

THE IMPACT OF SNS ON SOUTH AFRICAN SMMES

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Abstract: There exists a gap in the research of SNS impact in SMMEs. The purpose of the research is to explain how SMMEs are using SNS; to describe how SMMEs are managing their SNS platforms; and to explore the impacts, both positive and negative, of using SNS in SMMEs. A small survey was conducted in the Western Cape, South Africa. The greatest personal impacts were more effective decision making and use for training and research. The top organisational impacts identified were brand image, improved communication strategy and aligning the communication strategy with the SME's vision. Correspondingly, the top benefits experienced were increased awareness among customers, increased website traffic and improved consumer perceptions. The main challenges that were identified were measuring the effectiveness of SNS activity and linking it to financial returns (ROI) and key performance indicators (KPIs).

Keywords: social networking sites; social media; web 2.0; small business; impacts; benefits; challenges

Introduction: Businesses are starting to recognize the numerous advantages of SNS such as improving customer relationship management and strengthening a personal connection with brand images. The introduction of social networking into an organisation presents a number of challenges. Determining the value of SNS can be difficult and require management systems to effectively manage the operations and the impact of SNS. SNS was predicted to impact the corporate world in a number of ways, namely that corporations will need to personalise communication and surrender some brand image control. Social networking can be expected to increase revenue by: expanding the reachable customer base; transforming static advertisements to dynamic interactive advertisements; allowing new improved products to be launched faster; and improving customer relations by personalising communication and providing direct access to information which alleviates frustration. There exists a gap in the research of SNS impact in SMMEs. Research that explores the adoption of social media by Small and Medium Enterprises (SMEs) exists but there is little to be found on the impacts that occur after adoption. Impact of SNS for individuals [1] and larger organisations [2] [3] exist but again little is to be found on the impact for SMMEs. This research aims to bridge this gap in existing empirical research by exploring the impacts experienced by SMMEs using SNS.

The purpose of the research is to explain how Micro, Small and Medium Enterprises (SMMEs) are using Social Networking Sites (SNS), to describe how SMMEs are managing their SNS platforms and to explore the impacts, both positive and negative, of using SNS in SMMEs. The study aims to explore whether the way SNS is used or managed affects the impacts, benefits or challenges experienced by SMMEs. The study also aims to explore whether the impacts experienced correlate to the benefits or challenges experienced by SMMEs.

This research used a combination of quantitative and qualitative data for analysis. The quantitative data was collected via an online survey that used existing literature to assist in the structure and content of the questions asked. The qualitative data was collected via face-to-face interviews of survey respondents once the quantitative data analysis was completed. The interviews were semi-structured and questions were asked in order to explain correlations found.

Literature Review: Millions of people around the world are utilising SNS. As of 2012 Facebook, a popular SNS, had in excess of 960 million users [4]. Companies are starting to use SNS and 93 percent of major South African brands are currently using Facebook [5]. Businesses are starting to recognize the numerous advantages of SNS such as improving customer relationship management and strengthening a personal connection with brand images [6]. Social Networking uses a number of notions to foster collective intelligence, collaborative work and support communities [7].

Small businesses can use social media to create marketing opportunities by nurturing trust, building a reputation and creating a brand image with customers. Through social media small businesses can connect to, communicate with and maintain their customer base [8]. The introduction of social media into SMMEs has both benefits and challenges. Social media is associated with low financial costs which makes it an advantageous marketing tool for small businesses. Social media requires other resources such as labour and time. Social media can introduce security threats to small businesses as increased interactivity may cause data leakage both internally and externally [9]. Organisations are still struggling to determine the impact and business value of SNS [10] as the measurement of social media success is still undeveloped [5]. There exists a gap in the understanding of why customers use SNS to interact with businesses [11].

SNS provides consumers the opportunity to share their brand experiences and opinions whether positive or negative. Consumer voices can influence the opinions of other consumers [12]. Social media can be utilised by small businesses to create various marketing opportunities by nurturing trust, building a reputation and creating a brand image with customers. Through social media small businesses can connect to, communicate with and maintain their customer base [8]. 87 percent of companies are using social networks and it is reportedly the most widely used social media by organisations [10].

IS investments have similar attributes as traditional investments and therefore are often only evaluated in terms of financial criteria. However, IS investments result in considerable intangible impacts and therefore financial measurements alone are not sufficient to determine the benefits derived from IS. The DeLone and McLean [13] IS Success Model measures organisational impacts that are primarily financial [14] [15]. Gable et al. [16] suggest that success dimensions are mutually exclusive and additive. The Gable conceptual model [16] places focus on the impact and quality measures of success. Impact measures look backward to determine the net benefits to date whilst quality measures look forward to determine future benefits. Gable et al. argue that a holistic measure for evaluating an IS should encompass both impact and quality measures. Impact and quality represent a full measure of IS and the flow of net benefits [16].

Research Methodology: The purpose of the research is to explain how SMMEs are using SNS, to describe how SMMEs are managing their SNS platforms and to explore the impacts, both positive and negative, of using SNS in SMMEs. The strategy used existing theory from the literature to develop research questions that will assist in the collection of data.

The following research questions drove our research:

- What SNS platforms are SMMEs using and how are they using them?
- Are they using management tools to assist in managing their SNS platforms?
- What have the impacts been for an SMME utilising SNS?
- What have the benefits been for an SMME utilising SNS?
- What have the challenges been for an SMME utilising SNS?

The emphasis of this research was to collect quantifiable data that will allow statistical analysis. The research philosophy is positivism as it is believed that the research questions can be answered by measuring the uses and impacts of SNS in SMMEs.

The target population for this research are SMMEs who are using SNS in the Western Cape, South Africa,

within all industries. A combination of a few sampling methods were applied when SMMEs were surveyed. Convenience sampling was used as it was the easiest way of obtaining SMME responses.

Data Analysis: The information presented in this section describes the output of data analysis from the research instrument data. The questionnaire received a total of 29 respondents of which only 21 were viable candidates. The reason being that 8 of the respondents either did not complete the questionnaire or had a total turnover/total gross asset value that exceeded the National Small Business Amendment Bill definition for a SMME [17].

Impacts of SNS in SMMEs: The individual impacts this study focuses on are impacts that affect the organisation from an employee perspective and not from the perspective of an individual using SNS for personal purposes. Respondents indicated that for individuals of the organisation learning training and research was impacted the most by using SNS. On average respondents indicated that the use of SNS impacted: learning training and research 'a lot'; effective decision making 'some'; and employees being less productive 'little'. Figure 1 shows the distribution of respondent answers to the degree that the impact was experienced.

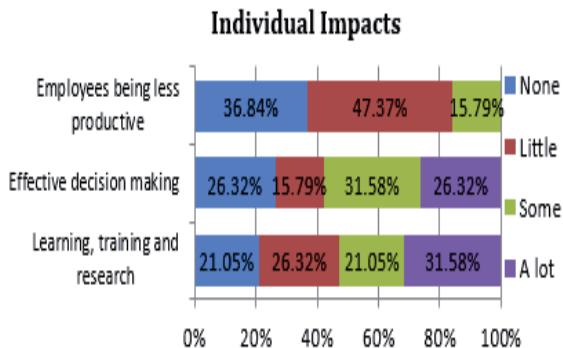


Figure 1: Response distribution of Individual Impacts of SNS in SMMEs

From the data analysis, the use of SNS impacted brand image the most with respondents indicating, on average, that brand image was impacted 'a lot'. The next most impacted areas of the SMME were the communication strategy and aligning communication strategy with vision; respondents indicated, on average, that these areas were impacted 'a lot'. Knowledge management; Customer Relationship Management (CRM) and collective thinking/collaboration are also areas that were more impacted than others; respondents indicated, on average, that these areas were impacted 'some'. Respondents indicated, on average, that integration with existing systems; organisational productivity and product decisions were also impacted 'some'. The area least impacted by the use of SNS in SMMEs is organisational structure with respondents indicating,

on average, that the impact was 'none'. Respondents indicated, on average, that business process change; organisational costs and employee mobility saw no ('none') impact. Figure 2 shows the mean of the organisational impacts.



Figure 2: Organisational Impacts of SNS in SMMEs

Net Benefits of SNS in SMMEs: All net benefits related questions were measured on a four-point Likert scale from 'none' to 'a lot'. Data analysis has been performed on a number of net benefits in order to answer the question: "What have the benefits been for an SMME utilising SNS?"

100 percent of respondents indicated that they had experienced benefits from using SNS. The benefit from using SNS experienced most by respondents is increased awareness of our organisation, products, or services among target customers; which, along with increased traffic to website, respondents indicated, on average, that SNS contributed 'a lot' towards. The next highest ranking net benefits experienced were more favourable perception of our organisation, products, or services and the ability to monitor what is being said about our organisation; which respondents indicated, on average, SNS contributed 'some' towards.

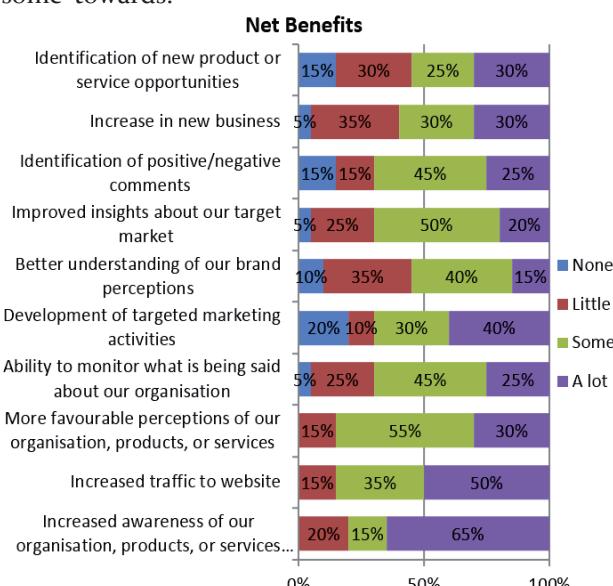


Figure 3: Response distribution of Net Benefits

Respondents also indicated, on average, that SNS contributed 'a lot' to the development of targeted marketing activities.

Respondents indicated, on average, that SNS contributed 'some' to: better understanding of our brand perceptions; improved insights about our target market; identification of positive/negative comments and an increase in new business. For the contribution SNS had on the identification of new product or service opportunities respondents, on average, indicated 'little' or 'a lot'. Figure 3 shows the distribution of respondent answers to the degree that the benefit was experienced.

Challenges of SNS in SMMEs: All challenge/problem related questions were measured on a four-point Likert scale from 'none' to 'a lot'. Data analysis has been performed on a number of net benefits in order to answer the question: "What have the challenges been for an SMME utilising SNS?" The biggest challenge respondents faced with using SNS was linking social media activities to an impact on company financials/ROI; which, along with measuring the effectiveness of social media activities; linking social media activities to an impact on KPI and understanding the potential of social media to make a difference to your business, respondents indicated, on average, they experienced to 'some' degree. Respondents indicated, on average, that they experienced problems with improving your ability to fully utilise social media within the organisation and getting people across the organisation to see the value of social media activities a 'little' amount. Respondents indicated, on average, that they experienced no ('none') problems with the introduction of viruses and security concerns due to SNS and reputation damage.

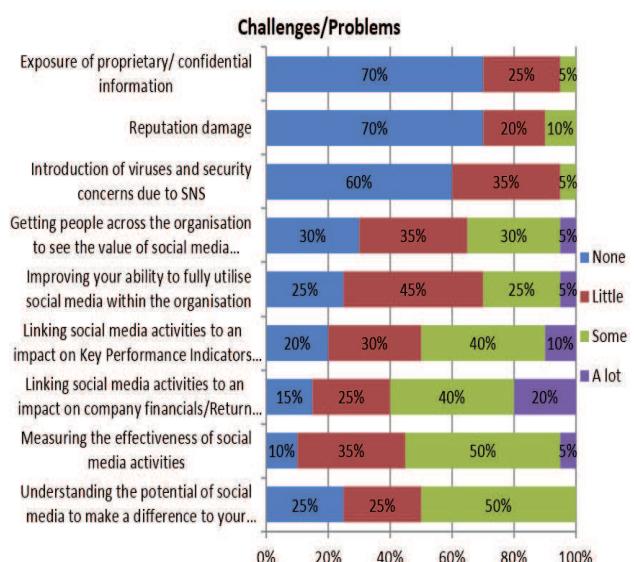


Figure 4: Response distribution of Challenges/Problems

The problem least experienced by respondents from using SNS is exposure of proprietary/confidential information which respondents indicated, on average, was not ('none') experienced.

Figure 4 shows the distribution of respondent answers to the degree that the challenges/problem was experienced.

Conclusion: There exists a gap in the research of SNS impact in SMMEs. This research aims to bridge this gap in existing empirical research by explaining how Micro, Small and Medium Enterprises (SMMEs) are using Social Networking Sites (SNS), exploring the impacts, both positive and negative, of using SNS in SMMEs. The study aims to explore whether the way SNS is used or managed affects the impacts, benefits or challenges experienced by SMMEs. The study also aims to explore whether the impacts experienced correlate to the benefits or challenges experienced by SMMEs.

Using SNS should impact on a company's communication strategy. Communication strategy can increase awareness of an organisation, their products or services among targeted customers. A different voice that is tailored for the SNS platform should be used. The communication strategy should align with the company's vision. The data shows that on average SMMEs are doing this. Using SNS allows companies to continuously communicate with customers which in turn can assist in brand image development. SMMEs are using SNS to gather and implement customer input on brand image and product development decisions. By doing this an

organisation can better understand their brand perception and build a more favourable perception of their brand among their targeted market.

As all respondents indicated that they had experienced some benefits from the use of SNS it is undeniable that using SNS in the business place has its advantages. SNS can increase awareness of an organisation and direct more traffic to their website which can lead to an increase in business. However, SMMEs find it difficult to link SNS to an increase in sales/revenue and therefore it is uncertain how much SNS has contributed to new business. Through constant communication with customers, SNS can provide a better insight into brand perception and help shape a brand image and products to be more favoured by their targeted market.

SMMEs struggle to understand the potential of social media to make a difference to their business. This could be because SMMEs find it difficult to measure the effectiveness of SNS and its contribution to ROI and KPIs. However, SMMEs do not find it difficult to get people across the organisation to see the value of SNS and fully utilise its functionalities as was suggested in the literature. Furthermore SMMEs have not experienced reputation damage or introduction of viruses and other security concerns due to SNS. A challenge that was not mentioned in the literature and was picked up during interviews was the time that SNS requires. SMMEs have limited resources and therefore fully utilising all SNS platforms may prove to be too onerous for SMMEs.

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