

Innovation over Networks Determinants of Entrepreneurial Success in Pakistan's
Restaurant SME Sector

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Received: 16-02-2026

Revised: 31-02-2026

Accepted: 19-03-2026

Published: 30-03-2026

ABSTRACT

This study examines whether networking is directly associated with entrepreneurial success after accounting for innovation, resources, opportunity recognition, entrepreneur characteristics, and cultural and environmental conditions among restaurant small and medium-sized enterprises in Pakistan. Cross-sectional survey data were collected from 257 restaurant owners across ten districts and analyzed using descriptive statistics, Pearson correlations, reliability analysis, and multiple regression. The reported results identify innovation as the strongest positive predictor of entrepreneurial success ($\beta = .51, p < .001$), followed by resources ($\beta = .25, p < .001$), opportunity ($\beta = .21, p < .001$), culture and environment ($\beta = .13, p = .010$), and entrepreneur characteristics ($\beta = .10, p = .013$). The measured networking construct was not significantly associated with success ($\beta = .01, p = .842$). This result does not establish that networks are unimportant. Instead, it suggests that their direct contribution may depend on network quality, diversity, institutional reach, sectoral reliance on brokerage, or indirect pathways through innovation, resources, and opportunity. The study contributes context-specific evidence from Pakistan's restaurant SME sector and highlights the need to distinguish network access from the strategic value generated through networks.

Keywords: entrepreneurial success; innovation; networking; Pakistan; restaurant SMEs; social capital

INTRODUCTION

Research Background

Small and medium-sized enterprises are central to employment and private-sector activity in Pakistan, yet many operate under constrained access to finance, infrastructure disruptions, regulatory uncertainty, and intense competition. The restaurant sector offers a useful setting for examining how entrepreneurs respond to these pressures because performance depends on both internal capabilities and the surrounding institutional and market environment. Local restaurant SMEs also compete with established domestic and international chains that can deploy standardized processes, recognized brands, and larger resource bases.

Entrepreneurship research offers several explanations for venture success. The Resource-Based View emphasizes the strategic use of valuable resources (Barney, 1991); Schumpeterian theory assigns a central role to innovation (Schumpeter, 1934); and the Timmons model highlights the alignment of opportunity, resources, and the entrepreneurial team (Timmons, 1989). Social Capital Theory adds that relationships can provide information, legitimacy, finance, and access to opportunities. These explanations are often examined separately, making it difficult to determine whether networking contributes directly once internal capabilities and environmental conditions are considered together.

RESEARCH GAP

Existing research in Pakistan has discussed innovation, opportunity, resources, family-business exposure, and institutional constraints, but comparative evidence from a single sector remains limited. Networking is frequently assumed to benefit entrepreneurs, particularly in settings where informal relationships compensate for weak formal institutions. However, the existence of network ties is not equivalent to network quality, diversity, or strategic usefulness. Few studies directly compare a measured networking construct with innovation, resources, opportunity, entrepreneur characteristics, and culture and environment in predicting performance among Pakistani restaurant SMEs. This study addresses that comparative gap while treating a non-significant direct network coefficient as a context-specific finding rather than a general rejection of Social Capital Theory.

Research Problem and Questions

The study examines which micro-level and contextual factors are associated with entrepreneurial success among restaurant SMEs in Pakistan and whether networking adds a direct contribution after the other determinants are considered. It addresses three questions:

- Which entrepreneur, innovation, opportunity, resource, cultural and environmental, and networking factors are associated with entrepreneurial success?
- How do the six determinants collectively predict entrepreneurial success?
- Which measured determinant has the strongest standardized association with entrepreneurial success?

Research Objectives

The objectives are to evaluate the associations between the six proposed determinants and entrepreneurial success; compare their relative standardized contributions in a multivariable model; develop a context-sensitive interpretation of the networking result; and derive implications for entrepreneurs, policymakers, educators, and future researchers.

Significance of the Study

The study provides sector-specific evidence for SME-support policy and entrepreneurial practice. It also tests a theoretically important comparison: whether a networking measure explains success directly when innovation, resources, opportunity, entrepreneur characteristics, and contextual conditions are included in the same model. The findings may help support organizations focus on capabilities that are most closely associated with performance while encouraging researchers to measure the type and value of network ties more precisely.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Resource Based and Capability Perspectives

The Resource-Based View proposes that durable advantage depends on resources and capabilities that are valuable and difficult to imitate (Barney, 1991). For restaurant SMEs, these may include skilled teams, operating routines, marketing capabilities, financial resources, and business experience. The Timmons model similarly emphasizes the fit among opportunity, resources, and the entrepreneurial team (Timmons, 1989). These perspectives imply that possession of resources alone is insufficient; entrepreneurs must organize and deploy them effectively.

Innovation

Schumpeter (1934) conceptualized entrepreneurship as the creation of new combinations, including products, processes, markets, and organizational forms. In a competitive restaurant market, innovation can involve menu development, service design, delivery channels, branding, team practices, or technology adoption. Prior work in Pakistan's food sector has linked innovation to entrepreneurial performance (Rajput & Kalhoro, 2014), supporting the expectation that innovation will be positively associated with success.

Opportunity Recognition

Opportunity recognition concerns the identification and exploitation of unmet demand or emerging market possibilities. Information acquired through experience, observation, and relationships can influence this process (Davidsson & Gruenhagen, 2020). Social contacts may therefore contribute to success indirectly by helping entrepreneurs identify opportunities, even when a general networking measure has no independent direct association with performance.

Entrepreneur Characteristics

Human-capital and psychological perspectives link prior experience, self-efficacy, internal locus of control, strategic orientation, and family-business exposure to entrepreneurial outcomes (Carr & Sequeira, 2007; Frese et al., 2002; Zhao et al., 2005). These characteristics may shape how entrepreneurs interpret opportunities, mobilize resources, and persist under uncertainty.

Culture and Environment

Institutional conditions affect the incentives and constraints surrounding entrepreneurship (Baumol, 1990; Urbano et al., 2020). In Pakistan, infrastructure limitations, taxation, corruption, crime, and political or economic instability can affect SME performance (Afraz et al., 2014). Because the Culture and Environment scale used in this study has weak internal consistency, conclusions involving this construct require particular caution.

Social Capital Theory and Networking

Social capital refers to resources embedded in relationships and social structures that actors can access or mobilize (Coleman, 1988; Nahapiet & Ghoshal, 1998). Entrepreneurial networks may provide information, referrals, legitimacy, finance, suppliers, customers, and institutional access. Their usefulness depends not only on the number or existence of ties but also on tie quality, diversity, trust, reciprocity, and the resources held by network members.

A useful distinction separates bonding, bridging, and linking social capital. Bonding social capital involves close ties among family members, friends, and community groups; it can provide trust and immediate support but may also duplicate information. Bridging social capital connects entrepreneurs with people outside their immediate social group and may provide non-redundant knowledge and market access. Linking social capital connects entrepreneurs vertically with institutions, government bodies, banks, and formal support organizations (Szreter & Woolcock, 2004). A short scale that mainly records the existence of customer or vendor databases may not capture these dimensions or the strategic value of the ties.

Accordingly, a non-significant coefficient for the measured Network construct would show only that the study did not detect a direct association for that operationalization in this sample. It would not demonstrate that social relationships are irrelevant to entrepreneurship. Networks may operate indirectly through opportunity recognition, innovation, or access to resources, and their value may vary across sectors.

Hypotheses

- **H1:** Entrepreneur characteristics are positively associated with entrepreneurial success.
- **H2:** Innovation is positively associated with entrepreneurial success.
- **H3:** Culture and environmental conditions are positively associated with entrepreneurial success.
- **H4:** Resources are positively associated with entrepreneurial success.
- **H5:** Networking is positively associated with entrepreneurial success.
- **H6:** Opportunity recognition is positively associated with entrepreneurial success.

CONCEPTUAL FRAMEWORK

Figure 1 presents the six proposed direct associations. The framework is comparative rather than causal because the study uses cross-sectional data.

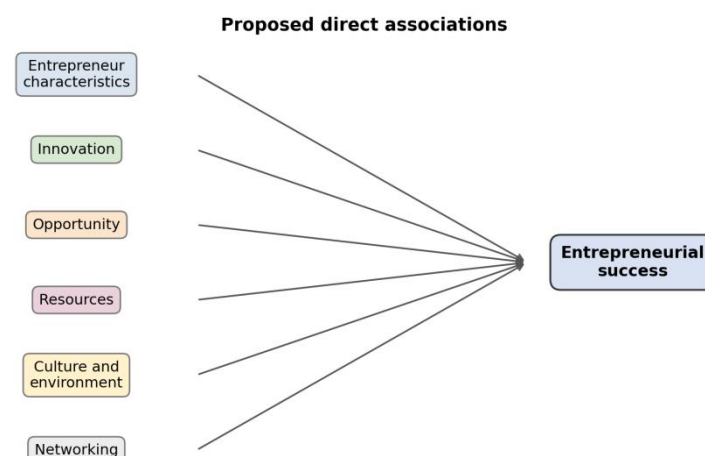


Figure 1. Conceptual framework for the proposed determinants of entrepreneurial success.

METHODOLOGY

RESEARCH DESIGN

A quantitative cross-sectional survey design was used to examine associations between six proposed determinants and entrepreneurial success. The design supports predictive and associational inference but does not establish temporal order or causality.

Population and Study Setting

The study focused on owners of commercial restaurant SMEs in Faisalabad, Gujranwala, Hyderabad, Islamabad, Karachi, Lahore, Multan, Peshawar, Quetta, and Rawalpindi. These districts provided geographic coverage across major urban markets in Pakistan.

Sampling Frame and Sampling Technique

The study used a district-based stratified sampling approach and sought proportionate representation across the ten study districts. Eligible respondents had operated a business for at least two years, employed at least ten people, and reported a profitable operation. The sampling-frame source, district-level population counts, selection procedure, and achieved allocation should be documented from the original field records before journal submission.

Sample Size and Response Rate

The final analytic sample comprised 257 owners. A defensible response rate requires the number of eligible businesses contacted, the number that declined or did not complete the survey, and the treatment of ineligible cases. Those fieldwork totals were not available in the manuscript used for this revision; therefore, the previously stated 54% response rate is not repeated here pending verification.

Instrument Development and Sources

The questionnaire was adapted from entrepreneurship research measures and administered using a seven-point response scale, where higher values indicated greater reported importance or endorsement. The six predictor scales comprised 48 items: Entrepreneur Characteristics (14), Innovation (6), Opportunity (5), Culture and Environment (9), Networking (4), and Resources (10). The full instrument reportedly contained additional demographic, contextual, and outcome questions; the original questionnaire should be consulted to document the complete item count and source of each measure.

Table 1. Measurement and operationalization summary

Construct	Items	Response format	Scoring	Alpha
Entrepreneur characteristics	14	7-point items	Summed composite	.74
Innovation	6	7-point items	Summed composite	.71
Opportunity	5	7-point items	Summed composite	.71
Culture and environment	9	7-point items	Summed composite	.54
Networking	4	Mixed; includes two binary items	Composite; coding requires audit	.69
Resources	10	7-point items	Summed composite	.63
Entrepreneurial success	To verify	Business-performance indicators	Summed composite	To verify

Translation and Pilot Study

The instrument was translated into Urdu and back-translated to support linguistic equivalence. A pilot study with 20 participants informed refinements to wording and questionnaire structure.

Measurement of Entrepreneurial Success

Entrepreneurial Success was operationalized as a summed composite of business-performance indicators. The original questionnaire and dataset are required to report the exact number and wording of indicators, response anchors, possible score range, treatment of missing responses, and internal-consistency reliability. These details should be inserted before submission because they are necessary to evaluate the dependent variable.

Data Collection and Ethical Considerations

Trained research associates administered questionnaires in person at restaurant locations between September 2023 and February 2024. They explained the study, obtained informed consent, and assisted participants when clarification was needed. Participation was voluntary, and responses were analyzed in aggregate. Any institutional ethics approval or exemption should be reported using the approval body and reference number recorded for the original study

Data Screening and Statistical Analysis

IBM SPSS Statistics version 26 was used for descriptive statistics, Cronbach's alpha, Pearson correlations, and multiple regression. Because the available model table presents a predetermined sequence of predictor entry, the analysis is described provisionally as hierarchical multiple regression. The original SPSS syntax and output should confirm whether predictors were entered in theory-based blocks or selected using automated stepwise criteria. Regression diagnostics should include linearity, residual normality, homoscedasticity, independence, multicollinearity, and influential cases. Only VIF values were available in the source manuscript.

RESULTS

RESPONDENT CHARACTERISTICS

The 257 respondents were predominantly male (86.77%) and married (72.76%). High school was the most frequently reported education category (33.46%), and Urdu was the most common mother tongue (48.00%). Table 2 summarizes the available profile data.

Table 2. Respondent characteristics (N = 257)

Variable	Category	Frequency	Percent
Gender	Male	223	86.77
	Female	34	13.22
Marital status	Single	67	26.07
	Married	187	72.76
	Other	3	1.17
Education	No schooling	11	4.28
	Primary	25	9.73
	Secondary	45	17.51
	High school	86	33.46
	Graduation	45	17.51
	Post-graduate	34	13.23
	Other	11	4.28
Mother tongue	Urdu	123	48.00
	Punjabi	64	25.00
	Pashto	31	12.00
	Other	39	15.00

Reliability and Descriptive Statistics

Internal consistency was acceptable or near acceptable for Entrepreneur Characteristics, Innovation, Opportunity, and Networking. Resources produced alpha = .63, while Culture and Environment produced alpha = .54. The latter result indicates weak internal consistency and limits confidence in conclusions involving that construct. Entrepreneurial Success reliability was not available and must be calculated from the original item-level data.

Table 3. Construct-level descriptive statistics and reliability

Construct	Mean	SD	Cronbach alpha
Entrepreneur characteristics	10.50	.45	.74
Innovation	10.59	.43	.71
Networking	10.44	.57	.69
Opportunity	10.53	.51	.71
Culture and environment	10.07	.34	.54
Resources	10.49	.43	.63
Entrepreneurial success	15.41	1.05	To verify

Note. Means are reported for summed composites and therefore exceed the original item response range. The unusually narrow dispersion of several construct scores should be checked against the scoring syntax and raw data.

Pearson Correlations

Innovation had the strongest reported bivariate association with Entrepreneurial Success ($r = .51$, $p < .01$). Resources, Opportunity, Culture and Environment, and Entrepreneur Characteristics also showed positive associations. Networking was not significantly correlated with Success ($r = .01$).

Table 4. Pearson correlation matrix

Construct	1	2	3	4	5	6	7
1 Entrepreneur	1						
2 Innovation	.10	1					
3 Networking	.03	.11	1				
4 Opportunity	.15	.18	.14	1			
5 Culture and environment	.08	.12	.09	.15	1		
6 Resources	.12	.21*	.11	.19	.13	1	
7 Success	.10*	.51**	.01	.21**	.13*	.25**	1

Note. * $p < .05$. ** $p < .01$.

Regression Assumption Diagnostics

Reported VIF values ranged from 1.03 to 1.15, providing no indication of problematic multicollinearity. The source manuscript did not provide tolerance, Durbin-Watson, residual, homoscedasticity, linearity, or influential-case statistics. These diagnostics should be extracted from the original analysis before the regression results are treated as final.

Table 5. Regression diagnostic evidence available in the manuscript

Diagnostic	Available evidence	Required action
Multicollinearity	VIF = 1.03-1.15	No problematic VIF reported
Independence of errors	Not reported	Add Durbin-Watson or justified alternative
Linearity and homoscedasticity	Not reported	Inspect residual plots
Residual normality	Not reported	Inspect Q-Q or P-P plot
Influential cases	Not reported	Add Cook's distance and leverage review

Multiple Regression

The reported standardized coefficients show positive associations for Innovation, Resources, Opportunity, Culture and Environment, and Entrepreneur Characteristics after the predictors are considered together. Networking has a near-zero, non-significant coefficient. The reported standardized coefficients, standard errors, model fit, ANOVA statistics, entry sequence, and degrees of freedom must be checked against the original SPSS output because the model-level values in the source manuscript are not internally consistent.

Table 6. Reported regression coefficients

Predictor	B	SE	Beta	t	p	VIF
Innovation	.61	.08	.51	7.63	< .001	1.12
Resources	.25	.07	.25	3.57	< .001	1.08
Opportunity	.21	.06	.21	3.50	< .001	1.15
Culture and environment	.13	.05	.13	2.60	.010	1.05
Entrepreneur characteristics	.10	.04	.10	2.50	.013	1.09
Networking	.01	.05	.01	.20	.842	1.03

Note. Coefficients are reproduced from the source manuscript and require confirmation against the original SPSS Coefficients table. Model-level R-squared, adjusted R-squared, F, sums of squares, degrees of freedom, and mean squares are intentionally omitted until verified.

Hypothesis Testing

Table 7. Hypothesis testing summary

Hypothesis	Proposed association	Beta	p	Conclusion
H1	Entrepreneur characteristics -> success	.10	.013	Supported; weak association
H2	Innovation -> success	.51	< .001	Supported
H3	Culture and environment -> success	.13	.010	Supported; interpret cautiously
H4	Resources -> success	.25	< .001	Supported
H5	Networking -> success	.01	.842	Not supported
H6	Opportunity -> success	.21	< .001	Supported

DISCUSSION

Innovation and Internal Capabilities

Innovation has the largest reported standardized coefficient, consistent with Schumpeterian theory and with evidence that adaptation and differentiation matter in competitive food-service markets. The result supports the view that restaurant performance may depend strongly on the capacity to develop offerings, organize creative teams, improve processes, and respond to changing customer expectations. Resources and opportunity also have meaningful reported coefficients, consistent with the Resource-Based View and the Timmons model. These associations suggest that entrepreneurs benefit when they combine market opportunities with capable teams, experience, marketing, and other organizational resources.

Entrepreneur Characteristics and Context

Entrepreneur Characteristics has a smaller positive coefficient than Innovation, Resources, and Opportunity. This may indicate that personal motives or traits matter primarily through the actions and capabilities they enable. Culture and Environment also has a positive reported coefficient, but the

scale's alpha of .54 means the estimate should be interpreted as preliminary. Item-total diagnostics, alpha-if-item-deleted results, and exploratory factor analysis would help determine whether the construct contains distinct dimensions that should not be combined.

Interpreting the Non Significant Networking Result

The study did not detect a significant direct association between the measured Networking construct and Entrepreneurial Success in this sample ($\beta = .01$, $p = .842$). This finding should not be interpreted as evidence that social networks are generally irrelevant. It is specific to the construct, sector, sample, and direct-effects model used here.

Several explanations are plausible. First, restaurant competition may depend more on repeated service delivery, product quality, location, and operational capability than on brokered access to distant markets. Second, entrepreneurs may have similar baseline access to family and community ties, leaving limited variation with which to explain differences in performance. Third, the four-item construct mixes general networking content with binary customer- and vendor-database indicators, which may not share a common metric or capture bonding, bridging, and linking social capital. Fourth, networks may contribute indirectly by improving opportunity recognition, resource access, or innovation rather than producing an independent direct coefficient.

The most defensible theoretical implication is therefore conditional: the marginal direct association between measured networking and performance may be weaker where network access is broadly shared, where the measure captures network existence rather than network quality, or where sectoral advantage is generated mainly through internal service capabilities. Comparative and mediation research is required before this proposition can be treated as an established boundary condition.

Theoretical Contribution

The study's contribution lies in comparing social capital with capability-based determinants in one under-researched sector. The reported pattern suggests that innovation, resources, and opportunity may be more directly associated with success than a general networking measure. It also highlights a measurement lesson for Social Capital Theory: access to contacts should be distinguished from the diversity, strength, strategic usefulness, and institutional reach of those contacts. This interpretation refines rather than rejects the theory.

CONCLUSION AND IMPLICATIONS

Conclusion

Among the determinants examined, Innovation has the strongest reported association with Entrepreneurial Success, followed by Resources and Opportunity. Culture and Environment and Entrepreneur Characteristics show smaller positive associations, while the measured Networking construct does not have a significant direct coefficient. The evidence supports a capability-centered account of performance in this sample, but it does not show that networks are unimportant or causally ineffective. The networking result may reflect measurement limitations, restricted variation, sector-specific conditions, or indirect pathways.

Practical and Policy Implications

Entrepreneurs may benefit from prioritizing product, process, service, and marketing innovation; investing in skilled and creative teams; and developing systematic opportunity-recognition practices. Support organizations and academic institutions can complement finance programs with innovation training, operational capability development, mentoring, and market-information services. Network-building initiatives should focus on the quality and diversity of connections, including links to

suppliers, lenders, public institutions, and markets, rather than assuming that more contacts alone will improve performance.

LIMITATIONS AND FUTURE RESEARCH

The cross-sectional design limits causal inference and cannot establish temporal direction. All major constructs were measured through the same self-report instrument, creating a risk of common-method bias. The sample is limited to profitable commercial restaurant SMEs in ten districts; the profitability and minimum-employee eligibility criteria may exclude struggling or micro-scale firms and therefore introduce selection bias. The source of the sampling frame, district allocation, and response-rate denominator require documentation. The Culture and Environment scale has weak reliability, and the Networking scale combines few items with mixed response formats. The number, source, scoring method, and reliability of Entrepreneurial Success must also be confirmed.

Future research should compare sectors with different dependence on brokerage and institutional access, use longitudinal or multi-source designs, and measure bonding, bridging, and linking social capital separately. With the existing item-level data, the highest-priority extension is a parallel mediation analysis testing whether Networking is associated with Success indirectly through Innovation, Resources, or Opportunity. Scale diagnostics and robustness checks should precede that analysis.

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