

MANAGING NETWORKS: AN INNOVATIVE SERVICE FOR PROMOTING SOCIAL CAPITAL AMONG SMALL AND MEDIUM ENTERPRISES (SMEs): A STUDY OF MEDIPOS NETWORK, LEIPZIG GERMANY

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Abstract

Many small and medium sized enterprises (SMEs) are adopting cooperative arrangements and forming formal networks with other businesses as a primary development strategy. It is empirically supported that businesses involved with networks have a relatively higher survival and success rate and that the primary variables influencing such performance are inherently social in nature. Through networking, access to financial resources, information, technology and new patterns of organizations are among benefits that members can have. Specifically in knowledge-intensive sectors, due to the complexity of new product development and emerging market segments, businesses often find it difficult to establish the necessary expertise in all areas of operation required to compete. Cooperating with other companies thus provides a mechanism with which this can be achieved. For promoting SMEs the question arises: if networks are that important, how then can we make them perform at their best and encourage entrepreneurs to embrace the networking concept? A review of literature provides that the most critical success factors for networks include: trust based relationships, knowledge creation & sharing, innovation, governance and geographical proximity. Based on that, it is argued that promoting what is called 'social capital' among network members will facilitate processes of knowledge exchange and thus foster their performance. A small survey of Medipos - a network unit in the health sector of the city of Leipzig, Germany - served as a model in providing insights on those critical success factors as well as potentials for network promotion.

Keywords: Social Capital, Networks, Critical Success Factors, Medipos, Leipzig, Germany