

Chapter 35

Social Media Tools Adoption and Use by SMEs: An Empirical Study

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ABSTRACT

Despite the recent increase in the adoption and use of social media tools to support firm operations, very little empirical research focusing on small- and medium-sized enterprises (SMEs) has been conducted to-date. The aim of this study is to fill this knowledge gap by investigating SME adoption of social media tools. In particular, we assess the impact of organizational, manager and environmental characteristics on SME utilization of the Facebook Events Page. To test our proposed research model, we administered a survey to 453 SME managers. Results of a hierarchical logistic regression indicate that firm innovativeness, firm size, manager's age and industry sector all have a significant impact on social media adoption. Implications for research and practice are discussed.

INTRODUCTION

Social media enabled value co-creation is emerging as an important area of interest for scholars and practitioners from various fields. Some scholars even suggest that social media will facilitate the widespread diffusion of “social commerce,” which is “a form of Internet-based social media that allows people to participate in the marketing, selling, comparing, and buying of products and services in online marketplaces and communities” (p. 215)

(Stephen & Toubia, 2010). In 2011, the social commerce market represented about US\$5 billion, with the potential increase to about US\$30 billion by 2016 (Zhou, Zhang, & Zimmerman, 2011).

The rapid growth of social commerce is mainly due to the rapid diffusion of social media tools and channels such as Facebook and Twitter. Indeed, these tools can radically transform traditional firm processes by providing a better customer shopping experience (e.g., access to friends purchasing experiences, real-time sharing of purchase actions with

friends before final purchase decisions) (Fisher, 2011; Zhou et al., 2011). Social media tools can also provide improved communication and collaboration between the firm and its stakeholders (e.g., customers, suppliers, business partners) (Burke, Fields, & Kafai, 2010; Culnan, McHugh, & Zubillaga, 2010), an innovative way for firms to identify products with high selling potential (Liang & Turban, 2011), and a better channel for attracting and retaining online customers (IBM, 2009). In the context of business-to-business (B2B) commerce, firms can use social media tools such as Facebook and LinkedIn to communicate with customers and suppliers, build relationships and trust, and identify prospective business partners in terms of B2B selling (Michaelidou, Siamagka, & Christodoulides, 2011). For example, Facebook, one of the main platforms for social commerce with around 800 million active users (Facebook, 2011), can allow firms to “harness social capital,” in a context where “retailers are eager to tap into the tremendous word-of-mouth potential of fans liking products, making purchases, and sharing with friends” (p. 1) (Olso, 2011).

Against this background, the emerging literature on social media-enabled organizational transformation has been demonstrated through the adoption and use of these tools by big organizations (e.g., Westpac Bank Corporation in Australia, Starbucks and Dell in the U.S.) (Gallaughier & Ransbotham, 2011; Husin & Hanisch, 2011; Sandsmark, 2011). However, few studies have explored the adoption and use of social media by SMEs (P. Cragg, Caldeira, & Ward, 2011; Shang, Li, Wu, & Hou, 2011), which represent a significant part of various Western economies. For example, SMEs account for about 99% of firms in the European Union, generating more than 70% of employment (Nieto & Santamaría, 2010). In the U.S., SMEs produce around 39% of the country’s gross national product (GNP) and generate about the two-thirds of all new jobs

(Bruque & Moyano, 2007). In short, “SMEs are the engine of the economies of many countries” (p. 241) (Bruque & Moyano, 2007).

Several IS researchers have explored technology use in SMEs (P. B. Cragg & King, 1993; Igbaria, Zinatelli, Cragg, & Cavaye, 1997; Raymond, 1985). Regarding social media use, there is an emerging literature on its benefits and challenges. However, few of these studies focus on the use of social media tools by SMEs. Garnett (2010) highlights the benefits of social media tools for SMEs and calls for more use of these tools by SMEs. Given the unique needs of SMEs (Anonymous, 2012), we propose a study of the factors that impact the utilization of social media tools by SMEs. Kinra (2012) states “besides conventional marketing practices, SMEs should also adopt online marketing strategies to promote their business in the social media space, which already has a huge and potential consumer base.” Roberts (2012) states “SMEs with profiles on the social networking site have experienced an increase in traffic to their main site (p. 1)” He found that 47 percent of the SME managers that he polled noticed that a “significant” amount of traffic to their business website came from their Facebook page (Roberts, 2012).

Therefore, this research is an initial effort towards bridging the existing knowledge gap in the literature. More specifically, this research examines the following research question:

What are the roles of organizational, manager and environmental characteristics of SMEs in the adoption of the social media tools?

To address this question, we draw on the emerging literature on social commerce, social media, and the diffusion of innovation theory with an emphasis on the adoption and use of innovation by SMEs. The remainder of this paper is structured as follows: first, we present the con-

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