Catch a Fad or Capture a Value?
Social Media Leverage in SMEs

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ABSTRACT

While Small and Medium Enterprises (SMEs) often face the constraints of financial and IT resources, the emergent social media could be a cost effective tool for SMEs to leverage for their competitive advantages. Yet, it remains unclear on whether and how SMEs are able to reap both tangible and intangible benefits by adopting and using social media. This study seeks to look into these questions by empirically examining the adoption and use of Facebook in SMEs. The authors’ findings suggest that the adopting SMEs begin to see the positive effect on their sales revenue growth after a couple of years of persistent use and engaging activities. Also, the interactions measured by posting activities from both a firm and its customers have predictive effects on the building of an engaging online community in terms of size. These offer important implications for formulating and implementing effective social media strategies in SMEs.

KEYWORDS

Customer Engagement, Firm Performance, Online Social Media, SMEs, Value Creation

INTRODUCTION

Small and Medium Enterprises (SMEs) are significant creators of employment and contributors to national economies. In the U.S., SMEs employ half of all private sector employees and create more than half of the nonfarm private GDP (Basefsky & Sweeney, 2006). Further, SMEs are said to be responsible for driving innovation and competition in many economic sectors. For example, SMEs invent more than half the nation’s technological innovation. Meanwhile, it is known that many SMEs lack the financial resources and technical skills needed to systemically and strategically utilize new technologies for enhancing their competitiveness (Iacovou, Benbasat, & Dexter, 1995). In this aspect, the recently emerged social media platforms hold the great promise for representing an important technological development that impacts the competitiveness of SMEs.

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Social media is a group of Internet based applications that allow the interactions among people in which they create, share, or exchange information and ideas (Kaplan & Haenlein, 2010). Some well-known social media platforms include Facebook, Twitter, and YouTube. All these social media platforms have rapidly grown in size and importance in recent years. For example, as of September 2013, the online social networking site Facebook has over 1.19 billion monthly active users and the number is still fast growing (Facebook, 2013). Individuals and businesses can create a Facebook page without a fee. As a global, open, interactive, and real time platform, social media allows firms to create two-way communications and connect with their customers, market their products and services, and build their brands (Aral, Dellarocas, & Godes, 2013; Culnan, McHugh, & Zubillaga, 2010).

Yet, as social media is a recent emerging phenomenon, the understanding of strategic leverage and consequences of social media initiative is still in preliminary and anecdotal stage (Culnan et al., 2010; DiStaso & McCorkindale, 2013; Gallaugher & Ransbotham, 2010). A new study by Wamba and Carter (2014) examine the specific characteristics that affect the adoption and use of social media tools in SMEs, and our study takes a complementary perspective and data-driven approach to investigate the social media use in SMEs. While the number of organizations jumping on the “social media bandwagon” is continuously growing, the measurement of social media effects is an increasing concern for various organizations (Hoffman & Fodor, 2010; Larson & Watson, 2011). Without further systematic analyses and evidence supporting the potential benefits of embarking on the social media efforts, it is difficult for firms especially SMEs to align their social media initiatives with organizational goals and ultimately create business value. Thus, in this study, we take the initial steps to empirically examine the effects of adopting and using online social media in SMEs. Specifically, our study seeks to answer the following fundamental research questions:

Does the adoption and persistent use of social media have tangible impact on firm performance such as sales revenue? How may the actual interactions between a firm and its customers bring intangible benefits such as building an engaging customer community on the adopted online social platform?

To our knowledge, these questions pertaining to SMEs have not been examined in the extant literature. Our work seeks to fill the gap. Addressing these questions will not only help uncover the realistic impact of social media on SMEs in today’s competitive environment that has been increasingly intensified by emerging information technologies, it will also foster a more complete view in developing and implementing winning social media strategies (Larson & Watson, 2011). In particular, we focus on the adoption and use of Facebook by SMEs. As one of the most popular social network sites and a hallmark of social media on the Internet, Facebook is also one of the most adopted social media platforms by organizations (DiStaso & McCorkindale, 2013; Laroche, Habibi, & Richard, 2013). Specifically, the results from our data analysis suggest that SMEs that have adopted and persistently utilized their Facebook platform for at least 3 years do perform better than their counterparts otherwise in terms of sales revenue growth. We have also looked into the dynamic relationships between post-adoption engaging efforts that are measured by the online posting activities and the size of online community over time. We find that the interactive posting activities are significant indicators of the size of online community that is built on the platform. Our findings provide important implications for both practitioners and researchers in social media.

The rest of the paper is organized as follows. We present the theoretical background and hypotheses in second section. The third section introduces the data sample and methodology, followed by the results. Discussion and limitations are then provided. Finally, we draw the conclusion of the paper.
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