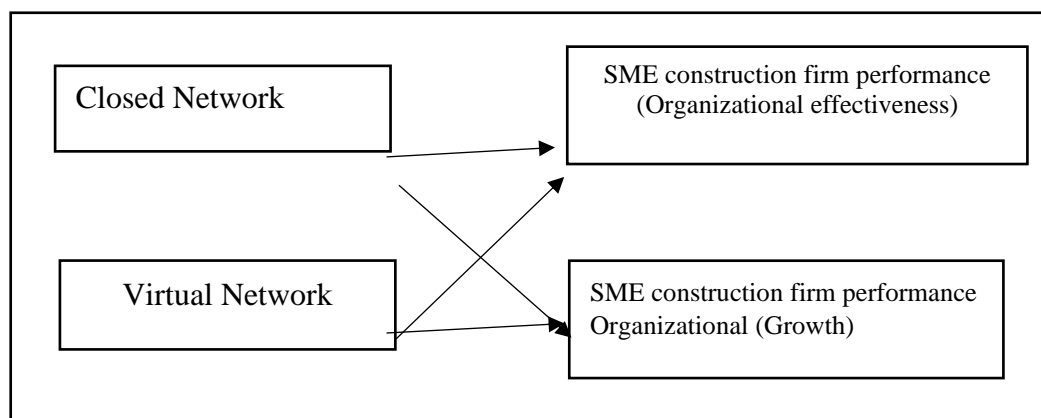


Figure2: Proposed Research Model

Thus, in this study, performance and business sustainability for small and medium-sized construction firms are suggested by organizational effectiveness and growth. By doing this, the theories' range is expanded to encompass H1, H2, H3, and H4.

**H1:** There is significant influence exist between Virtual Network and performance (effectiveness) of SME construction firm.

**H2:** There is significant influence exist between Closed Network and performance (effectiveness) of SME construction firm.

**H3:** There is significant influence exist between Virtual Network and performance (Growth) of SME construction firm.

**H4:** There is significant influence exist between Closed Network and performance (Growth) of SME construction firm.

**Results and Discussion**

**Sample Characteristic**

The attributes of the respondents (owners/managers) are shown in Table 5 below (Murjan, 2012; O'Cass & Ngo, 2007; Heide & Weiss, 1995; Weerawardena, 2003). The study sample comprises a diverse group of respondents with varying genders and operating conditions. The samples are a true representation of Malaysia's naturally occurring SMEs because they were selected at random from among CIDB registered members in the nation.

Table 5  
*Respondent profile*

Items	Categories	Frequency	Percentage
Gender	Male	135	80.4
	Female	33	19.6
State operates	Kuala Lumpur	67	39.8
	Penang	5	3-0
	Perak	8	4.8
	Selangor	48	28.5
	Negeri_Sembilan	9	5.4
	Melaka	10	6.0
	Johor	11	6.5
	Terengganu	4	2.4
	Kelantan	6	3,6

**Multiple Regression Analysis**

Table 6 below illustrates the association between the factors, SMEs' organizational effectiveness and growth (firm performance), and virtual and closed networks (ND 2 & 1).

After factor analysis, hypothesis 1 has been expanded into two hypotheses, which are as displayed in Table 6, reveal that the hypotheses—H1 were supported and H2—were not supported. H1's, correlation .435\*\* while H2's correlation was 0.097 and not significant (Pallant, 2008).

The development in organization growth i.e Virtual network (Hypotheses 3) were not correlate with 0.017 and Closed Networks (Hypothesis 4) do significantly correlate, as value at .176\*

The first and second hypotheses concerned increasing sales, better management skills, better quality, profit from the previous year, and decreased operating expenses.

Table 6  
*Correlations between Variables Understudied*

	Organizational_Effectiveness	Organizational_Growth
Virtual Network	.435**	.017

\*\*Correlation is significant at the 0.01 level (2-tailed)

\*Correlation is significant at the 0.05 level (2-tailed)

Table 7

*Summary of Findings according to objectives and Hypothesis*

	Issues	Problems (objectives)	Hypothesis	Findings
1	Issue 1 Virtual Network and SME performance (organizational effectiveness)	1. To examine whether Virtual Network influence SME performance	H1 There is a significant influence exist on relationship between Virtual Network and SME performance.	F1 Supported .435**
2	Issue 2 Closed Network and SME performance. (organizational effectiveness)	2. To examine whether closed Network influence SME performance	H2 There is a significant influence exist on relationship between Closed Network and SME performance.	F2 Not supported .097
3	Virtual Network and SME performance (organizational growth)	3. To examine whether Virtual Network influence SME performance	H3 There is significant influence exist between Virtual Network and performance (Growth) of SME construction firm.	F3 not supported 017
4	Closed Network and SME performance. (organizational growth))	4. To examine whether closed Network influence SME performance	H4 There is significant influence exist between Closed Network and performance (Growth) of SME construction firm.	F4 supported 176*

Our findings, taken together, support existing research that indicates Malaysian SMEs, in order to enhance and grow their company performance, should give priority to diversity in closed and virtual networks. For the performance studies of SME construction enterprises, this also provides fresh data.

### Conclusion

The purpose of the research has been to investigate the relationship between network diversity and construction firm performance, and the results have shown promise. The following element is an expansion of the hypothesis such as H1.H2, H3 and H4. Table 6 indicates that the growth and effectiveness of SME construction firms performance are positively impacted, which are two important performance factors. This suggests that utilizing network diversity efficiently is necessary to attain corporate effectiveness and growth.

This study capitalizes on the network diversity that Gilmore and Carson (1999) recommended, which includes family, financial, and banking officers, and highlights the importance of implementing social media platforms. It also adds to the body of knowledge in the field of organizational performance both theoretically and practically. It also contributes to our understanding of the factors influencing SMEs' construction firm performance. Moreover, this research expands upon the supplementary insights that suggested the incorporation of other resources that might impact the development and performance of SMEs.

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