

# Overcoming SME Barriers to Gaining Competitive Advantage through Social Media

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**Abstract:** Large scale enterprises (LSEs) successfully adopt social media to gain competitive advantage through creation of brand awareness, promotion of customer satisfaction and loyalty, and increased website traffic and sales. SMEs, on the other hand, are often hampered by financial and other resource constraints, which potentially limits their ability to gain competitive advantage through social media. Despite these limitations, research has shown that SMEs do have the potential to successfully integrate social media into their business practices, particularly in their marketing activities. However given the significant role of SMEs in modern economies, more needs to be done to understand what social media strategies are suitable for SMEs to adopt in order to gain competitive advantage, and how SMEs can overcome the factors that limit their ability to deploy these strategies.

In developing this understanding, it must be recognised that SMEs are highly heterogeneous in nature, with business practices dependent not only on industry but also on the size of the enterprise. For example, while a new five-person software company headed by a young entrepreneur and an established fifty-person family-run furniture manufacturer would both be considered SMEs, their approaches to using social media to gain competitive advantage will likely differ. However, both these types of enterprises may still need to overcome similar barriers of management, finance, technology, staff and/or environment.

This paper will review existing research into how SMEs are currently using social media to gain competitive advantage, and identify what are the common characteristics of successful business practices. From this review, the potential SME-specific barriers to success will be identified, and a conceptual framework proposed which can be used to develop both government-based and enterprise-specific initiatives to overcome these barriers.

**Keywords:** SMEs, Social Media, Technology Adaptation, Social Media Marketing, Competitive Advantage

## 1. Introduction

Small and medium-sized enterprises (SMEs) play a vital role in economies throughout the world and are a key component of wealth creation and national economic development (Hill, Nancarrow, & Tiu Wright, 2002). Despite their role, it is also known that few SMEs successfully grow while the majority stay small or fail due to internal, external, financial and social constraints such as limited resources, bureaucracy, lack of information, high taxes, cost of credit and lack of state support (Bartlett & Bukvič, 2001; Doern, 2009).

The rapid increase and spread of social networking has created new opportunities for marketing practice, especially in promotional activities, enabling companies of all sizes to engage in a timely and direct manner with their customers at a lower cost and with more efficiency than traditional communication tools (Kaplan and Haenlein 2010:67). Social Media is therefore seen as an important tool that could potentially ease or even eliminate some of the constraints to growth faced by SMEs, assuming these SMEs can overcome barriers to adopting and/or using social media applications (Meske & Stieglitz, 2013). There is a growing body of academic literature on social media use for marketing activities. However, despite the economic importance of SMEs, most of the studies focus on Large Scale Enterprises (LSEs).

Therefore, there is a pressing need to understand how SMEs can use social media as a competitive advantage against LSEs. In order to accomplish this goal, this paper will review existing research on how SMEs are using social media to gain competitive advantage, identify what are the common characteristics of their successful business practices and what are their potential barriers to adoption.

## 2. Background

Since the beginning of 21st century, there has been a veritable explosion of Internet-based messages influencing various aspects of consumer behaviours such as awareness, information acquisition, opinions, attitudes, purchase behaviour, post-purchase communication and evaluation (Mangold and Faulds 2009:358). This phenomenon is based on the rise of Social Media, defined as “*a group of internet based application that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of User Generated Content.*” (Kaplan and Haenlein, 2010:61). This rapid development of Social media has been underpinned by the evolution of Web 2.0 technologies in the last decade, which enable any participant to become a content creator. These technologies, such as AJAX, Mashups and user comments, enable easy exchange and sharing of any kind of User Created Content (text, audio, video) amongst large numbers of niche groups (Cormode & Krishnamurthy, 2008). Research shows that by 2012 Social Media Blogs and Micro-blogging (Facebook, Blogger, Wordpress, LinkedIn, Twitter, etc.) had become the most popular social media types (Nielsen, 2012) and by 2013, 73% of online adults were using Social Media platforms, with Facebook the dominant player in this area (Duggan & Smith, 2013).

There are a number of opportunities for gaining competitive advantage that can be realised by SMEs using Social Media, including improved communication with customers (Meske & Stieglitz, 2013; Schaffer, 2013) better interaction with suppliers (Michaelidou, Siamagka, & Christodoulides, 2011), brand and reputation enhancement (He, Wang, & Zha, 2014), market research (Kim, Lee, & Lee, 2011) and knowledge sharing (Panahi, Watson, & Partridge, 2012). However, despite these benefits, and despite the high levels of Social Media usage, research shows that many enterprises have not yet adopted social media and/or use Social Media extensively in business activities yet. Research conducted in 2013 with 147.000 enterprises in the European Union demonstrated that only 30 % of EU SMEs were using Social Media (in particular social networks, blogs, content-sharing sites and wikis). Of those organisations using Social Media, 73% were using these services to build their image and market products, while half were using social media to obtain customer opinions or reviews, or to answer customer questions, implying an effort to improve customer service (Giannakouris & Smihily, 2013). North American social media usage is approximately three times higher (83%) than EU among the SMEs, with 94% of those SMEs using Social Media for marketing purposes (Wagner, 2014).

The level of Social media adoption by SMEs in developing countries is quite low compared to North America and often can lag behind EU SMEs. For example, as of 2014 27.7% of enterprises in Turkey with 10+ employees were reported to be using Social Media to share information with customers, partners and suppliers (TSI, 2014). And even in countries where Social Media use by consumers is common, SME adoption of any sort of IT-based technologies can lag far behind, as in the case of Indonesia which has the fourth-largest number of Facebook users in the world, but where the SME adoption rate of e-Commerce is still very low (Syuhada & Gambett, 2013).

The question therefore arises – what prevents so many SMEs from realising the benefits Social Media can bring to their businesses? To address this question, this paper reviews existing research into SME use of Social Media in order to identify potential barriers. From this review, a conceptual framework is proposed for use in future research and eventual development of suitable educational and industry-based initiatives.

## 3. Methodology

A two-step process was used to analyse existing research into SME use of Social Media. Firstly, a keyword search was conducted on academic databases to identify journal papers, proceedings and reports exploring SME usage of Social Media. This search centred on studies published since 2011 as Social media is a relatively new field for business studies, and only empirically-based research papers were taken in consideration at article selection phase. Secondly, factors that were identified as barriers were sorted into categories based on the common themes identified. The result of this categorisation of the literature is shown in Table 1.

<b>Barriers to using social media in SMEs</b>	<b>Study</b>
<ul style="list-style-type: none"> <li>❖ Insufficient support of SM by employees</li> <li>❖ Poor Effectiveness and Efficiency</li> <li>❖ Lack of Resources</li> <li>❖ Issues of Corporate Culture</li> </ul>	(Meske & Stieglitz, 2013)
<ul style="list-style-type: none"> <li>❖ SNS are not important within the industry the company operates</li> <li>❖ Uncertainty whether or how SNS could help brands</li> <li>❖ Staff is not familiar with SNS</li> <li>❖ SNS require a big investment in terms of time</li> <li>❖ Competitors do not use SNS</li> <li>❖ Staff do not have the technical skills to use SNS</li> </ul>	(Michaelidou et al., 2011)
<ul style="list-style-type: none"> <li>❖ Limited financial resources</li> <li>❖ Limited IT Staff and Expertise</li> <li>❖ Limited IT infrastructure and informal IT governance</li> </ul>	(He et al., 2014)
<ul style="list-style-type: none"> <li>❖ Lack of computer skills</li> <li>❖ Lack of computer connected to the internet at work</li> <li>❖ Social media tools are not applicable for their business</li> <li>❖ Social media tools are only used by young people to chat with friends</li> <li>❖ Perception that social media is expensive</li> <li>❖ Lack of a computer in the work place</li> </ul>	(Jagongo & Kinyua, 2013)
<ul style="list-style-type: none"> <li>❖ Lack of skill</li> <li>❖ Lack of knowledge</li> <li>❖ Lack of time</li> <li>❖ Lack of resources</li> </ul>	(Schaffer, 2013)
<ul style="list-style-type: none"> <li>❖ No strong business case</li> <li>❖ Insufficient customer demand / need</li> <li>❖ Concerns about employees gets distracted</li> <li>❖ Concerns on loss of data, privacy</li> <li>❖ Cost of HR implementing/using SM or cost of the SM apps</li> <li>❖ Absence of industry standard</li> <li>❖ Lack of strategy</li> <li>❖ Lack of control / risk of inappropriate posting by employees</li> <li>❖ Lack of incentives for employees</li> <li>❖ Concerns on regulatory stance on social media</li> <li>❖ Lack of skills</li> <li>❖ Legal issues</li> <li>❖ Recessionary economy</li> <li>❖ Fear challenging established norms</li> <li>❖ Lack of financial resources</li> </ul>	(Batikas, Bavel, Martin, & Maghiros, 2013)
<ul style="list-style-type: none"> <li>❖ Company feels like it does not gain any benefits from using social media</li> <li>❖ Social media is a risk for information security,</li> <li>❖ Not enough skills to implement social media,</li> <li>❖ Not enough time to use social media,</li> <li>❖ Not enough (monetary) resources,</li> <li>❖ Company does not know how to best utilize social media in business,</li> <li>❖ Fear for critique or negative feedback,</li> <li>❖ Bad experiences of social media,</li> <li>❖ Company can do well without social media.</li> </ul>	(Pesonen, Mikkonen, & Makkonen, 2013)

**Table 1 – Categorisation of research on SME Barriers to use of Social Media**

*Management:* Given the frequently informal and unstructured nature of SME business practices (Carson, Cromie, McGowan, & Hill, 1995), it is not surprising that this lack of strategic focus affects Social Media adoption. When combined with the fact that where Social Media has been adopted by SMEs, it has been at the instigation of the SME's owner-manager (Zeiller & Schauer, 2011), it is clear that where SME management either does not

understand or has negative preconceptions of Social Media, it is unlikely that the employees will be in a position to challenge these attitudes, and SMEs often lack the requisite skills, understanding or ways to measure the contribution Social Media can bring to the business (Nakara, Benmoussa, & Jaouen, 2012)

*IT:* Despite the fact that Social Media does not normally require detailed technical knowledge and is relatively easy to implement compared to other IT services (Chui, Miller, & Roberts, 2009), it is still the case that a number of SMEs may lack even basic IT expertise, or be misinformed about the role of Social Media in business. This problem can be further exacerbated in developing countries, where there may be a lack of IT training programmes aimed at local businesses.

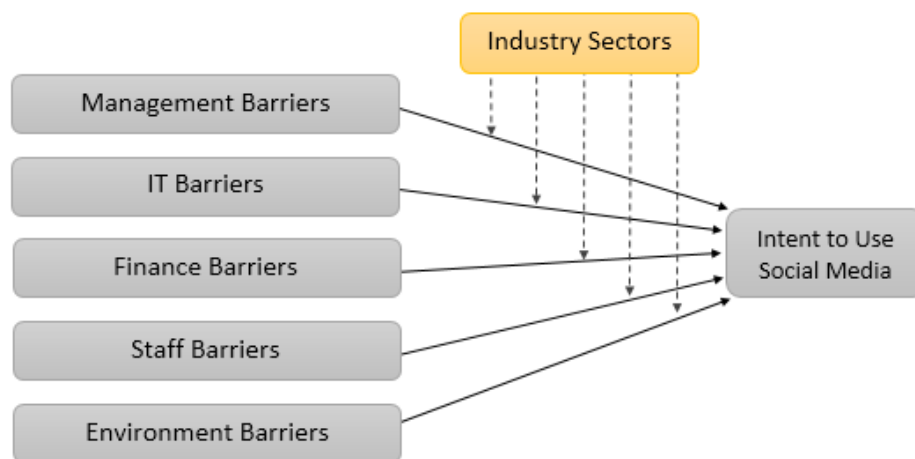
*Financial:* As SMEs are often operating under uncertain budgets (Hills, Hultman, & Miles, 2008), they may easily over/underestimate the financial requirements for operating successful Social Media strategies. In addition, the lack of clarity on the ROI for Social Media (Atanassova, Clark, & Wheeler, 2013) may further discourage any consideration of the investment needed, regardless of the amount.

*Staff:* In addition to SMEs often being primarily staffed by sector-specific employees and/or family members, the organisational culture of the SME is often intolerant of mistakes and clings to rigid routines (Singh, Garg, & Deshmukh, 2008). This can inhibit the SMEs recognition that skills in Social Media is desirable, and needs to be developed within the company either by training or hiring practices.

*Environment:* The operating environment of the SME can also provide a barrier to effective use of Social Media. These environmental factors can include such issues as the absence of peers, suppliers or industry-specific groups using Social Media, as well as in-country legal or regulatory restrictions on use of Social Media by businesses and/or customers alike.

#### 4. The Conceptual Framework

Based on the themes identified above, Figure 1 shows a proposed conceptual framework for understanding barriers to SME adoption of Social Media.

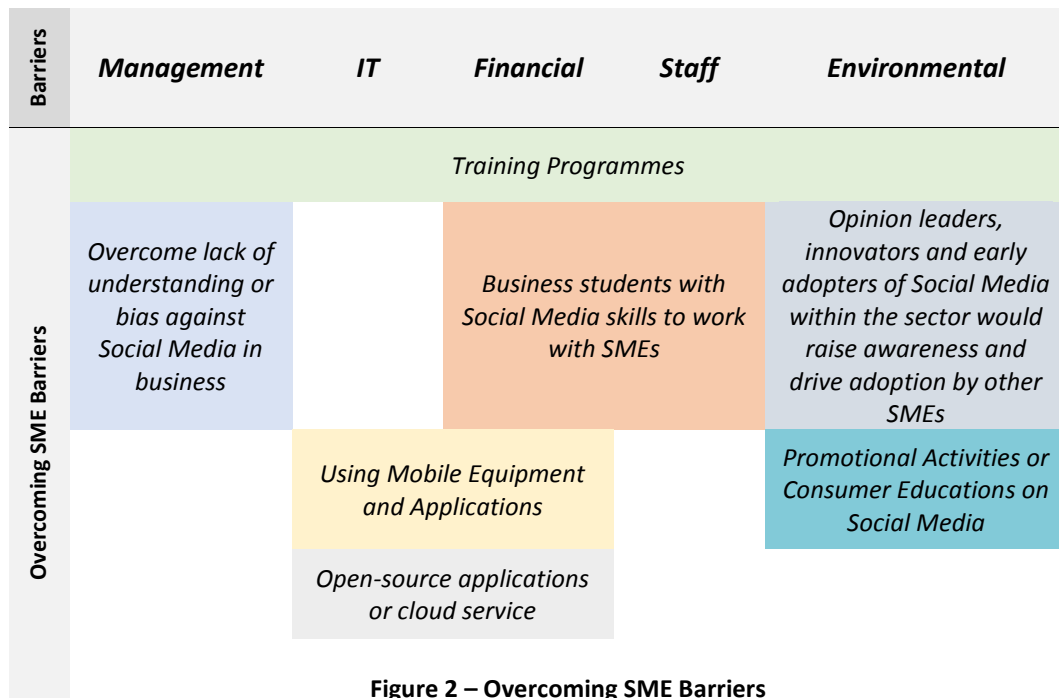


**Figure 1 – Barriers to SME Adoption of Social Media**

In assessing this framework, it must be recognised that SMEs are highly heterogeneous in nature, with business practices dependent not only on industry but also on the size of the enterprise. For example, while a new five-person software company headed by a young entrepreneur and an established fifty-person family-run furniture manufacturer would both be considered SMEs, their approaches to using social media to gain competitive advantage will likely differ. However, both these types of enterprises may still need to overcome similar barriers of management, finance, technology, staff and/or environment.

## 5. Identifying and Overcoming Barriers

The framework described above is initially proposed as a basis for research into SME barriers to Social Media, suggesting a structure for surveys, questionnaires, interviews and focus groups, which can be targeted at specific industries and/or regions. In addition, the framework can also provide guidance on developing focused governmental and sector-based initiatives to assist SMEs in adopting Social Media into their business practices (Figure 2).



**Figure 2 – Overcoming SME Barriers**

- Where Management Barriers are identified as a factor, this could suggest development of training programmes targeted at SME owner-managers to explain the value of social media to business operations and in gaining competitive advantage. Such training programmes, suitably targeted at specific industries and/or regions, with relevant case studies, would serve to overcome lack of understanding or bias against Social Media in business.
- Where IT Barriers are identified as a factor, this could suggest development of training programmes targeted at all relevant SME employees on how to use and manage various Social Media platforms. In addition, especially in regions where communications or IT infrastructure is limited, programmes could be developed to provide subsidised mobile equipment and applications to SMEs in order to assist them with establishing themselves on Social Media.
- Where Financial Barriers are identified as a factor, this could suggest development of training programmes, again targeted at SME owner-managers plus any other staff with fiscal responsibilities, on the true costs of managing successful Social Media platforms, how Social Media can potentially reduce communication, marketing and support costs, and how the financial contribution to the company can be monitored and measured. In addition, open-source and/or cloud-based applications could be developed and provided to SMEs which would enable tracking of Social Media costs and targets with relatively low levels of investment and training.
- Where Staff Barriers are identified as a factor, this could suggest development of training programmes targeted at and available to all employees within SMEs. In addition, partnerships could be developed with local Higher Education institutions to encourage Business students with Social Media skills to work with SMEs, either as part of Degree courses, internships or graduate schemes. Such programmes would not only

encourage adoption of Social Media within SMEs (Bakeman & Hanson, 2012), but also offer valuable experience to the students themselves.

- Where Environmental Barriers are identified as a factor, there are a number of initiatives that could be developed in response. If the barriers are sector specific, developing and publicising sector-specific SME opinion leaders, innovators and early adopters of Social Media within the sector would raise awareness and drive adoption by other SMEs (He et al., 2014). A similar approach could be developed to promote regional adoption of Social Media by experts familiar with local issues. Targeted promotional and educational programmes could be developed to also promote Social Media usage by SME suppliers and customers. If the barriers are legal or regulatory, this could inform development of new policies designed to promote the growth of SMEs, who play a key role in national and global economies (Hill et al., 2002), and consequently require governmental policies that provide the infrastructure to support their growth (Beaver & Prince, 2004).

## 6. Conclusions and Future Research

Given the vital role of SMEs in modern economies, and the potential benefit Social Media can bring to their ability to gain competitive advantage, it is clear that the barriers to adopting Social Media by SMEs needs to be identified so that relevant and specific initiatives can be developed to assist these enterprises in identifying and exploiting the opportunities Social Media can bring to their business. By analysing previous research into SME problems with Social Media adoption, it is clear that there are potentially a number of different issues that can inhibit adoption, some of which can be sector or region specific, and therefore addressing these barriers must start with recognition that there may be multiple factors creating these barriers, and therefore a framework is proposed that is both comprehensive enough to identify these multiple factors and flexible enough to be used across different industry sectors and regions. The next stage in the evolution of the framework will be to develop sector-specific and/or regional pilot studies based on the framework, in order to validate and refine the constructs identified.

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