



SMES: GENERATING SOCIAL CAPITAL THROUGH NETWORKS AND SOCIAL MEDIA

*David E. Gray, University of Greenwich, Mark N.K. Saunders, University of Surrey,
United Kingdom*

Introduction: SMEs Networks and Social Capital

In a national UK survey, Gray et al. (2012) found a strong engagement amongst SMEs with online information and communication technologies (ICT), some of it linked to social media. Alongside traditional media SMEs talked about using LinkedIn to target customers and Websites as interactive tools to connect to customers, gauge their needs and even talk to them in real time using Live Chat. Yet, none of the entrepreneurs regard themselves as experts. The perception was that ICT and, within these, social media were regarded as a “necessary evil”, and there was no choice but to engage very proactively in this area. Respondents saw themselves as using their networks with a number of communities including their customers, associates and even former employees, as a means of generating social capital.

The importance of these findings prompted additional research in this area. This new study took as its focus SME use of social media and sought to address the following research questions:

- What are the key business advantages SMEs gain from using networks and social media to generate social capital?
- What are the relative advantages (and disadvantages) of online and traditional forms of social media within this?
- Which forms of social media (if any) have SMEs tried but considered not worth pursuing?

Gathering data on what SMEs see as the advantages (and disadvantages) of both online and traditional forms of social media, and the communities they connect do (both virtually and physically) help make clear SMEs’ use of web technologies as well as their relationship with more traditional ways of accessing social capital.

The use of Information Communication Technologies (ICTs) by SMEs

SMEs are a vital part of the UK economy and contribute significantly to economic growth and employment. Department for Business Innovation and Skills (BIS) data (2013) shows the number of private sector SMEs grew from 3.7m in 2000 to 4.9m in 2013, and the number of

SMEs: Generating Social Capital through Networks and Social Media

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people they employ increased from 8.6m to 14.4m. In 2013, these large businesses had an estimated combined turnover in excess of £1,702bn, just below 52% of the turnover of the UK private sector.

In 2012 over 95% of UK SMEs with 1-49 employees had Internet access, this proportion rising to 99.5% for SMEs with 50-249 employees (ONS, 2013). However, compared with larger organisations, the proportion of SMEs using social media, whilst increasing is far smaller. For example whilst only 40% of SMEs with 10-49 employees use social networks such as Facebook and LinkedIn, this proportion rises to 53% for SMEs with 50-249 employees and 81% for organisations with 1000+ employees (ONS, 2013). Usage of other social media such as Wiki based knowledge sharing tools was even lower being about 7% compared to over 26% for organisations of with 100+ employees. As with larger organisations, the most popular reason for SMEs using social media was to develop their business image or to market products, although, once again their use of social media for these purposes was less widespread (see Figure 1).

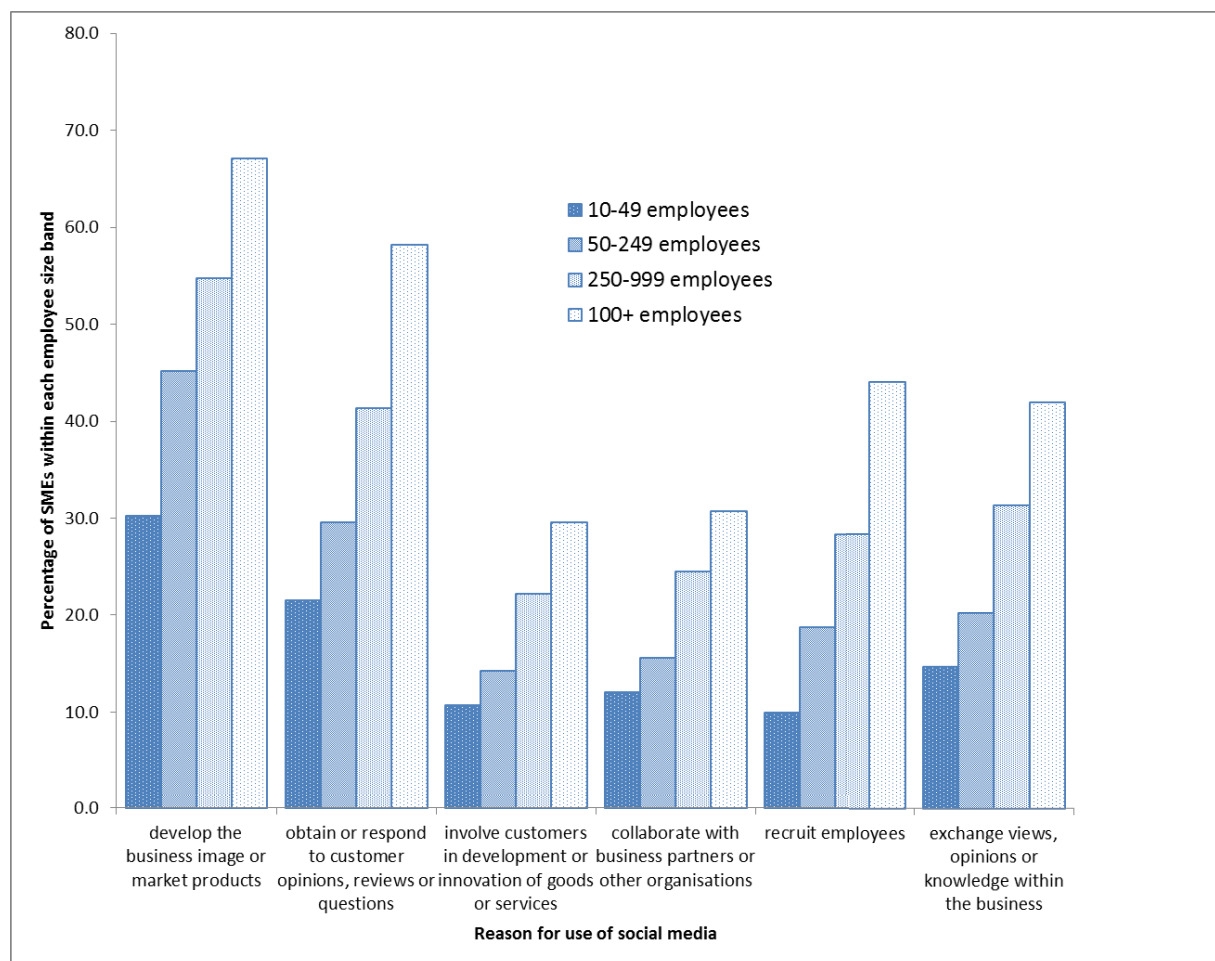


Figure 1. Reasons for the use of social media by size of organisation (Gray et al. 2012)

Source: Office for National Statistics 2013

In summary, although access to the Internet by SMEs is almost ubiquitous, and their use of social media is growing, SME use of social media is far lower than for larger organisations,

being used predominantly for developing business image or marketing products, or obtaining and responding to customers.

Methodology

The research design for the new study comprised the use of quantitative findings from the Gray et al. (2012) national study (as baseline data that generated further key research questions), secondary data analysis of previous studies in this area, and qualitative data generated through three focus groups and five in-depth interviews. Potential focus group participants were identified through the relevant regional Chamber of Commerce and existing database sources at the Universities of Surrey and Greenwich, 20 participants being selected to reflect on the importance of social capital to their business success, and how they make use of social media and networks to build the business. Two meetings, each of approximately two hours in duration, were subsequently conducted with heterogeneous samples of SMEs to explore:

- Which social media they make use of (e.g. LinkedIn, Facebook, Twitter);
- How they use these media and their importance for the business;
- The role of their business website and their experience of search engine optimisation;
- The key lessons they have you learned in terms of making effective use of social media in their business;
- The role of live networking events and the balance between face-to-face and virtual networking;
- The future use of social media and networking in their business.

For the SME interviews, a sample comprising both typical cases and critical cases was selected to allow exploration (particularly extreme cases) of experiences with social capital and social media. These interviews were in-depth, lasting between 45 minutes and one hour. Findings were validated by holding a third focus group where data and preliminary analysis were presented for comment and confirmation.

Findings

Introduction

The findings presented here comprise two main sections: (1) Consideration of successful SMEs and their use of social capital drawn from secondary analysis of data gather in the 2012 study and (2) exploration of how and why SMEs access and use the various forms of social media and associated issues. The second of these uses data gathered through the two focus groups, the post validation focus group and the five SME case studies. This triangulation of data gathering methods is an approach that confers greater reliability and credibility of the findings.

Successful SMEs and the use of social capital

Part of the 2012 research considers the importance of networking and of social media to over 1,000 SMEs. It highlights that while nearly 90% of SME's used networks and social media, some 66% considered using networks and social media of at least some importance for their continuing success. It also highlights that using networks and social media was considered significantly more important for continuing success by SMEs with fewer employees than SMEs with a larger number of employees¹ (see Figure 2). Yet the 2012 research study also highlights that whilst over 35% of SMEs did not consider their use of networks and social media were effective, 46% had never purchased external advice or consultancy in this area.

Alongside the use of networks and social media, the 2012 research study found that having a website was also considered to be of at least some importance to the business's success by 86% of SMEs, over 40% of SMEs considering this extremely important. Whilst only 4% of SMEs did not have a website, over 20% did not consider their business was effective in its use of the website. In contrast to the purchase of external advice or consultancy with regard to using networks and social media, only 23% had never purchased advice with regard to having a website.

The 2012 research study found that successful SMEs generated social capital by being connected to their communities of customers, associates and other stakeholders. Whilst these successful SMEs engaged proactively with web-based and, in particular, social media to gain competitive advantage, direct referrals were considered extremely important to their continuing success by 67% of SMEs, this being the largest proportion of SMEs for any of the named forms of networking and social media.

After direct referrals, SMEs considered traditional networking events such as Chambers of Commerce meetings of at least some importance (44%) to their continuing success, 10 percent considering them of at least some importance. However, such traditional events were not considered by SMEs to be as important to their continuing success as search engine optimisation (considered of at least some importance by 67%). LinkedIn (44%) was considered of equivalent importance to traditional networking events, other web-based methods such as Twitter and Online discussion groups were considered less important. Importance to continuing success of some web-based methods differed with size of the SME; Linked-In and Online discussion groups were considered significantly more important to their continuing success by SMEs with less than five employees, some using LinkedIn to target customers. In contrast Twitter was considered significantly more important by SMEs who had started trading more recently, being used by some as a form of viral marketing.

¹ Chi square= 39.2, df=12, p<.00

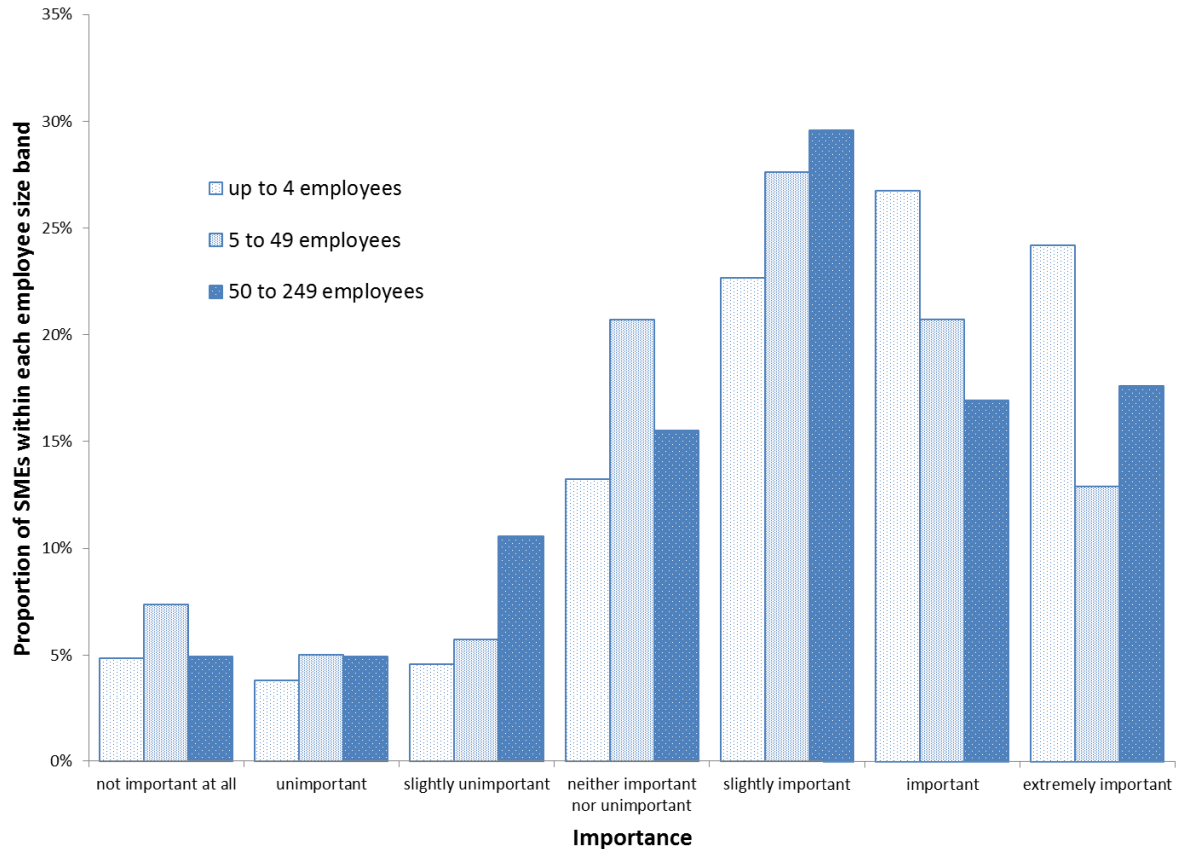


Figure 2. Importance of networking and social media to SMEs' continuing success

The 2012 research study found that successful SMEs networked with a number of different communities using a range of both traditional and web-based methods (see Figure 3). While IT and social media were regarded as a 'necessary evil', there was no choice but to engage very proactively in this area. Networks included their customers, associates and former employees who had moved on to become independent contractors. Networking was about making contact, talking to the right people whom, even if outside the SME, could offer feedback or advice or be used to outsource work. These networks were regarded as a '*community of people*' who might join in with a new business proposal or be used to buy in external expertise.

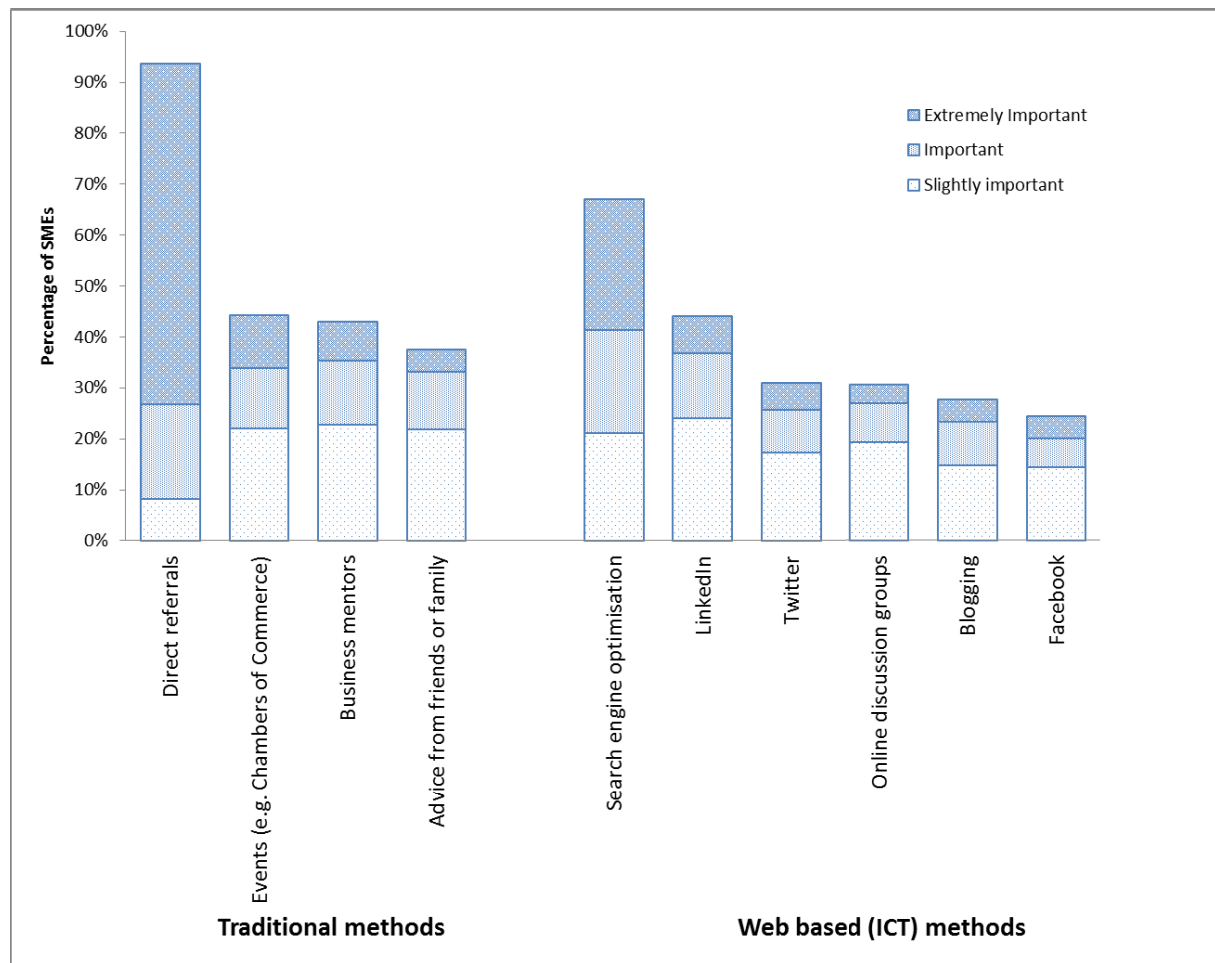


Figure 3. Importance of traditional and web-based (ICT) methods of networking to SMEs' continuing success

SMEs use of various forms of social media

Websites require regular updating of content. This does not just mean text, it can also include YouTube video clips, presentations, articles, etc. Websites need to be dynamic – not just electronic ‘yellow pages’ or brochures. The Holy Grail is search engine optimisation (SEO), that is, the business website appearing high up on the Google rankings. It needs to be borne in mind, however, that Google is only one of the search engines. Yahoo and Bing, amongst others, are alternative gateways to the internet. But whatever internet search engine used SMEs see themselves as disadvantaged compared to large corporates who have the resources and money to spend on SEO. Genuine experts on SEO are very expensive to hire and there are many ‘sharks’ selling their services who know only about as much as SME owners themselves. Some businesses are now bringing SEO ‘in-house’, partly because the kind of marketing graduates they are hiring are now trained in SEO skills. They are aware, for example, that SEO is nationally-based. So, what works in the UK, will need to be modified to work in the USA or China.

Some businesses repeat key words on their website landing page in order to improve SEO, but Google can often detect this and views such practices negatively. Repeated words also reduce

the readability of content and detract from visitor satisfaction. But Google does like fresh content, so updating a blog can have a positive effect on Google rankings. Relevant and regularly updated content will always win over SEO 'tricks'. Content copied from one blog to another will have a detrimental impact on both blog sites!

LinkedIn is widely used by SMEs to showcase their business and 'to establish who you are'. It gives the business a window into the world, allowing businesses to build a relationship with their customers (from whom positive testimonials are important). LinkedIn is perceived as more dynamic and interactive than, say, a business website because 'you can be active, you can be seen', even encouraging customers and other businesses to pose questions and enlist in discussions. This includes special interest groups – posing and answering questions allows participants to build a positive image of themselves and their business (their social capital). Since Google is 'content hungry' regular LinkedIn posts helps SEO. Enthusiasm, however, is qualified – it is difficult to identify a direct link between activity on LinkedIn and business benefits such as increased revenues. You can get yourself too sucked into discussions, losing sight of the need to find new customers. There is also scepticism about LinkedIn's habit of eliciting skills endorsements. Finally, the amount of commercial advertising on LinkedIn is seen as an unnecessary irritation.

Facebook is widely used, but not as extensively as LinkedIn, often in more of a personal capacity than for business purposes. Indeed, some respondents were adamant that Facebook was not appropriate for their business model. However, some businesses find that Facebook can be more effective for marketing than LinkedIn. In general, however, few respondents talked about Facebook when discussing their business.

Twitter is widely used by some businesses, with a strategy for posting a minimum number of tweets per day – part of getting across the culture of the company to customers and other stakeholders. But as one respondent commented: 'Twitter is a useful medium for locating people who need training on the use of Twitter!' Another commented: 'I have clients that actually have gone on Twitter and they're on it so much. I've said to them ... you're giving the wrong perception of your business...One's an MD of her business, and I said ... you're tweeting all the time, people are thinking, well when are you doing your work?' So it is also important to be 'savvy' with the social medium being used. Twitter can be effective when used in conjunction with other social media such as the business' website and social media posts such as blogs.

YouTube is a potentially powerful medium. One business, for example, hired a professional cameraman to film the director giving a presentation about her products. The video subsequently achieved over 30,000 hits. However, one of the advantages of YouTube is that it encourages people to accept less than professional video standards, so it is relatively cheap to produce and upload your own video. iPads and iPhones can be used. Rather than send customers a user manual, it now becomes possible to video a demonstration of a product or service. 'They can use it as many times as they like, show it to their colleagues and that ... works really well, really well and it's cheap'.

Face-to-face networks are important both to supplement a social media presence but also in their own right. ‘There’s no substitute for it. You have to be in front of people and talk to them’. It is best, however, if events are at the start of the day or at the end of it, so they fit around the working day. But it is vital to be selective so as not to suffer from ‘event overload’. Having a strategy for networking at events is just as important as having any marketing strategy.

Conclusion

Overall, few if any SMEs claimed to have expertise in the uses of social media (apart from those who provided consultancy in this area). However, they were keen to ‘get a presence’ in one or many media but realise they are on a learning curve. But whatever social media are used, they have to be ‘fit for purpose’ and appropriate to the business model being used. It is also clear that social media are not a substitute for face-to-face networking and events. Indeed, the strategy is how to integrate the two so that one complements the other.

References

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Acknowledgement

We would like to acknowledge the assistance of Kingston Smith, LLP who funded this research.