



Social network enterprise behaviors and patterns in SMEs: Lessons from a Portuguese local community centered around the tourism industry



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ABSTRACT

This study analyzes uses of social networks by small and medium-sized enterprises (SMEs) at the Algarve region in Portugal. Results suggest that some firms have integrated their business strategies with social networks, and have groups of professionals responsible for these platforms. Most managers perceive that social networks enhance business performance, but few measure the results. Firms that most frequently use social networks have managers with higher qualifications. This study identified two types of social-network use: a) product–client interaction and knowledge/(re)search, and b) marketing potential. A complementary analysis (cluster analysis) identified three behavioral patterns with varying involvement with social networks. These patterns relate with types of use, suggesting a level of social media involvement/performance. Enhancing performance is likely related to knowledge-oriented social networks. This study also suggests an approach for measuring the gap between types of social network use-behavioral/performance patterns and the reality in successful firms, which would be useful to apply or transfer to other firms and communities.

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1. Introduction

Modern society has experienced the rise of new ways to communicate and work through digital devices. The increasing affordability of technology, together with the services performed, turned the online as one of the fastest growing markets. Such technological revolution originated massive amount of data as people interact with their digital devices on a daily basis. The resulting challenge is to translate these unstructured data into valuable information for firms, customers and policy makers. Social networks can play an important role as a base for analyzing structures people create, which open an opportunity for researchers to characterize and model behaviors [28]. Understanding these issues is fundamental to design better strategies and get optimal outcomes from these networks' potential.

1.1. The rise of social networking

Internet evolution, especially Web 2.0 [32], opened new opportunities for small and medium-sized enterprises (SMEs), given its ease of communication and information dissemination [7]. One of the greatest developments is new online network environments known as social networks [5,10,44]. The Internet is a network of enormous access, which millions of individuals use daily from any place at any time [43]. In this context, new platforms appeared [16] such as social networking sites - Facebook, YouTube, LinkedIn, Twitter, Hi5, Bebo, MySpace, among others - in which users either communicate or share content [33] and [5]. Through these networks people create profiles, communicate, exchange pictures and movies, and share interests creating communities.

Participating in these communities can add value to any business. Networked individuals can participate in innovation, wealth creation, and social-economic development in ways never before considered [34]. According to [41], more than 60% of Portuguese social-network users consider that more companies should have profiles on these networks. The entry of firms into these platforms changes the way of doing business. Some authors suggest that after the knowledge and digital economies, a new economy emerges

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called Socialnomics [34], Economy of Relations [35], or Economy of Integrity [4]. This new economy is based on interrelations, and built on trust and integrity. Thus, key features of business and innovation, which during past decades were tangible (e.g., coal, oil, etc.), are now replaced by intangible assets such as knowledge, confidence, and relationships. Companies must adapt to this revolution to remain competitive.

Studies on social networks have expanded, receiving increased attention from scientific communities [5]. One example is Facebook, which [1,13,26,40] have explored. It is essential to assess the potential of social networks when appraising the performance of SMEs since these are generally the firms that global competitiveness affects most. This study characterizes the participation of Portuguese SMEs in these networks, and analyses the most potentiated activities. Some companies use these networks for marketing, but they should not view them as a strategic marketing tool alone [16]. They need to look deeper and analyze these new environments from multiple perspectives since they involve millions of features and potential customers [7,10,43,45]. The company's adaptation to this new reality implies innovating its strategy and organization.

1.2. Comparative studies

[2,9,38] analyze factors and gains related to SME use of social networks, and their frameworks suggest fundamental changes to users' behaviors. Some companies recognize it being first to expand activities to social networks, building communities and selling products online [16]. This can offer great benefits to business, once technology is a primary tool companies use to innovate. Another advantage is the fact that users share common interests [46] without having to meet in the same physical space or belong to the same cultural groups [25]. These online communities can connect crowds of individuals instantly [20] and [37].

[47] suggests that 50% of Internet users in the United Kingdom visit social networks at least once a month, and office workers at least 30 min per day [49]. SMEs cannot ignore time spent on social networks and should analyze these communities because they get benefits from launching innovative products [16]. Other activities include research and technical support [47], cooperation, fidelization, market opinion, business creation, recruitment [33], internationalization [50], and creation and distribution of informal information systems for innovation [3,45]. points to social media as an opportunity for organizations to build brands, demonstrate leadership behaviors, expand resources, reach new audiences, and find new sources of ideas.

[24] elevate social networks such as Facebook and LinkedIn to the role of being emergent places for retailing and shopping. The same study suggests companies can use mass collaboration as a link between business value and social networking features. For example, they can examine a target community of a product and interact with it to rethink ways of selling or innovating the product. They exploit the collective intelligence of the community to increase business efficiency [27].

A study from IGMarketing [17] verifies that social networks are tools that benefit companies as much as they invest in them. Companies must know how to participate, invest time, create content, increment the network, talk to the community, observe, and examine, resulting in competencies for both teams and individual workers. The same study identifies two factors behind non-representation in social networks: lack of time and the idea that social networks are only for young people. According to [17], these assumptions are barriers because the more companies invest in social networks, the more benefits they get in the long-term. Social networking sites are being 'invaded' by companies seeking a

presence or to promote products. Some firms are even breaking down barriers between the virtual and physical, hiring professionals online [15]. Others are migrating to social networks, keeping their initial web sites as secondary strategic business sources.

Social networks intensify networking, idea exchanges, and knowledge integration, and increase cooperation among stakeholders [11]. The most salient example of enterprise social networks is engagement with communities; proximity to customers and sharing benefits with them are increasingly paramount. Benefits of this representation/participation are realized only if companies understand the power of collective behaviors among impulses of business changes [6]. It is important to discover social momenta, i.e., social dynamics that using internet interactivity provides not mere increments of economic value, but return maximization [22].

According to social network theory, online social networks are providing a large scale platform to study human and firm's behavior. 'Listening' or monitoring online conversations/choices about an organization is becoming a critical factor for leveraging social networking successfully in firms. The analysis of large networks can bring considerable statistical power that allows the detection of patterns that in smaller scale network studies would be undetectable [42]. This study is consistent with theory and develops an approach to analyze uses of social networks by SMEs at the Algarve region in Portugal. Besides filling a gap in the literature about our country in this area, where discussion groups of professionals debate it but without strong empirical support [17], our study goes further in scale (seven research questions) and in scope (empirical methods - descriptive statistics, categorical principal component analysis and cluster analysis). These methods are complemented in order to compare the social-network uses with firms' behavior patterns, i.e., which characteristics and practices have the firms that use a certain type of social network. This is relevant for situational assessment, discussion, comparison and social media strategy.

2. Research questions

This study analyzes uses and the potential of social networks as tools for SME development, and suggests a methodology for general application. It identifies which activities of SMEs in Algarve (Portugal) these platforms are already enhancing. Seventy firms from the region completed an online questionnaire, and an analysis of corresponding variables identified the most relevant. Then, patterns were derived according to the firms' degree of involvement in social networks. Other related objectives included: a) whether firms already integrate their strategies with social networks, b) whether there exists a group of people within the company involved in this integration, c) whether a relationship exists between who manages it and social-network use, including whether qualifications influence use, and d) whether employee access to social networks at work influence productivity. Seven research questions were considered in order to achieve these objectives:

- Q1: Do social networks influence economic performance?
- Q2: Does a company's business strategy incorporate social networking sites?
- Q3: Which industries use social networks most often?
- Q4: Does a relationship exist between SMEs that use social networks most and qualifications of those who manage them?
- Q5: Are companies measuring gains from social-network use?
- Q6: Does a relationship exist between duration of employee social-network use and company performance?

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