

Social Media and Entrepreneurship

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Abstract: This research study deals with entrepreneurs in social media. The study conceptualizes and methodologically highlights issues in social media and using various platforms. The research was conducted in small and medium enterprises. Enterprises that use social media for the strategic growth of their business is found to do well when compared to their competitors who do not use social media. The study clearly establishes that social media is the tool for greater market accessibility and also promotes customer relationship management.

Key words: Social media, entrepreneurship, customer relationship management, plat form, growth

INTRODUCTION

Entrepreneurs can be defined as individuals who can explore the environment, discover the opportunities and exploit them after proper evaluation, Barringer and Bluedora (1999). Entrepreneurs are generally defined as those individuals who are self-employed who have started their own business or who run and own an incorporated business. This research study reviews and evaluates, the academic literature on the prospects and challenges of entrepreneurship of social media based services. The study incorporates discussions on conceptual and methodological issues from previous literature on the subject.

Published work, prior studies and unpublished work clearly indicate that several factors such as education, experience, leadership, managerial and entrepreneurial expertise have a considerable role to play in the success of an entrepreneurial venture.

Entrepreneurship principally outlines the forecasting and managing of uncertainty, understanding and fulfillment of market deficiencies, the capability to face and manage disequilibrium, etc. Identification of newer opportunities, creating new organization and engaging in new ventures is what entrepreneurship is all about. Entrepreneurship not only contributes to growth of new business and creation of employment, but is also responsible for its proper function. A very notable definition of entrepreneurship that conceptually explains it goes like this; entrepreneurship can be defined activity that involves identifying, evaluating and exploiting opportunities to introduce new goods and services, ways of organizing, markets, processes and raw materials through aligning and organizing efforts that previously have not existed.

An entrepreneurial venture can be said to be successful if it is visibly growing. The growth here has several implications. The connotations can be in terms of revenue generation, profit margin, value addition, creation of demand and expansion in terms of volume of the business. Qualitative features could also be a form in which it can also be measured and some of them are market position, quality of product and goodwill of the customers. Stepping into the purpose of entrepreneurship, it can be said that entrepreneurship aims at introducing new goods and services it brings about new ways of organizing, opens new markets, introduces new processes and makes available raw materials through organizing and collation efforts that were not in existence earlier. All these efforts are for creating customer and making profit as seen ion the business.

Review literature: The concept of entrepreneurial readiness refers to self-efficacy which is related to a person's belief in his or her capability to perform a given task. The term self-efficacy is derived from Bandura (1977, 1995)'s Social Learning Theory. According to Indarti (2004), there is a significant correlation between self-efficacy and entrepreneurial intention. In turn, entrepreneurial readiness was linked significantly to business success.

Social media today is also referred to as social networking where collaboratively produced and shared media content is hosted. Social media is also used as a networking tool among communities. Social media provides freedom of open communication, expressing creativity and knowledge sharing among users. Networking tools like facebook, skype and discussion forums enable users to share their views and encounters

(Tapscott and Williams, 2010). Social media marketing can be called an art form. A pushy or a conventional piece of advertisement no longer works with a constantly evolving social media savvy customer base. Rather, a strategic relationship building approach could really work for a start-up business. With the right use of social media solutioning business owners can master it.

Zontanos and Anderson (2004) in their research study mention that social networking helps in the improvement of the firm's outlook, increases networking between customer and supplier contacts, directs them to resources and funding, helps innovation and helps to build strategic partnerships. Social networking could prove to be a good platform where resources could be made easily available which otherwise would be difficult to obtain. The benefits of utilizing social media as a marketing and business tool is highlighted by Simmons (2008). He mentions a few of them as follows; social media provides greater access to different customer bases, paves way for improved customer service, helps deliver improved products and services and creates adoption of favourable pricing practices.

Understanding and catering to the environment in which the business operates is imperative for the success and sustenance in the social media marketing business sector. More importantly, the systems should also be versatile enough to support the newest technology that relates to the domain. Mark Zuckerberg, co-founder of facebook emphasizes this by saying that advertising is fast changing and businesses need to understand the usage of internet technologies in order to remain relevant and stay in business (Maymann, 2008). The social media marketing channel could be made a highly effective one by strategizing the marketing and business technique. Simply, the adoption of internet can help to increase the customer base and improve market for product/services. This could also make a significant contribution towards business' growth strategy, Fruhling and Digman (2000). The scope of a business can be expanded through the internet and the business can be extended by penetrating new markets and by way of new product development. The networking and partnership that the internet facilitates can generate sales and newer opportunities to come up with new products and services (Porter, 2001).

The end results of social media platforms have found to be far-reaching. The founders of the social media platforms would never have anticipated that they were getting into as far as marketing goes. The end results have clearly proved to be working. According to the Social Media Examiner with as little as 6 h per week, the vast majority of marketers (95%+) indicated their social

media efforts increased exposure for their businesses. Nearly, all marketers (93%+) who've been employing social media marketing for 1 year or longer report, it generates exposure for their businesses. The first social media ad was introduced over 10 years ago. Giving thought to the current social media industry, we can be assured that the business can only get more targeted, more perfected and more interactive.

Social media has clearly changed the way businesses operate. Businesses have greater access to resources that were earlier denied to them. Businesses have greatly grown by way of establishing strategic partnership with suppliers and creating strong bonds with customers. According to the 2012 social media marketing report, 83% of marketers consider social media as important for businesses. The same report indicates that the benefits of social media marketing are increased exposure; generation of leads, improved sales, development of loyal fans and establishment of business partnerships.

MATERIALS AND METHODS

Like similar researches, the study uses descriptive research design to meet the objectives defined. The city of Pune was chosen and 30 Small and Medium Enterprises (SMEs) were identified as the sampling frame. The effect of social media on the market access, customer relationship management, innovativeness and pricing of products of SMEs was studied. Questionnaires were used as the tools for research and were administered on the 30 SMEs defined. The respondent population mostly covered owners or managers. The population of interest was then divided by using cluster sampling. In order to further identify the specific businesses to be used for the study simple random probability sampling technique was used. Both quantitative and qualitative data was collected and then analyzed using SPSS. The results of the study have been presented in tables and figures for easy interpretation. The study clearly establishes that social media tools offer greater market accessibility and also promotes Customer Relationship Management (CRM) which in turn have a significant impact on the growth of SMEs. Aspects like pricing of products and innovativeness on the other hand that is offered by social media have had very little impact to cause any growth in the SMEs. It is ascertained that geographical barriers can be broken down by the use of social media tools. In addition, social media is found to allow businesses to communicate cheaply and speedily with customers instead of using other high priced marketing techniques. It also helps in constructing a database that can be used to generate business leads that may translate to increased

sales and thus grow the SMEs. One of the recommendations that the study puts forth is that policy makers such as the government should be keen on the current trends of technological adoption by SMEs to come up with policies that encourage best practices for the growth of the SME sector. Issues like cybercrime and issues relating to copyright and privacy should also be addressed and training of social media and provision of business solutions that would bridge the gap and encourage more SMEs to adopt the use of social media tools which would lead to their growth.

Statement of the problem: The use of social media by the small and medium enterprises could open various avenues for revenue generation, nevertheless is it one of the least researched areas. With the advent of Web 2.0 technologies, it is exceptional what the internet of things is capable of. Social media is credited with increased marketing, faster time-to-market, better customer relations, facilitation of innovation and pricing strategies. The power of social media in revenue generation cannot be ignored. With more and more companies stepping towards social media as their strategic tool, it is imperative for the SMEs to make use of social media to a large extent as well.

Objectives of the study: The following are the specific objectives dealt with in the study:

- To understand and determine the effect of social media on the market push and access of the small and medium enterprises of Pune City in India
- To understand and bring out the effect of social media on the customer relationship management of the SMEs in and around Pune
- To understand and determine the effect of social media on the pricing of products from SMEs in Pune

Research design: According to Kothari (2011), a research design is clearly a plan and a structure of investigation drafted out in order to obtain answers to research questions. Simple random probability sample technique was used to identify samples. This ensures that each sample has equal chance of selection and there is no bias. Thus, the law of statistical regularity is satisfied which states that if samples are randomly chosen, it will have the characteristics and composition as with the entire population.

A structured questionnaire was administered to 30 managers/owners of the SMEs. The questionnaire had both open-ended and closed-ended questions. The open-ended questions intended to get more details on the

SMEs for the research. The obtained data was then, analyzed using Statistical Package for Social Sciences (SPSS). Central tendency and correlation were found to establish the degree of relationship between the variables. Patterns and tendencies were identified and inferences given.

RESULTS AND DISCUSSION

Tests for validity and reliability: A pilot study was done with the questionnaire to test the reliability and was tested using Chronbach's alpha. A Chronbach's alpha coefficient of 0.81 was obtained which is above the recommended cutoff of 0.7. Hence, it can be said that the research instrument is reliable. The response rate was 97% with 29 individuals returning the filled in questionnaires.

Findings: Figure 1 shows the research findings which show that 67% of respondents use social media to propagate their businesses while 33% of respondents do not use social media.

Discussions with SMEs that do not use social media tools: When respondents were asked why their businesses did not use social media tools, these were the arguments and top reasons that came out:

- Lack of computer knowledge
- Lack of computers and proper internet connectivity at workplace
- Perception that social media has nothing to do with their business

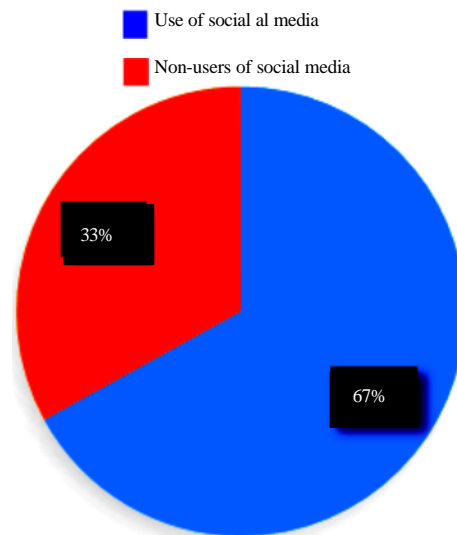


Fig. 1: Percentage of SMEs that use social media tools

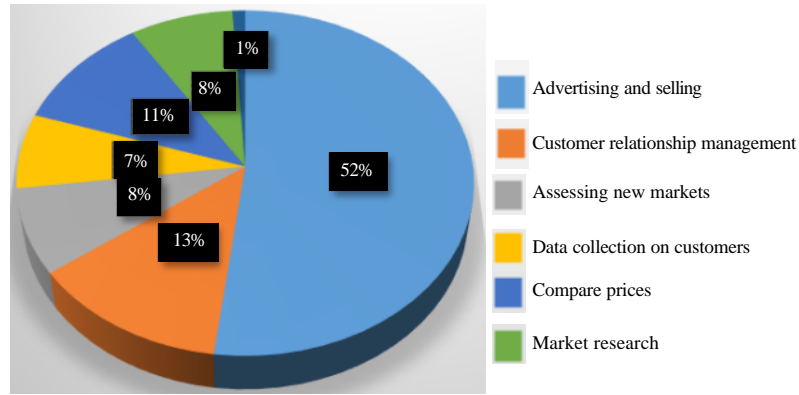


Fig. 2: Usage of social media tools

Table 1: Correlation between dependent variables and growth of SMEs

Dependent variables	Average sales per month	Increase in profits	Number of employees
Market analysis	0.716 (Pearson correlation)	0.634 (Pearson correlation)	0.370 (Pearson correlation)
	0.004 (Significance/2-tailed)	0.011 (Significance/2-tailed)	0.003 (Significance/2-tailed)
CRM	0.626 (Pearson correlation)	0.544 (Pearson correlation)	0.344 (Pearson correlation)
	0.002 (Significance/2-tailed)	0.003 (Significance/2-tailed)	0.000 (Significance/2-tailed)
Increase in product range	0.390 (Pearson correlation)	0.645 (Pearson correlation)	0.272 (Pearson correlation)
	0.011 (Significance/2-tailed)	0.016 (Significance/2-tailed)	0.001 (Significance/2-tailed)
Pricing of products	0.386 (Pearson correlation)	0.378 (Pearson correlation)	0.039 (Pearson correlation)
	0.000 (Significance/2-tailed)	0.001 (Significance/2-tailed)	0.702 (Significance/2-tailed)

*, **Correlation is significant at the 0.05 and 0.01 level (2-tailed)

The respondents who had mentioned that their businesses used social media tools stated that their business utilized 80% social media tools for advertising and visiting E-commerce sites.

The respondents indicated that social media was a preferred mode of communication and advertising since it is being widely used and they wanted to keep up with the times in order to keep their businesses running.

The results that came up on the usage of the social media are as follows. About 52% of the usage of social media was to advertise and sell products, 13% was for CRM, interestingly about 8% used social media for exploring new markets and 7% to collect data on customers. Figure 2 gives a detailed account on the usage.

Respondents have also cited that communication has been made easier and cheaper both with customers and suppliers with the use of social media tools.

Correlation between dependent variables and growth of SMEs: The study intended to find out the correlation between CRM, innovation, market access, product pricing and growth of SMEs. The results of the correlation analysis is outlined in the Table 1.

From Table 1, it can be inferred that there is a strong correlation between market access and the sales per month ($r = 0.716$, $p = 0.004$) two tailed and hence, market access had a significant strong and positive relationship with the sales per month. Also, CRM had a strong

correlation with sales per month at $r = 0.626$, $p = 0.002$, two tailed and thus, CRM was found to increase sales per month. However, on correlating the pricing of the products and the range of products, both were found to have weak correlations of $r = 0.386$, $p = 0.000$ two tailed and $r = 0.390$, $p = 0.011$, two tailed respectively. Hence both variables indicated that they did not significantly affect the sales per month of the SMEs. Market access was correlated with increase in profits which resulted in $r = 0.634$, $p = 0.011$ two tailed. As such, market access has a significant positive relationship with increase in profits. Similarly, CRM was correlated with increase in profits ($r = 0.544$, $p = 0.003$) two tailed and there was also found to exist a significant positive relationship. On the other hand, when pricing of products was correlated with increase in profits ($r = 0.378$, $p = 0.001$) two tailed, a weak relationship was noted. From Table 1, it is clear that the dependent variables have a weak relationship with the number of employees in SMEs. For instance, market access and the number of employees resulted in $r = 0.370$, $p = 0.003$ two tailed, CRM and number of employees attained $r = 0.344$, $p = 0.000$ two tailed, and increase in range of products achieved a weak correlation of $r = 0.272$, $p = 0.001$ two tailed.

Effect of market access on SMEs: From the research, it had emerged that 49% of the respondents agreed that social media provided them with greater market accessibility while the remaining 51% either refuted this or

had a neutral opinion about this. Social media is found to work outside geographical boundaries as outlined by McGowan *et al.* (2001), who observes that the internet, more particularly social media has broken down geographical barriers in terms of ways of doing business and communication. This has led entrepreneurs to find new business opportunities and access new markets. The correlation coefficient presented ($r = 0.716$, $p = 0.004$ and $r = 0.634$, $p = 0.11$, 2-tailed) proves the strength. There is significant relationship and the market access via social media has proved to be an important factor in realization of profit.

Effect of CRM on SMEs: Information Technology and applications have taken CRM to the next level. So, it has the increased use of social media. CRM can be explained as the cross-functional integration of people, processes, operations and marketing capabilities that is enabled with the help of information technology, and applications (Payne and Frow, 2005). A whopping 77% of the respondents indicate that CRM has been greatly improved with the use of social media tools. It is clearly noticed that social media has facilitated effective communication with customers and suppliers. The results ($r = 0.626$, $p = 0.002$ two tailed) show that through social media, CRM has been able to increase profits and generate sales. Timely insights from customer and feedback helps the businesses translate them into revenue.

Effect of innovation on SMEs: The 31% of the respondents have agreed that through the use of social media in businesses, they have been motivated to bring in innovation to their products and services. The resources that they require for this have also been easily available with the advancement of information technology and the internet per se. The correlation results show a slight weak trend when it came to innovation since not many respondents were in agreement to this ($r = 0.386$, $p = 0.000$). A few respondents were able to justify stating that although social media did not help in directly innovating products, it helped superficially in innovating packaging, delivery methods, payment techniques, etc. Some of the SMEs were able to send out message alerts, new product ads, offers, etc. to customers. Product and service innovation ultimately prove to grow revenue numbers.

Effect of pricing of products on SMEs: The 39% of respondents agree that social media along with the internet forms an efficient means of understanding market pricing and strategies. The correlation results show a

slight weak trend when it came to pricing of products since not many respondents were in agreement to this. Pricing which is one of the most influential element of a product service needs to be first looked into while looking at the top-line and bottom-line of a business. Businesses needs to be increasingly price sensitive to thrive well in the market.

CONCLUSION

From the research, it is evident that not many SMEs are knowledgeable on the benefits of social media tools. Social media helps in developing new entrepreneurship by way of market analysis and is by and large a good technique to help explore new markets. Enterprises that use social media for the strategic growth of their business is found to do well when compared to their counter-parts who do not use social media. It provides a competitive edge over the other players in the market. The study has established that social media helps in removing geographical barriers to create markets for the products/services. It is also evident from the study that social media helps in making pricing decisions by assessing other businesses of similar nature. Enterprises that fail to innovate will not have a place in tomorrow's market. Social media has helped firms innovate by assessing industry best practices and customizing which fits the best for them. Social media has significantly helped in CRM related activities by establishing a connect between the businesses and the end customer. It has fostered better and timely communication with the customer thereby reducing errors and increasing sales.

RECOMMENDATIONS

Government agencies that propagate the importance of small business and provide funds for entrepreneurs can also educate investors on the importance of social media tools in business. Traditional and conventional family businesses need to adapt to newer technologies and use social media for improving sales margins. This would lead to better market visibility and greater access to markets. SME forums can enlighten entrepreneurs on usage of social media marketing. To the newer generation, the study recommends increased use of social media to find innovative ways of tapping new markets and stepping into entrepreneurship.

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