

# **A GUIDE FOR USING ONLINE SOCIAL MEDIA AND SOCIAL NETWORKING ACTIVITIES FOR SMME'S**

**by**

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## **DECLARATION**

I hereby declare that this treatise submitted is my own independent work and has not been previously submitted by me for a degree at any university. It is my own work and all sources used or quoted have been indicated and acknowledged by means of complete references.

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C J Morley

November 2012

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## **ABSTRACT**

Social media is playing an increasingly important role in people's lives and is becoming a part of most organisations' business models. Businesses cannot ignore this phenomenon due to the increasing influx of Generation Y employees in their businesses and the Generation Y consumers who are going to buy their products and services in the future. Social media is changing the way that marketing is being conducted, in a positive way. It is changing from businesses focusing on selling products or services to customers, to businesses building relationships with customers and adding value to their lives through their products and services.

This phenomenon was the base for this study. The research problem was identified as follows: SMME business owners do not understand the importance and impact of social media on their businesses. Sub-problems were identified as: defining social media and networking, describing the importance of this, which strategies are currently being used in business, how it compares to traditional networking, how this is used in recruitment strategies and what are the disadvantages of social media and networking. The research problem and sub-problems were addressed in a literature study and an empirical study. The literature study included information on SMME businesses, their importance in our economy and how social media can help them. The empirical study was done using SMME's registered with the George Business Chamber. A questionnaire was designed and distributed to the owners of the businesses by email. The answers were analysed and collated on a spreadsheet which were presented in graph and diagram format.

Social media and networking are becoming an integral part of businesses especially small businesses. They specifically have an important role to play in creating economic wealth and creating employment. SMME's are faced with a lot of challenges which make it difficult for them to become successful and sustainable. Social media can play a role in overcoming a lot of these challenges by helping SMME's with marketing, customer engagement, relationship building, recruitment, and finding valuable information, experience and partners.

Social media also has disadvantages which include: virus attacks, risk of confidential information leaking and so forth, but these can easily be managed by social media

policies and rules. A bigger risk lies in the fact that if a business owner ignores the existence of social media, this can lead to conversations by consumers about this business being ignored and not responded to. Another big risk for SMME's is the fact they are at a competitive disadvantage by ignoring this new technology. This was clear from the empirical results in this study which stated that 53 percent of the businesses surveyed, were aware their competitors are using social media.

The empirical results indicated a very low use of social media activities among the SMME's surveyed but showed potential as the SMME's understood the importance of social media and were eager to implement strategies in their businesses. The reasons offered for not using social media included the fact that it was difficult to measure its worth in time and money, advice is needed from experts and so forth.

Social media and networking are not quick or cheap methods for businesses to advertise and sell their products or services. They are tools to be used over time, in order to engage with customers and build relationships. Consumers and customers expect value for their money and if they find this from a business, they will gladly share it with others. On the other hand, if they do not find value for money it could have a negative impact on the business.

SMME's must not try to replace their current marketing strategy with social networking activities. They should integrate it slowly into their current business models and search for unique ways in which it could improve the relationship with their current customers and find new customers. It should help them to either showcase their existing value added products or services, or improve it if it is not worth selling. Small businesses now have the platform to compete.

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# **CHAPTER 1**

## **INTRODUCTION AND OVERVIEW OF THE STUDY**

### **1.1 BACKGROUND AND MAIN PROBLEM**

Over the past twelve years, social media has become popular as a medium whereby people keep in contact with loved ones, business colleagues and friends (Bahadur, 2011). Today, social media has become part of businesses and the consumer, in particular, knows how to use this technology and expertise to his advantage.

Social media is not just a recreational venue (Stoller, 2008) for sharing chats and pictures among teenagers and young people. In addition, social media can be considered from different perspectives. According to Hensel (2008) small businesses can become and remain competitive against larger competitors. It levels the playing field in the sense that small businesses can appear larger than they actually are.

The essence of social media use in business, relates to relationships with the consumer of the business's product or service. It addresses the fact that consumers of today are looking for value for their spending. Businesses are not managing today's consumers, they have to engage with them and find out what they value and why they want to buy from a specific business.

According to Bullock and Deragon (2009) social media does not come with directions or a user manual. Social media cannot be learned by copying strategies used by other businesses, but should be used purposefully by entering a never-ending process of learning. Social media is a new way of communication that should be embraced by businesses. Consumers use this new communication channel to give instantaneous feedback on businesses, their products and services.

This lead to the following problem, which was addressed by this research:

*SMME business owners do not understand the importance and impact of online social networking and media on their future business success.*

## **1.2 SUB-PROBLEMS**

Closer examination of the main problem identified the following research questions which contributed to the development of a research strategy to deal with and solve the main problem:

1. What is the definition of social media and social networking?
2. What is the significance of social media and networking in business?
3. How does traditional networking activities compare to online social activities?
4. What social media methods, strategies and measurements are businesses using currently?
5. How are businesses using social media in their recruitment strategies?
6. What are some of the disadvantages of using social media in businesses?
7. What is the definition and classification of SMME's?
8. What is the importance of SMME's in our economy?
9. How can social media help with the challenges being faced by SMME's?

The main research objective was to develop a reference guide which can be used by SMME's to assess and make decisions on online social media and networking strategies.

## **1.3 HYPOTHESIS**

The survey questionnaire identified some elements which could be used to identify relationships between age, gender, personal use of social media, having children of a certain age, the type of industry and the use of social media. This information could be valuable in identifying the target market and type of social media strategies for SMME businesses.

The following hypotheses are presented in Figure 1.1 and have been formulated to represent the relationships that the questionnaire of this study proposed to test:

H<sup>1</sup>: People between the ages of 18 - 35 use social media more in their business than any other age group;

H<sup>2</sup>: Females use social media sites more than males in their business;

H<sup>3</sup>: People with an education level higher than a diploma use social media more in their business compared to people who have a diploma or matric level;

H<sup>4</sup>: People with children between the ages of 13 - 35 use social media more in their business than people with children of any other age group;

H<sup>5</sup>: People who use social media for personal reasons are more likely to use social media for business purposes;

H<sup>6</sup>: People who have advanced and formally trained computer skills are more likely to use social media in their business;

H<sup>7</sup>: Businesses that have been in existence for less than 5 years are more likely to use social media than businesses older than 5 years;

H<sup>8</sup>: Businesses in the service industry use social media more than businesses in the manufacturing industry;

H<sup>9</sup>: People between the ages of 18 - 35 feel that traditional ways of marketing and networking are fast becoming out-dated;

H<sup>10</sup>: Females are more likely to feel that traditional ways of marketing and networking are fast becoming out-dated, compared to males;

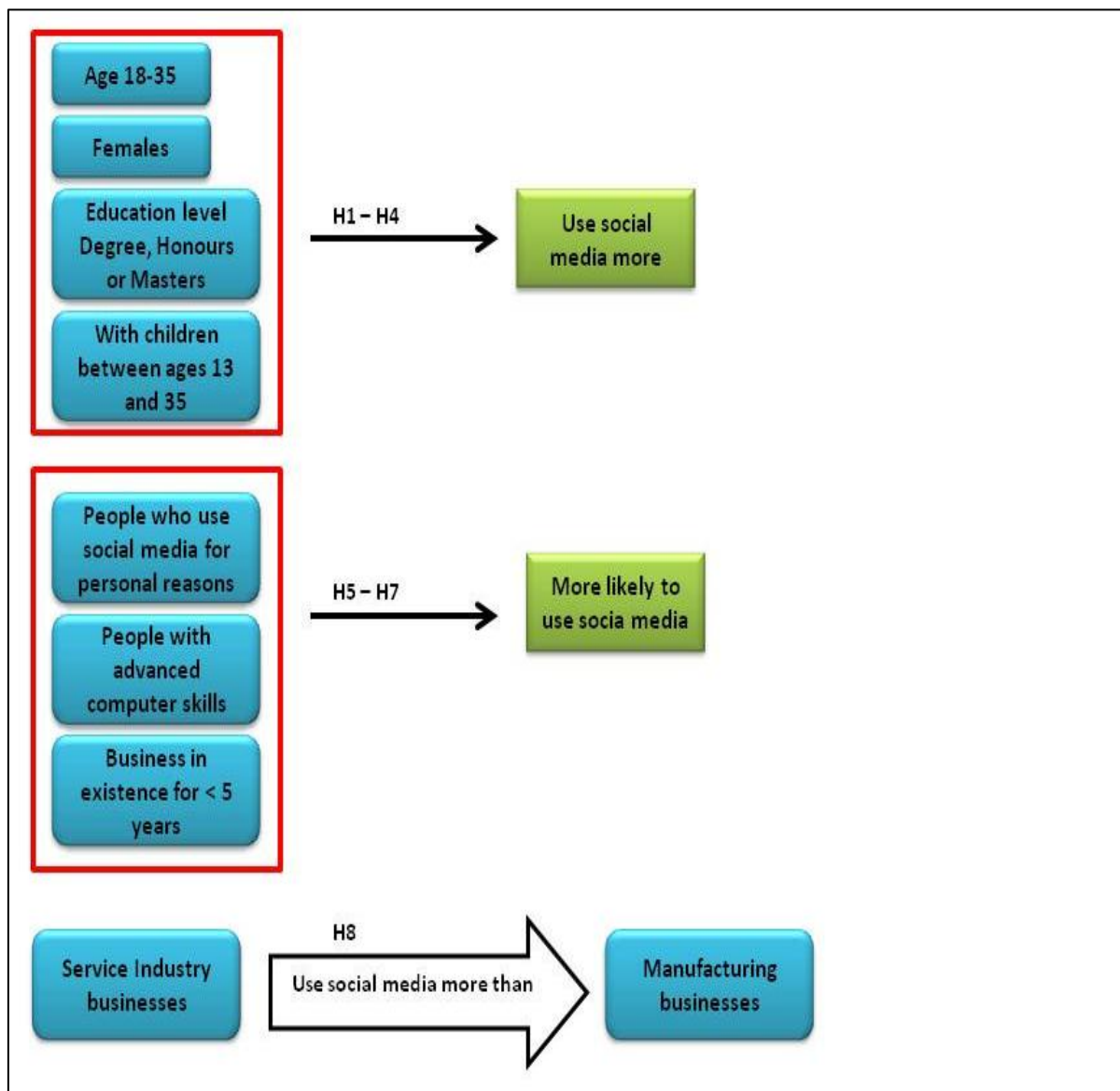
H<sup>11</sup>: People with an education level higher than a diploma feel that traditional ways of marketing and networking are fast becoming out-dated, compared to people who have a diploma or matric level;

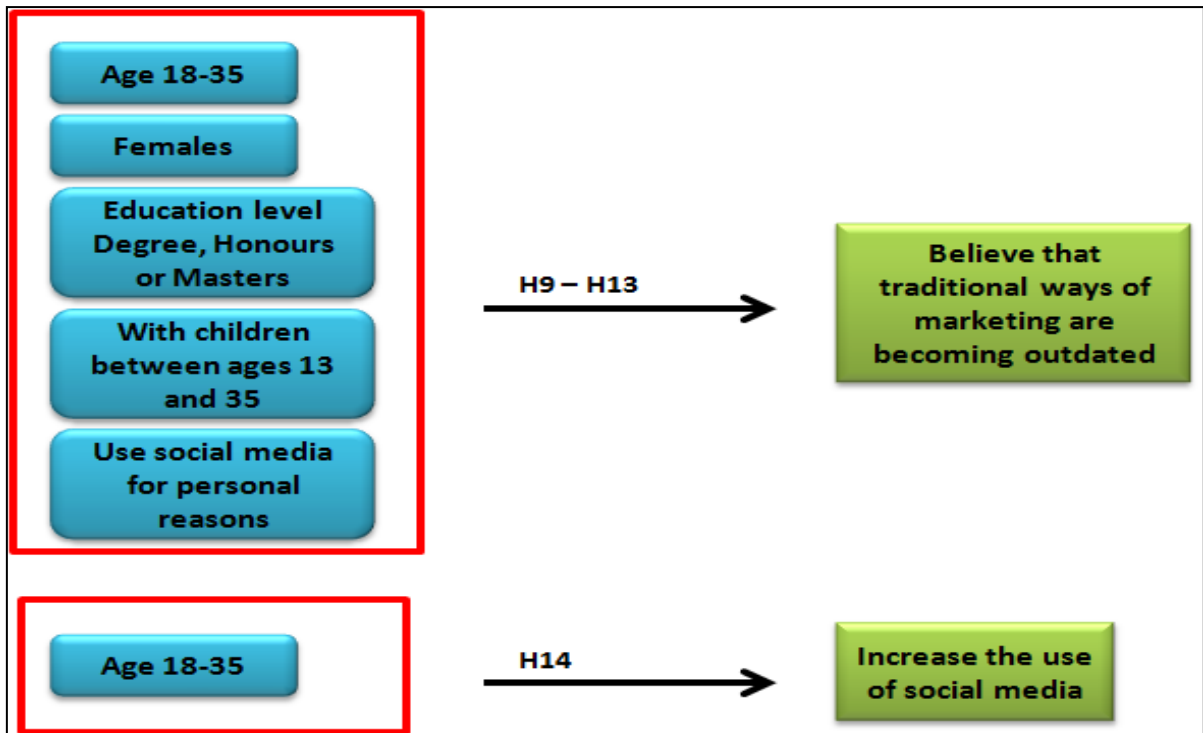
H<sup>12</sup>: People with children between the ages of 13 - 35 feel that traditional ways of marketing and networking are fast becoming out-dated, compared to people with children of any other age group;

H<sup>13</sup>: People who use social media for personal reasons and/or business purposes feel that traditional ways of marketing and networking are fast becoming out-dated;

H<sup>14</sup>: People between the ages of 18 - 35 are considering increasing the use of social media in their business more than any other age group.

**Figure 1.1: Proposed hypothetical model**





## 1.4 DEMARCATION OF THE RESEARCH

Demarcating the research serves the purpose of making the research topic manageable from a research point of view and the omission of certain topics does not imply that there is no need to research them.

### 1.4.1 Geographic demarcation

The empirical component of the research was focused on SMME businesses which are registered with the George Business Chamber.

### 1.4.2 People to be surveyed

The study was focused on business owners or managers of the SMME businesses registered with the George Business Chamber.

## 1.5 THE SIGNIFICANCE OF THE RESEARCH

Companies across the globe are increasingly focusing on their core competencies and as a result are contributing to global trends such as downsizing, outsourcing and restructuring (Urban & Naidoo, 2012). The authors further state that to



counteract these tendencies, SMME's have been seen as a solution to create new firms and jobs.

Adding to these problems is the fact that the world is still in a state of a global financial crisis, which means declining job prospects and economic growth especially in developing countries such as South Africa. These facts contribute tremendously to the current challenges already facing SMME's and further increase the pressure on them to perform and create jobs and economic growth.

Some of the challenges facing SMME's can be overcome by using social media strategies. Through social media they are able to gather insights into what consumers are talking about and therefore also know what they regard as valuable in relation to products and services. It also gives them access to consumers they would not normally have access to, breaks geographical boundaries and increases their market focus dramatically.

Chui, Manyika, Bughin et al., (2012) state that the benefits of social media technology will possibly outweigh the risks and businesses that do not make it their priority to understand social media and how it affects the future of their business will run the risk of having their business models disrupted.

## **1.6 RESEARCH METHODOLOGY**

The following procedure was adopted to solve the main and sub-problems:

### **1.6.1 Literature survey**

The literature review addressed the questions asked in the sub-problems to solve the main research problem.

### **1.6.2 Empirical study**

- Measuring instrument: The researcher developed a comprehensive questionnaire for the research project to determine the current and possible future use and perceptions of social media in SMME businesses;

- Sample: SMME businesses registered with the George Business Chamber;
- Statistical analysis of data: The statistical procedures which were used in interpreting and analysing the data, was determined in consultation with a statistician.

The results of the literature and empirical survey were integrated to develop a reference for SMME business owners on the use of social media in their business.

## **1.7 OUTLINE OF THE STUDY**

The research included the following chapters:

Chapter 1: Introduction and overview of the study

Chapter 2: Literature review on social media and networking

Chapter 3: Literature review on SMME's

Chapter 4: Design of empirical study

Chapter 5: Analysis of empirical study

Chapter 6: Conclusion and recommendations

## **1.8 CONCLUSION**

An overview of the study, which was used as a framework for the purposes of the research, was outlined in this chapter. The hypotheses were listed and were tested in the questionnaire submitted to respondents. The importance of social media in the context of SMME's was briefly discussed. The main problem and its associated sub-problems identified for this investigative study are discussed in the following chapters.

## **CHAPTER 2**

### **SOCIAL NETWORK AND SOCIAL MEDIA**

#### **2.1 INTRODUCTION**

Chapter two begins with a broad definition and explanation of social media and networking and defines some of the elements which will be focused on as the subsequent guidelines for Small Medium Businesses. The following section gives some insight as to why social media is not fully embraced and utilised by businesses and then provides reasons why social media is important despite negativity. The differences and similarities between social networking and traditional networking are provided, followed by methods and tactics that companies are currently using and how social media projects and strategies can be measured. A section on job recruitment and how this relates to social media is also presented and finally a section is allocated to some legal issues and disadvantages with regard to social media and how these can be overcome and managed, by putting social media policies into practice.

#### **2.2 DEFINE AND EXPLAIN SOCIAL MEDIA AND NETWORKING**

Taprial and Kanwar (2012) state that social media includes all web-based and mobile technologies that allow communication and interactive dialogue between online communities through sharing information, creating blogs, internet forums and social networks. Boyd and Ellison (2007: 211) say that “individuals are allowed to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection and (3) view and traverse their list of connections and those made by others within the system. The nature and nomenclature of these connections may vary from site to site.” Kerpen (2011: 6) simplifies it by defining it as “a place where anyone can listen to others talking and join the conversation with anyone else about any topic of their choice.”

Bullock and Deragon (2009: 17) define social media as “all about developing and engaging in consistent intentional conversations around relevant content within a meaningful context within an eager community.” According to Dong-Hun (2010: 112) social media is an “open media for interactive communication led by normal people” and further states that this interactive communication is delivered in the form of a pyramid, which is based on relationships. The uniqueness of social networking sites is not the fact that individuals meet strangers, but that it can result in connections between individuals, which in normal circumstances would not have been made (Boyd & Ellison, 2007).

In defining social networking, Brown (2012) says that social networks are formed when individuals are grouped together into specific groups or communities. She says that networking then takes place through websites which are known as social sites. Networking activities occur between members who share common interests in hobbies, religion, politics and business. First-hand information and experiences are shared on any topic and can include things like cooking, golfing, gardening, business ideas and employment. Kaplan and Haenlein (2010: 63) define social networking sites as “applications that enable users to connect by creating personal information profiles, inviting friends and colleagues to have access to those profiles and sending e-mails and instant messages between each other.” The following functionalities (Breslin & Decker, 2007) form the basis of most social networking sites: Friends listings, person surfing, private messaging, discussion forums or communities, events management, blogging, commenting and media uploading.

Chaney (2009, 83) gives a summarised description of the most common social networking sites which can also be successfully used by Small Medium Businesses:

#### *LinkedIn*

- It covers business-related topics and issues;
- Not conversational in IT orientation;
- It lends a degree of professional credibility;
- Requires the least amount of upkeep.

### *Facebook*

- It is the business casual look;
- It allows a 360 degree view of you, combining both professional and personal sides;
- It is a more conversational platform than LinkedIn.

### *Twitter*

- This is the business cocktail hour;
- The most informal of the three networks;
- Allows for the greatest degree of conversation.

## **2.3 THE SIGNIFICANCE OF SOCIAL MEDIA AND ONLINE SOCIAL NETWORKING IN BUSINESS**

Davis and Freundt (2011) state that traditional ways of marketing and networking are fast becoming out-dated and it is only a matter of time before competitors skilfully start using digital tools and emerge as forces to be reckoned with. Evans (2010) explains how business models have changed with the entry of social media from 'the business makes it, the customer is told about it and they (hopefully) buy it' to 'the consumer receives the marketing message, buys the product and then in addition provides feedback directly or indirectly about the product or service'.

This feedback is translated into communication which is shared with millions of others. Fard Johnmar (Johnmar, 2006 cited in Chaney, 2009: 17), founder of healthcare marketing communications firm Envision Solutions states that complete message control is impossible in a world where social media is extremely influential. Greenberg (2009) adds that the reality is since 2003, a revolution with regard to communication has occurred which is driven by the Internet and has shifted the ownership of communication from the business into the hands of the consumer.

The most important communication is not the marketing monologue, but the dialogue that takes place among consumers (Chaney, 2009: 3). It is thus important that companies use their most credible advocates namely employees

and consumers by handing down communication from top management, thereby fostering a dialogue among their advocates.

The consumer of today knows more about a business than the owner does because they are able to understand and evaluate the company, products, services, customer service, culture, people and reputation of the business even before it has a chance to sell itself to them (Bullock & Deragon, 2009). Furthermore, according to Greenberg (2009) people with similar ideas and interests have formed a bond and seek information from each other, instead of outside experts such as businesses and academics. This is supported by figures from the Edelman Trust Barometer which found that in 2005, 56 percent of respondents in the United States had the trust of 'persons with similar interests than yourself' compared to 22 percent in 2003.

According to Chaney (2009), another important aspect influenced by social media usage, is that the company's brand message is becoming whatever the consumer community decides it is. It has the following implications for them:

- They have the fear they are going to lose control;
- They are afraid of the negative feedback they may get;
- The legal repercussions; and
- The fear of change itself.

The following statistics support the significance of the communication power which is currently held by consumers and should finally convince businesses to take this technology seriously:

Pring (2012) for March 2012:

- Sixty six percent of online adults are connected to one or more social media platforms;
- Fifty percent of social media users say they check in to their favourite networks first thing in the morning;
- Facebook had 850 million users (an increase from January 2011's 500 million). It accounts for approximately 26 percent of referral traffic. Of the

850+ million users, 31 percent check in more than once a day. There are 4 745 920 Facebook users in South Africa ranking 31 out of 213 countries and this grew by 178 280 users in a period of the 6 months preceding March 2012 (Anon., 2012b);

- LinkedIn had 135 million users which accounts for about 0.20 percent referral traffic. 50 percent of LinkedIn users have a bachelor's degree or higher. There are 2 million companies on LinkedIn;
- Twitter had 500 million registered users (approximately 200 million of them active). Twitter accounts for approximately 3.61 percent of referral traffic. Users on Twitter send 175 million tweets each day. One million accounts are added to Twitter every day.

Four reasons are provided by Dong-Hun (2010) as to why social media is so popular amongst consumers. Firstly, it gives people an outlet to express themselves. This gives them an opportunity to stand out and draw attention. Secondly, information is available immediately and they have access to information on any subject they desire. Of further importance is that the information they receive is from someone they know and not from a newspaper or the Internet. Thirdly, users of social media can “see” how the people they know are doing. Lastly, social media allows people to escape from their daily routines as daily lives can be monotonous and the reason why so many people strive to bring change to their lives.

Businesses are aware of the importance of social media and this is supported by the following figures. An online survey done on marketing executives during the period October 11 to October 21, 2011 by McKinsey Research Institute shows that (Davis & Freundt, 2011):

- Eighty one percent agree that in order to stay competitive an online presence is important;
- More than half of them say that social media changed their company's ability to interact and serve new customers.

Other research done by McKinsey Research Institute (Divol, Edelman & Sarrazin, 2012: 3) in April 2012 indicated that:

- Thirty nine percent of companies already use social media as their primary tool; and
- This percentage is expected to rise to 47 percent within the next four years

According to Pring (2012) for the month of March 2012 the following relates to business use of social media:

- Twenty six percent of businesses frequently include calls to action their tweets;
- Forty nine percent never include a call to action;
- Only 23 percent have used Twitter to promote a social-only deal;
- Twenty nine percent of brands on Facebook have offered deals within the channel;
- Seventy percent of businesses ignores complaints on Twitter; and
- Fifty eight percent of businesses saw a drop in marketing costs by moving to social networking.

Businesses are still struggling to figure out how social media can improve their profits and provide the following reasons why companies struggle to fully embrace the advantages that social media can offer (Davis & Freundt, 2011):

- There is some difficulty to produce and use customer responses and feedback to drive sales and customer relationships;
- The information they do have on customers is basic; and
- They lack internal leadership and resources to develop analytical tools to analyse and use information and responses from customers.

There are numerous ways that businesses can benefit from their own and consumers' use of social media. Some of them according to Stoller (2008) include the use of social-networking sites to find quality employees, to develop networks to increase sales, build communities of practice and knowledge management. Dong-Hun (2010) says that the speed and durability of information ensures the message is rapidly delivered to the consumer and therefore has more impact. The message is also transferred to a diverse range of people, can reduce the costs of advertising and makes sincere communication and trust-building possible.



Bullock and Deragon (2009) mention more benefits and state that it can help a company to increase awareness, improve brand recognition and reach people efficiently to pull them to their value proposition. Chaney (2012: 12) says that everyone is currently living in an age of information overload, as it is estimated that scientific information doubles every year. Seventy percent of information worldwide has been created since the start of the Internet, as information doubles every three years. What does this mean for marketing departments? Consumers have less time to process marketing messages that are pushed down from top management. Research firm Basex called information overload the “Problem of the Year” in 2008 – we have more things to attract our attention, but no more time to pay attention (Chaney, 2009). This definitely has a negative effect on the interruptive advertising that a lot of marketing companies still use today.

From the above information it is clear that companies which ignore the idea of social media use within their businesses have a disadvantage not only against their competitors but also against the next wave of consumers which are known as Generation Y. Also called the Millennial, they are the children of the baby boomers and are 76 million strong (Greenberg, 2009).

Generation Y consumers are not only technology-savvy, they use it as a daily communication tool and regard technology as an ordinary part of their lives, which means that this is what they will use in future when entering the workforce or when purchasing products or services. Their expectations are also different in that they expect to get what they need as they are raised that way. They can multi-task emails, phones and internet searches (Greenberg, 2009).

## **2.4 COMPARING SOCIAL NETWORKING ACTIVITIES WITH TRADITIONAL NETWORKING METHODS**

The differences between social media and traditional media are described in the following ways by John (2011):

- Social media is available to everyone at little or no cost whereas traditional media is typically privately or government owned and comes at a cost;

- Specialised skills and training are necessary in industrial media production. Social media can be used by anyone without specialised training or skills;
- Participants determine the time lag between communications using social media which can be instantaneous. Communications produced by industrial media can be long in comparison;
- Social media communication can be altered almost instantaneously by comments or editing where as printed media, once created, printed and distributed cannot be altered.

Social media and industrial media both have the capability to reach small or large audiences and enable anyone to reach a global audience (John, 2011).

Breslin and Decker (2007) state that online connections between people are becoming intertwined with real world interests, which means that social networking methods are moving toward simulating real life social interactions. Thus, people meet through things they have in common rather than just randomly approaching each other. The same principles of best practices apply to networking via social media and any other type of business networking activity. These principles are summarised in Table 2.1.

**Table 2.1: Comparing social networking and traditional networking** (Chaney, 2009)

<i>Online social networking</i>	<i>Traditional face-to-face networking</i>
Dress for the Occasion	
Photos and profile must look professional	Dressing professionally
Work the Room	
Leave comments, participate in forums, share videos and photos	Shaking hands, introducing yourself, talking to people
Ask for a business card	
Act of befriending someone (accepting someone as friend)	Physical printed business card
Use Social Networks to Win Friends and Influence People	

Be honest and authentic and not talk only about yourself
--

Real world networking functions will not be attended dressed in T-shirts and shorts; business suits or business casual dress types will be worn. In social media networking, your profile and photo would similarly be professional and business-like. An effective face-to-face networker will go through the room shaking the hands of people and introducing himself. Networking via social media includes getting involved in conversations, writing blogs, commenting on forums etc.

At traditional networking events business cards are exchanged. The act of befriending someone on social networks serves the same purpose. Whether you talk face-to-face with someone or chat online your goal should be in line with the principles taught in Dale Carnegie's (1981) book called "How to win friends and influence people" and include things such as being genuinely interested in other people, talking about their interests and making people feel important.

Ellison, Lampe and Steinfield (2009) mention some benefits that social media has compared to traditional face-to-face networking. These include:

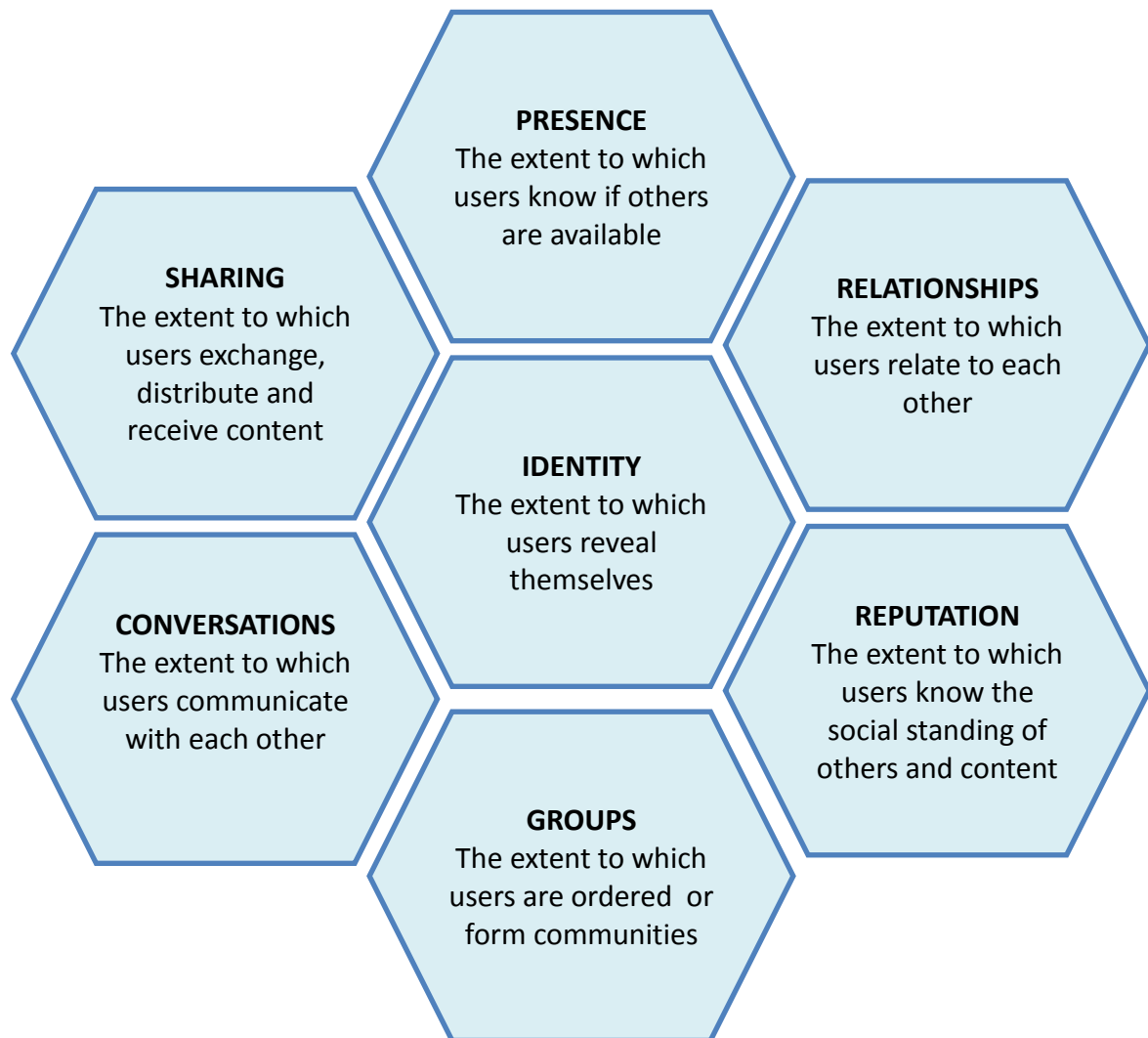
- A person has the opportunity to meet people he/she would not normally have been able to meet because through social media it is possible to connect with people all over the world or the country;
- Social media makes it easier to connect with people for the first time, as through this medium it is possible to view people's interests and hobbies and make conversation with them easier and more comfortable;
- Social networking sites provide easy and inexpensive ways to organise members, arrange meetings and spread information.

## **2.5 METHODS, STRATEGIES AND MEASUREMENT OF SOCIAL MEDIA**

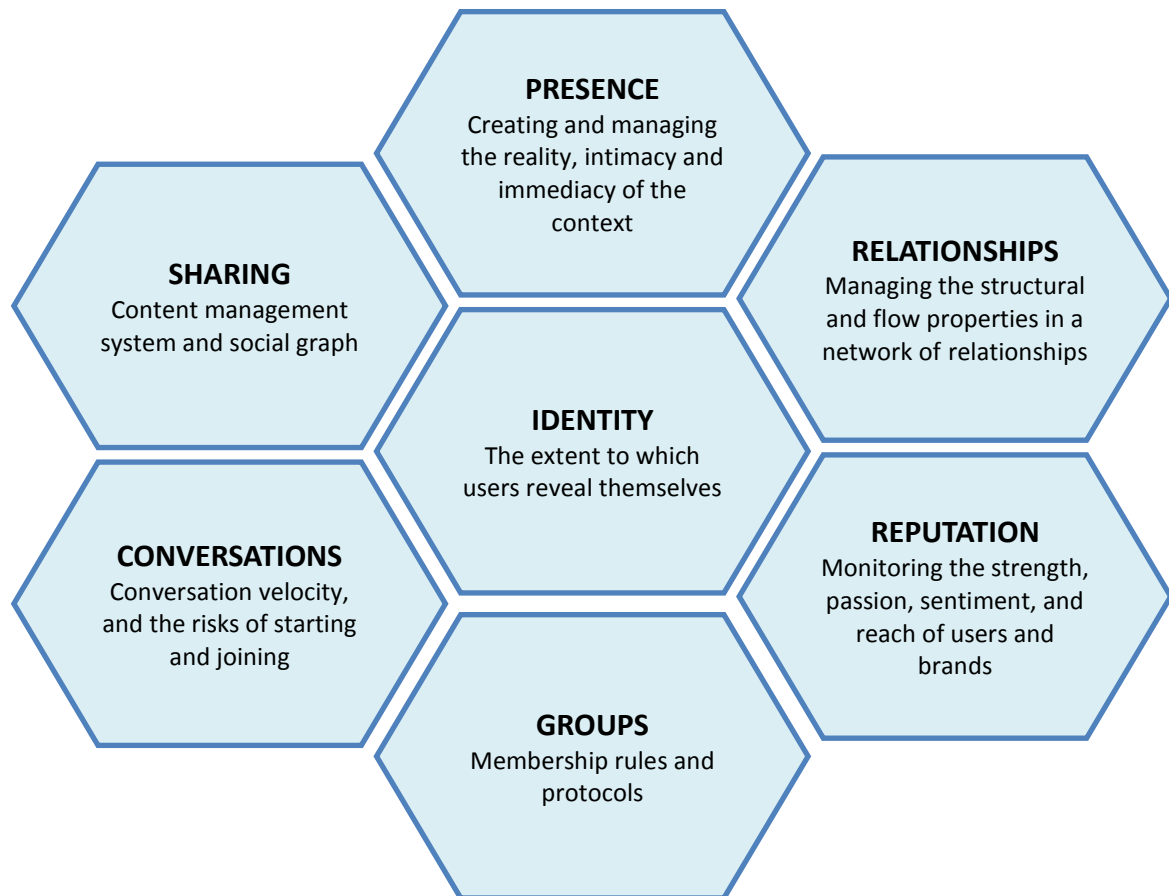
Before any social media strategy is considered it is really important that business owners and marketers realise the context of social media in marketing and how this is different from traditional marketing. Kietzmann, Hermkens, McCarthy and Silvestre (2011) present a framework which defines and explains social media by using seven functional building blocks. This can help executives to better

understand social media, engage with it and improve their use of it. It is depicted in the following two frameworks.

**Figure 2.1: Social Media Functionality** (Kietzmann et al., 2011)



**Figure 2.2: Implications of the Functionality** (Kietzmann et al., 2011)



The functional buildings blocks are explained in the following section:

### *1. Identity*

This refers to the information that reveals users' identity in the social media setting such as name, age, gender, profession and location. The type of information differs between social media sites and depends on the different communication goals of users. The implication for businesses lies in privacy issues and they should therefore be careful when asking information from users they wish to interact with and also make consumers feel secure that their information will be protected as far as possible.

### *2. Conversations*

Most social sites are designed to facilitate conversations amongst individuals and groups which include an opportunity to meet new like-minded people, find true

love, build self-esteem or find out about new ideas or topics. The implications for businesses are twofold: Firstly there are format and protocol implications when businesses want to host or track these conversations. Secondly, the issue of businesses starting or manipulating a conversation which can have benefits and risks and should be considered carefully.

### *3. Sharing*

Sharing includes objects such as text, video, photos, pictures, sounds and links and also depends on the objective of the social media site. Businesses should according to (Kietzmann et al., 2011) firstly “evaluate what objects of sociality their users have in common or identify new objects that can mediate their shared interests.” Secondly it is important that businesses taken into account any legal implications of uploaded objects which can be in violation of any laws or regulations, or may not resonate with the users uploading or watching the videos.

### *4. Presence*

This refers to users knowing where others are, either in the virtual world or in the real world and also whether they are available. Businesses needs to know the relative importance of user availability and location in the sense that if they prefer to engage in real-time, correct mechanisms must be in place to facilitate this. In addition, businesses need to know whether users want to have their presence visible to others or not. Presence is linked to the traits of some of the other functional building blocks namely conversations and relationships.

### *5. Relationships*

Relationships are built around the information or objects users share with each other and can be fairly formal, regulated and structured. Social media platforms are centred on existing relationship maintenance and not expansion. Businesses must understand how they can maintain or build relationships and if the relationships must be formal and regulated, including a process that validates the authenticity of users.

## *6. Reputation*

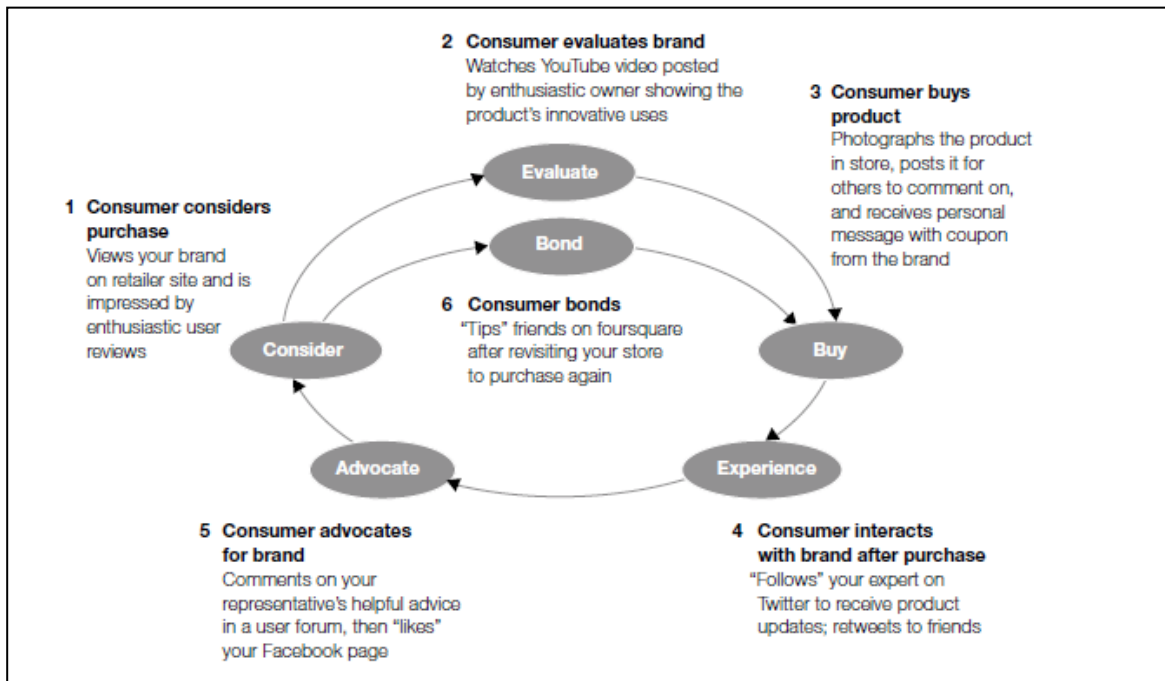
Reputation is based on trust but technology is not good at determining this as it is a highly qualitative criteria. It is important for businesses that value their reputations to have a metric that provides this information. For businesses “the engagement needs of the community should inform the choice of reputation system, for example number of posts over time would be used if time and activity in a community matter or a rating system would apply if the quality of the individual’s contribution matters (Kietzmann et al., 2011).

## *7. Groups*

The more social a group becomes the bigger the group grows and business would benefit if they allowed the community to group its users at the initial stage of engagement. Another indirect implication involves permissions management and businesses must study exactly what kinds of groups their community would support and how these will affect their engagement with the other functional building blocks (Kietzmann et al., 2011).

Divol et al., (2012: 2) identify four core functions of social media namely, to monitor, respond, amplify and lead consumer behaviour. The authors then link these core functions to the journey that customers undertake when making decisions on purchasing products and services. Figure 2.3 depicts a summary of this journey.

**Figure 2.3: Customer purchasing journey** (Divol et al., 2012)



Bullock and Deragon (2009) stress the importance of knowing and understanding what social media is, how it works and the technology behind it including:

- The platforms;
- The culture;
- The tools;
- The trends;
- The customers;
- The influencers; and
- The leverage points.

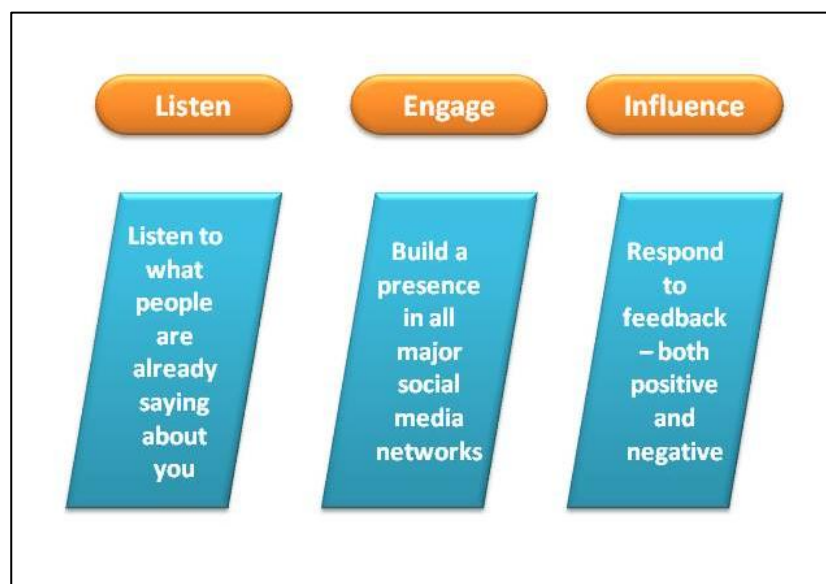
Chaney (2009) says that it is not only important to know the basics of social media but a very important principle to realise with regard to social media is the fact that trust from consumers is something that businesses cannot take for granted anymore. Scepticism about advertising messages are on the rise and consumers are looking to their friends, families and other people they have built relationships with, to give them guidance on how they spend their money. According to Dong-Hun (2010) marketers should not regard social media simply as a simple marketing channel. The most benefit they will get from social media is the



relationship building. Positive issues must be emphasized and the voluntarism of social media users must be respected. Pepsi has successfully managed to build an image of a caring, humane company with their “Pepsi refresh” project to make the world a better place (Dong-Hun, 2010).

A social media strategy can broadly be divided into three main parts and is depicted in the figure below.

**Figure 2.4: Social Media Strategy** (Mackenzie, 2008)



The first part of the strategy consists of listening to what is being said about your company (Chaney, 2009). Evans (2010) reiterates that listening forms the basis of any business social program – communication begins with listening which enables the ability to make sense of conversations and then join into them. Richardson, Gosnay and Carroll (2010) state that social media presents an opportunity to find information on the company’s brand equity, reputation and message effectiveness on a real time platform. Kerpen (2011) adds that companies must listen to consumers, understand their issues and only then respond appropriately. According to Kerpen (2011) companies who do not listen are not leveraging potential opportunities for growth or damage control, and can even send their customers to their competitors.

The second part of the strategy is engaging with your customers in conversations by asking, according to Chaney (2009) for a seat at the table – a table where a conversation is already taking place. Evans (2010) explains that conversations and communities are best built around shared passions, lifestyles, causes and similar needs. He also says that engagement should be done through participation. Kerpen (2011: 106) takes these conversations further by saying that “everyone at the company who ever may come into contact with a customer should be trained on the fundamentals of social media.” Bradley (2011) also stresses this by saying that the staff needs to be involved by having access to resources to see if people are talking about the organisation. Conversations are two way and therefore need to be responded to. The author suggests that business executives can centralise responses within one department or alternatively give your staff access to get involved in these conversations directly. The benefit of the latter is that response time is quick and it does not have to be directed at the central department to be reacted upon, which could have negative consequences if not dealt with immediately.

Social technology includes sharing, rating, reviewing, connecting and collaborating which can be integrated into all parts of the business and not only just in marketing or public communication departments. This communication includes the following: between a business and its customers; between other businesses and between customers themselves. Furthermore, customers are not only satisfied with advertising and promotional information to learn about products, services and their uses. They look forward to learning about the experiences of other customers before they actually purchase the product or service (Evans, 2010).

If you want to connect with people on a more human level, it is important to realise that social networking through the use of social media is all about quality communication (Paine, 2011). This means communication with a knowledgeable customer, who knows what they want and want to spend their valuable money on quality products and services which they feel will add value to their daily lives. The traditional method of marketing is changing in a world where social media is becoming an important element to consider in every business. Budgets are

moving from traditional advertising into social media strategies. Max du Preez (2008) has the following quote (Paine, 2011: p3):

“We talk about the quality of product and service. What about the quality of our relationships and the quality of our communications and the quality of promises to each other?”

According to Evans (2010) information customers share with each other include ideas for product or service innovation, early warnings of problems or opportunities, testimonials, ideas for new product applications, customer service tips, public sentiment around legislative action and competitive threats or exposed weaknesses. This information must be tapped into by businesses and used to their advantage.

The third important part of the strategy relates to the fact that social marketing is a form of marketing and therefore has to be explained in terms of the bottom line of the company, and more specifically how it would contribute to the profit of the company (Chaney, 2009). The author says that what is important to note about social media is that it is not just about the return on investment, but rather the return on influence or return on customer engagement. Chaney (2009) says that if businesses want to measure social media effectively all three of these elements must be taken into account. In real terms this includes views, time spent on site, site traffic but also retweets, blog post comments and number of friends on a social network.

Paine (2011) also reveals that a low number of companies measure their marketing efforts despite the fact that they spend billions on marketing and communication within their business. The author lists the following as some of the reasons why some companies feel negatively towards measurement activities: measurement is often seen as ways to ‘check’ up on people and therefore they perceive it as something negative; it is classified as a low priority activity because it is too much work and therefore becomes overwhelming; it is perceived as being too expensive; as it is difficult to measure the return on investment, it is not worth measuring the effort; and measurement is regarded an activity that is completed after the program has been completed.

Evans (2010) states that everything must be measured aggressively until the company has baselines to assess the impact of the programs they implement. It is easy to discontinue information that you do not need, but you cannot make decisions based on information that you do not have.

Chaney (2009) mentions the following web metrics:

- Google analytics

It is free and easy to use and gives sophisticated reporting and integrates into other Google tools such as Ad Words. In addition it is safe to use.

- Online Reputation Monitoring Software

This will give businesses valuable quantitative data as well as qualitative information. Tools that can be used include Google Reader, or Bloglines, Twitter search and Google blog search.

- Website Grader

This measures the marketing effectiveness of a website by providing cumulative score that check things such as website traffic, SEO, social popularity and other technical factors.

- Tealium Social Media

These measure the ROI of social media marketing and online PR initiatives by using the same metrics as channels such as pay-per-click, email and banner advertising. This helps users to decide which social initiatives to drop and which to continue with.

Measurement according to Paine (2011) takes accumulated data, analyses what they mean and uses the meaning to improve business processes. This meaningful data helps to make sound decisions, set priorities and allocate resources. What must be measured and what matters to business owners? Most business owners would say the number of customers or their employees, but Paine (2011: p41)

states that the relationship you have with your customer is what is important. “Good relationships lead to profits.”

Bullock and Deragon (2009) state that it is important to acknowledge the fact that business is about solving problems, which consumers may have. Therefore the right question to ask is: What problems do social media solve? They put forward the following metrics which relates to the calculation of Return on Investment of social media:

1. How well do you communicate with your market?
2. What value do you have to offer?

Paine (2011) provides the following important reasons for having measurements in place:

- It is much easier and more cost-effective to base decisions on researched data than using gut instinct or hunches;
- It helps businesses to allocate expenses to ensure that adequate staff are available at critical activities in the company;
- It helps organisations to compare themselves against their competitors and gives information on their strengths and weaknesses;
- It highlights the companies’ internal strengths and weaknesses and focuses attention and resources on the right activities;
- It helps to set goals for social media activities and therefore prevents failure in chosen social media program strategies; and
- It helps to eliminate projects and redirect resources to other projects that are worthy of the efforts of employees and resources.

The following paragraphs explain social media ideas and projects that are suggested for specific networking sites.

## **Twitter**

Wilson (2012: p1) states that the Twitter evangelists portray the 140-character social media platform as a “marketing powerhouse”. Critics on the other hand, according to Frary (2012: p1) argue that the service is a “pointless waste of time”

mentioning overpaid celebrities and ordinary people who use it to share what they had for breakfast. On the other hand a business could find relevance and value by using Twitter, one of them being to learn what current and potential customers are thinking about their business (Frery, 2012).

Smith (2012) says that another way that small businesses can make use of Twitter to build their networks is to use Twitter chats. He says that Twitter chats are conversations that anyone can participate in and are kept on track through the use of a # symbol at the start of the message. By participating in Twitter chats businesses can have a chance to connect with others with similar interests and passions.

Chaney (2009) states that a recent survey found that 89 percent of users agree that companies should engage with their customers in this medium and that it increases their impression of companies that use this for customer service. The author mentions the following uses, including: networking with others in their industry or community, to stay connected to customers and prospects, find answers and get advice, offer proactive customer service, promote events, products and services, share helpful content such as articles or blog posts and incite word of mouth among customers and others. Kerpen (2011) states that customers increasingly expect you to provide customer service on Twitter.

According to Bradley (2011), even if the business owner decides not to sign up to a Twitter account and actively participate in it, it is still important to be aware of conversations that are going on about your company and delegate the monitoring and possible response to these conversations.

Brown (2012a) suggests the following tips to improve the use of Twitter in business:

- Engage followers and influencers by building relationships with customers and looking for opportunities to offer help or advice;
- Tweets should consist of links, status updates, breaking news, information about your industry, announcements of new products and to run discounts or special offers;

- Use hashtags to promote events that a business is planning;
- Use status update schedulers by getting a tool to manage social media communications;
- Tag tweets so that there is only one account used for a company. Consumers should know who in the company is speaking for the company;
- Use Twitter.com/search to find out what people are saying about your company by using relevant keywords.

## **Facebook**

Champoux, Durgee and McGlynn (2012) mention that Facebook was founded in 2004 and was designed to facilitate communication between family, friends and co-workers. This changed in 2006, when Facebook invited ten elite companies to set up company profiles. They further list the following benefits for businesses using Facebook as part of their marketing strategy:

- Establish a relationship with existing and also potential customers by posting sales information, promotion, new products and information about the company;
- Post relevant articles about the company or industry and encourage followers to donate to their social responsibility causes and projects.

The Facebook News Feed is another function which Facebook offers that makes it possible for news about business products and services to reach consumers who are interested. The news is sorted into two categories namely “Most Recent” and “Top Stories” (Anon., n.d.).

## **LinkedIn**

This medium is ideal for recruiting and can also be used to position a company as the best place to work. Other uses include networking with other business executives, sales people and marketers and is considered to be more professional than Facebook (Kerpen, 2011).

Allen (2012) stresses the importance of using the site as part of your everyday activities by making connections with people you would like to do business with

and those who could refer business your way. He also says that it is very important to ensure that the persons with whom you are connected know the value that is offered by the business or owner who is making the connection.

## **Blogging**

According to Kerpen (2011: p246) “a blog is a website which features articles or entries displayed in reverse chronological order.” He says that the success in blogging lies in the business providing valuable information to the audience. In addition it allows longer text updates than Facebook or Twitter and videos, polls and photos can also be incorporated.

Kerpen (2011) gives five reasons why companies should be blogging: Firstly to extend the conversation, for example to solicit ideas and advise before development or launch of a new product. Secondly, to attract future customers as blogs influence purchasing decisions and extend sales calls or advertisements. Thirdly, it can be used to attract future employees as it gives people insight into the company and its culture. Fourthly, it can help the business position itself as a leader, by displaying innovation and creativity. Lastly it helps the business to optimise its search engine, as anyone using keywords relating to the company or industry may stumble upon the blog.

Bradley (2011) suggests that businesses get their staff involved by encouraging them to blog about what they are doing and what the company is currently involved in. He also suggests embedding a feed on a website which will alert people that the company has a blog.

## **2.6 USING SOCIAL MEDIA FOR JOB RECRUITMENT ACTIVITIES**

According to Reynolds and Weiner (2009) since 1990, human resource departments of businesses have become technology-driven. The authors state the following trends have forced HR departments to consider technology in order to benefit from various advantages that it offers:

- During economic growth periods labour market conditions has made it very difficult to find qualified applicants. Therrien (2010: 18) explains that “social



media's popularity for job hiring is influenced by the challenging economic climate, the mainstream adoption of social networking and its use for professional contacts."

- Some business trends are forcing companies to move non-core activities to either automation or outside consultants;
- More scientific methodologies are available that assist with the collection of data to successfully predict employee effectiveness and long-term fit with the organisation.

According to a survey done by Jobvite (May 2011 to June 2011), almost 90 percent of companies had planned to use social networks to find new recruits. This is up from 83 percent the previous year (Adams, 2011). In addition two thirds of employers said they had successfully filled a job using social media sites.

Madia (2011) lists YouTube, LinkedIn, Facebook and Twitter as social networking sites that can be used to complement current recruitment systems. In addition to providing a new line of talent, it can also be used to present the company's brand. In a survey done by Jobvite, Adams (2011) it was found that in 2011, 55.3 percent of respondents said they used Facebook for recruiting which was not a major increase from the previous year's figure of 54.6 percent. From their own customers, the data indicated that 86.6 percent use LinkedIn, up from 78.3 percent the previous year and 16 percent comes from Twitter.

According to the Social Recruiting Survey 2011, 89 percent will recruit in social networks in 2011 compared to 83 percent in 2010; 55 percent will spend more on social recruiting compared to 46 percent in 2010; 64 percent will use two or more networks for recruiting and 78 percent expect increased competition for hirers (Dowling, 2011).

Doherty (2010) mentions that a report from the end of 2009 says that social media recruitment serves as a great starting point because time and cost to hire can be measured and improvements substantiated. In addition the author states that in order to attract and retain a new generation of new enthusiastic workers, businesses need to get competitive and embrace change as technology and communication methods evolve.

For small businesses (Therrien, 2010), social media is a powerful and cost-effective tool to use in recruitment as it allows the company to share their job openings with a large network and they may meet people who they would not have otherwise come into contact with. According to the author, social media may specifically help you to enhance the interview and hiring stages of the process by getting to know candidates before they come into your office. Madia (2011) says that social media helps recruiters to have a more cost-effective hiring solution and also allows them to get jobs posted quicker.

The key to success is to maintain an iterative approach, and compare results to existing recruitment methods based on viable applicants, response rates and quality of candidates (Madia, 2011). From this, an optimal recruitment mix can be developed. She also mentions that before a company starts to engage social networking sites to enhance recruitment strategies, they must first consider their process for engaging job candidates. The following best practices for launching a successful social recruitment strategy are suggested:

- A company must realise that social media is neither a quick fix nor replacement for existing recruitment tools. Ensure the company's recruitment site is up-to-date and will be able to handle the additional volume;
- Ensure there are enough resources to engage in the channels that are created. Immediate reaction and response is required;
- Decide which content is going to be provided and how often it will be updated. It must also be based on business objectives;
- It is important to develop a social media policy which includes expectations, tone, style and type of information that can be shared on the social sites;
- Choose social networks in line with the company's target audience;
- Videos can be used to showcase the company's personality, testimonials or glimpses of the corporate culture, management and work ethic.

In addition to recruiting possible candidates using social media functions, employers can use social media sites to determine various things other than normal background checks about an applicant before extending a job offer (McKenzie, 2010). These could include their weekend exploits, their political

views, what they think about their current employers and so forth. Jobvite's own client data (Adams, 2011) shows that 70 percent of companies examine a candidate's social media site after getting a referral from someone. However, this leaves room for legal issues and must be used ethically, with care and consideration. McKenzie (2010) says employers need accurate and relevant information about potential employees and must ensure that the applicant has adequate experience and qualifications related to the job. Taking this into account, doing background checks or searches on social networking sites may not be a good idea.

## **2.7 DISADVANTAGES OF SOCIAL MEDIA AND SOCIAL MEDIA POLICIES**

Divol et al., (2012) believe there are two reasons why many executives find social media difficult to embrace. The first reason is that although it is well known that consumers discuss businesses, products and services online, executives find it difficult to see where and how these conversations can be found and influenced. Secondly, no single measurement exists that could easily measure the impact of social media and thereby justify the financial investment in it as a marketing tool.

Chaney (2009) states there is a lack of trust from a consumer's perspective towards marketing messages. Therefore companies must work very hard to win this trust.

Chaney (2009) puts forward the following reasons for consumers' scepticism:

- Consumers find advertising interruptive;
- They feel there is some deception involved because of misleading claims. An example of this is marketers who use switch-and-bait techniques and falsely compare brands by suggesting that some brands are better than others;
- Companies are not able to connect with customers on a human level.

The problem with social media according to Don-Hun (2010) is that it lacks credibility, because the provider of the information tends to release the content without verification.

Breslin and Decker (2007) state social networking sites are designed to help us collaborate on similar activities or interests, but anecdotal evidence suggests that many SNSs lack such common objectives. For example, users sometimes connect only to boost the number of friends they have on their profiles, or only browse other's profiles because they are curious. Many social networking sites become boring and meaningless. Various SNSs do not work together in the sense that users have to re-enter their profiles from scratch and they have many identities on different social networks.

According to Stoller (2008) business stakeholders have productivity concerns with regard to their employees wasting time chatting with their friends online. The number one concern however is around security, specifically the leaking of sensitive information. Their concerns are relevant especially considering the following issues: all information recorded on social network sites is recorded and therefore permanent. In addition to this, public information posted on media sites can be copied and downloaded by others. Constantine Karbaliotis (Stoller, 2008), a security and privacy awareness specialist at security vendor Symantec notes that across multiple social networking sites, the aggregate information can be enough to commit identity theft. Another area where extreme caution is needed is with the uploading of customer information, specifically in business networking sites where you have the option to upload all your contacts (Stoller, 2008).

Brown (2012b) also mentions that as with most things there are dangers associated with social networking. These include theft, viruses and online predators or individuals who claim to be someone they are not. He says if businesses stay cautious and are aware of the dangers, it should eliminate or reduce a lot of the dangers related to social networking and allow them to gain most of the benefits from using it.

Raysman (2012) highlights some risks for employers and these can include the following: Threat to data security by an employee unknowingly clicking on links to spam and similar threats which can be detrimental to the company's computer system. Defamation, which includes inappropriate comments about competitors. Employees can also create a PR nightmare by posing pranks or videos on the web which can be linked back to the company.

Companies must put security measures in place (Bahadur, 2011) to prevent employees from posting confidential information about the company. They can do this by using social media monitoring tools which will show them what information employees are posting on the Internet. Confidential information could also include rumours, purchases the company are planning to get involved in and technology that is being used by the company. It is also important employees are educated to not post identifying information such as their ID numbers, date of birth etc, as this can be used by an attacker to gain access to the company (Bahadur, 2011).

As mentioned previously social media offers employers an opportunity to find out a lot more about employees other than their education levels, police clearance records and references. It also allows them to search social networking sites to find out more personal information about potential candidates. A lot of negatives with regard to laws and regulations surrounds this idea and is not a suggested strategy to follow.

Some negatives include the fact that employers (McKenzie, 2010) are not allowed to consider applicants based on race, colour, religion, gender, national origin, age, disability or veteran status. These types of information can be easily found when browsing through users social networking sites. In addition employers have to be aware of privacy issues and employers can become liable if they violate unauthorised access to stored electronic postings. Another negative is that the company runs the risk of making a decision on an applicant based on inaccurate or incomplete information (McKenzie, 2010).

Burrus (2010) states that many businesses feel social media causes problems when used by employees. The authors says that business owners feel threatened by the fact they are losing control over information and even by implementing a personalised communication program which would raise expectations of employees. The risks include an internal memo meant for internal view, is circulated over the Internet or a disgruntled employee uses social networks to spread malicious rumours about the company.

Some companies have very strong viewpoints (Bednar, 2011) on the use of social media in the workplace and do not want it in the workplace at all. They feel that it

decreases productivity and creates a disturbance in the workplace. According to Christine Pilch, social media strategist, speaker and trainer with Grow My Company (Bednar, 2011), companies which try to block social media are ignoring the fact that we are in an era of web-enabled smartphones and therefore will not be able to ever do this effectively. In addition, businesses may not be treating their employees as adults with appropriate respect and entrusting them enough to be responsible and productive in their jobs.

Instead of ignoring or banning social media (Bednar, 2011), Mark Adams a director of HR Services for the Employers Association of the NorthEast, suggests that companies allows employees to use it in their break times at least. A study done by the University of Melbourne found that employees who engage in “workplace Internet leisure browsing” are nine percent more productive than those who don’t (Bednar, 2011: p35).

A social media policy “ is a written document that describes the do’s and don’ts of employee behaviour when communicating within the various new media platforms, including blogs, website comment boards, online encyclopedias and social network sites, which typically contain many of the foregoing functionalities. It also typically enunciates an overall code of behaviour so employees honour the values of the company” (Raysman, 2012: p13).

Bahadur (2011) suggests the following as a starting point for a social media policy:

- The business has to give employees guidance on the acceptable use of social media, therefore it is important to develop a policy;
- It is important to specifically define what information employees are allowed and not allowed to share about the company;
- Ensure employees are trained to use social media professionally, by giving them standards to follow and adhere to;
- Lastly ensure the business has a way to track that employees comply with the set policy and that it is up-dated regularly.

In addition Raysman (2012) suggests the following content rules in social media policies:

- Employees should be transparent about their identity and affiliation with the company when engaging in discussions in online communities that relate to their employment;
- It should include a prohibition of employees engaging in discussions where they discover untrue or defamatory comments about the company or a co-employee;
- It should state that an employee can be held personally liable for defamatory or infringing behaviour;
- Employees should also be educated about avoiding issues involving company mergers, negotiations or disclosures prohibited by security laws.

## **2.8 CONCLUSION**

Chapter two began by explaining and defining social media and networking and then highlighted the importance of social media and why it cannot be ignored by business owners any longer. Traditional networking and social networking have been compared to each other and it has become clear that similar principles and some differences apply between the two types of networking.

In the next section methods that help business owners understand and use social media better, will be explained and a basic three step social media strategy which can be used by businesses will be highlighted. Specific strategies with regards to social networking sites such as Twitter, Facebook, LinkedIn and Blogging will also be presented. Job recruitment by using social media will be explained and some statistics are provided, which prove the growing importance for the use of this tool by human resource departments. Lastly, some disadvantages and risks of social media and networking will be explained and some suggestions on social media policies which can be used by business owners, will be provided. Chapter three defines small, medium and micro enterprises, explains their importance in economic growth and job creation and ends with the relationship between social media and SMME's.

## **CHAPTER 3**

### **SMALL, MEDIUM AND MICRO ENTERPRISES (SMME's)**

#### **3.1 INTRODUCTION**

In chapter two social media and networking were described in terms of their definition, their significance in business, how they differ from traditional networking, strategies and measurements used by businesses, how recruitment is used in businesses and some disadvantages and negatives of social media and networking were also discussed. The social media guide which is the main research objective is targeted towards small, medium and micro enterprises. This chapter contains a literature review on small, medium and micro enterprises. This will include their definition, importance in the economy and how social media can help them in their strategies and challenges.

#### **3.2 DEFINITION OF SMALL, MEDIUM AND MICRO ENTERPRISES**

According to Lucky and Olusegun (2012) there is no universal definition for SMME's as it differs from country to country, industry to industry and employment differences, amongst other factors. The definition according to the author however is usually broadly based on the following common criteria:

- Employment – number of employees;
- Size;
- Industry;
- Country;
- Asset value etc.

The most valid of the above factors seem to be the number of employees and size. According to the National Small Business Act of 1996: p1 “small enterprise” is defined as “a separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operative enterprises, managed by one owner or more, predominantly carried out in any sector or subsector of the economy



mentioned in column 1 of the Schedule (Figure 3.1) and classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the Schedule (Figure 3.1)”.

**Figure 3.1: Classification of small enterprise** (National Small Business Act of 1996) (Anon., 2012d)

Column 1	Column 2	Column 3	Column 4	Column 5
<i>Sector or subsector in accordance with the Standard Industrial Classification</i>	<i>Size of class</i>	<i>The total full-time equivalent of paid employees</i>	<i>Total turnover</i>	<i>Total gross asset value (fixed property excluded)</i>
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very small	10	R0.50m	R0.50m
	Micro	5	R0.20m	R0.10m
Mining and Quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Electricity, Gas and Water	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5.1m	R1.9m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very small	20	R3m	R0.5m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very small	20	R4m	R0.6m
	Micro	5	R0.20m	R0.10m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very small	20	R6m	R0.6m
	Micro	5	R0.20m	R0.10m
Catering, Accommodation and other Trade	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very small	20	R5.1m	R1.9m
	Micro	5	R0.20m	R0.10m
Transport, Storage and Communication	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very small	20	R3m	R0.6m
	Micro	5	R0.20m	R0.10m
Finance and Business Services	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very small	20	R3m	R0.5m
	Micro	5	R0.20m	R0.10m
Community, Social and Personal Services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very small	20	R1m	R0.6m
	Micro	5	R0.20m	R0.10m

### 3.3 THE IMPORTANCE OF SMALL, MEDIUM AND MICRO ENTERPRISES

In order to create economic growth and development and consequently create jobs, both SMME's and entrepreneurship development have been globally acknowledged as the main instruments in achieving this (Lucky & Olusegun, 2012). The concepts entrepreneurship and SMME's have been used in research interchangeably and alternatively but is, according to the authors, not the same. They have the same goal in common but differ in the sense that "entrepreneurship is a process leading to the creation of SMME's and business ventures while SMME's represent firms or businesses in small and medium sizes." (Lucky & Olusegun, 2012: p488)

The authors describe the differences and similarities of entrepreneurship and SMME's as follows:

#### *Similarities:*

- Noted for employment creation, economic growth, economic development and economic transformation;
- Play significant role in social-political-economic transformation of national economy;
- They are affected by the same factors (success or failure);
- SMME owners and entrepreneurs tend to possess the same or similar characteristics or traits for business management.

#### *Differences:*

- Entrepreneurship is a process that leads to creation of SMME's, while SMME's are just firms or business ventures being managed by individuals or owner-managers;
- Entrepreneurs discover, innovate and establish businesses and SMME's produce and buy and sell goods and services.

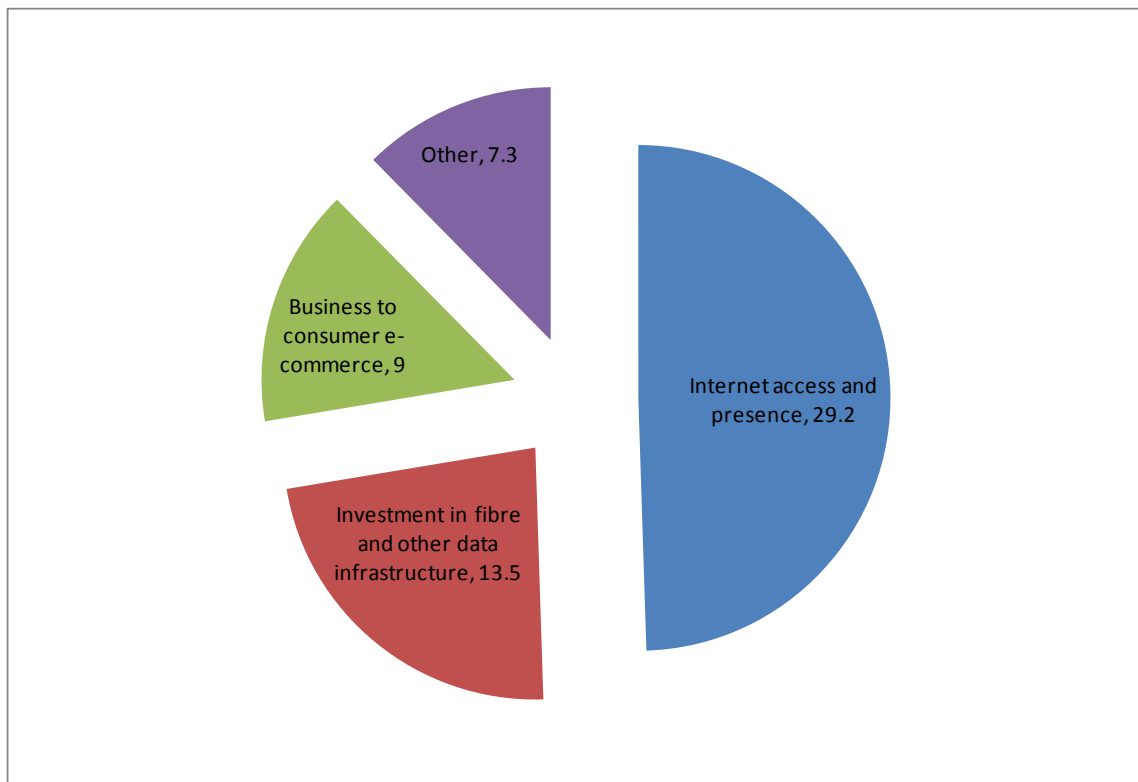
A report from United Nations Website (2012) and Sunter and Ilbury (2012) stated, the global recession put big organisations under huge pressure with regard to them growing revenue and consequently creating job opportunities. It therefore

shifts the responsibility of job creation to SMME business owners. Unfortunately in the current global crisis businesses can only survive if they offer a value-added service or product to consumers or can supply the product or service as a cost-effective alternative. This necessitates the need for entrepreneurs to step up and find innovative ways to create small businesses that could contribute to these challenges.

An Internet Economic Impact Study which was conducted by World Wide Worx revealed the following interesting statistics (Goldstuck, 2012):

- The Internet economy contributes to two percent to South Africa's gross domestic product. This contribution is rising around 0.1 percent per year, which means its contribution should reach 2.5 percent by 2016;
- The total spent by consumers, small and medium businesses and government on products and services via the Internet is R59 billion. This spending is broken down as follows:

**Figure 3.2: Spending on products and services via the Internet (Goldstuck 2012)**



The biggest portion of spending is not as often assumed on investment in fibre and other data infrastructure, but on internet presence and access. According to the report, e-commerce is growing at a rate of around 30 percent a year and the sub-sector which is the biggest contributor is the airline industry with e-ticketing.

Another very interesting statistic is that approximately 150 000 SMME's in South Africa would not be able to survive without their web presence. The fact that they account for about 7.8 million jobs means that 1.56 million jobs would have been in jeopardy were it not for the Internet. Further increasing the use of the Internet is spurred on by the smartphone explosion currently happening in South Africa. Mobile networks report 63 million active accounts, of which true individual penetration amounts to 80 percent (Goldstuck, 2012).

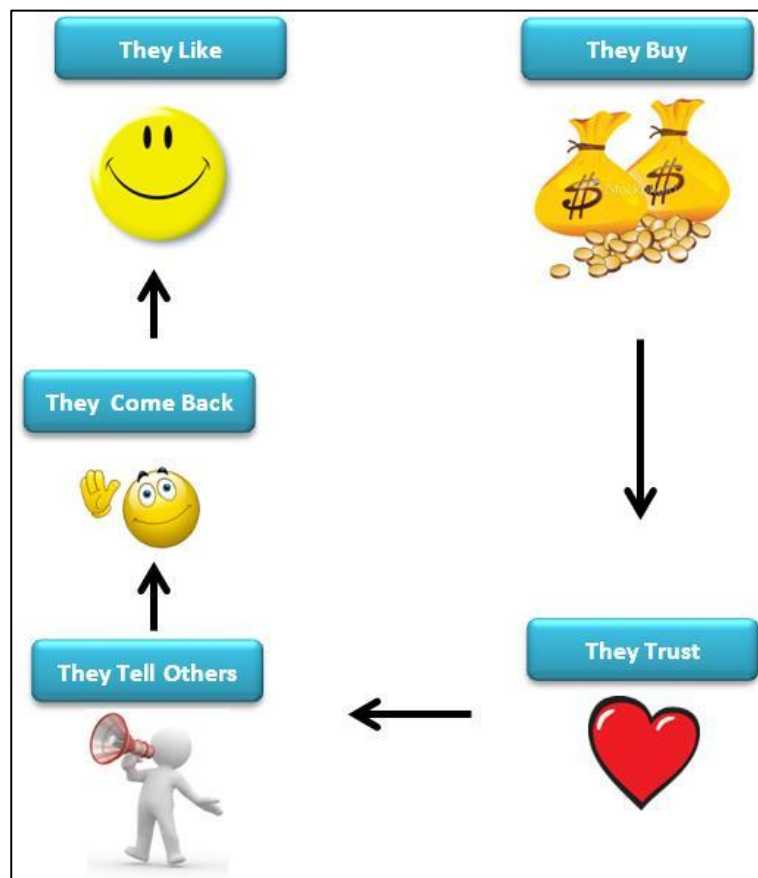
Anon. (2012) presents survey data from Constant Contact of small business respondents:

- Eighty three percent of them say it is low cost;
- Fifty one percent say their customers use social media channels;
- Sixty seven percent say it is easy to use;
- Roughly 60 percent of small businesses respond to all comments on social media platforms, whether they are positive or negative; and
- Sixty five percent report that social media tools complement other forms of marketing.

### **3.4 SMME's AND THEIR DIRECT RELATION TO SOCIAL MEDIA**

George (2011) says that customers play a very important role especially in small businesses and significantly affect their bottom line by what they think about the business's reputation and service. Positive or negative, they can very quickly spread their feelings by word-of-mouth to their friends, colleagues and all the people they know. A healthy business is characterised by returning customers and is depicted simply in Figure 3.3.

**Figure 3.3: Healthy business** (George, 2011)



According to George (2011) building a relationship with a customer is one of the most important actions any small business will take. It starts with good listening and a question like: How can I help you? Any customer wants to feel they are the most important and a small business can use this tool extremely effectively through social media in building relationships with their customers. Relationships are also built on trust which occurs when both parties deliver on promises made. This trust also includes the times when things go wrong and promises are not met because of certain uncontrollable circumstances. The secret to overcome this is to react positively in those circumstances and repair the trust in the relationship immediately by acting appropriately.

Ankeny (2011) describes a small business named Alamo Drafthouse Cinema as an example of a business that uses Facebook as an effective tool in their business. According to the owner of the business, Tim League, Facebook expands the scope and reach of its ongoing dialogue with its patrons. They use

Facebook Deals successfully to offer bargains, coupons, loyalty programs and other promotions to their consumers. It enables them to reward anyone who comes into their theatre. Other benefits Facebook can give small businesses include:

- Creating a community around the business's brand and allow the business to communicate directly with its fans;
- Facebook ads allows the small business with a small marketing budget an opportunity to find people. Users can be targeted according to their location, demographic, likes and interests.

Tariq and Wahid (2011) state that marketing creates a few challenges for small businesses and include the following:

- They are usually cash strapped which limits their revenue generating ability by using marketing practices which are resource intensive;
- Their marketing activities tend to be unstructured and haphazard which limits them in achieving their targets;
- They sometimes also lack the necessary marketing expertise which is essential in developing a proper marketing strategy.

The goal of marketing for any firm is to promote a product and create a network of customers and thereafter improve their loyalty. It is important to note that unlike traditional methods, there is more communication between the business and the consumer (Bile, 2012).

According to the author, these networks of customers are built around the following:

- Personal contacts;
- Social networks;
- Business networks;
- Industry networks and
- Marketing networks.

Tariq and Wahid (2011) explained marketing as going through three different phases. The first phase is driven predominantly by manufacturers through using aggressive promotional methods. The second phase was driven by retailers which used closeness to consumers as their strategy. Since then marketing has entered a third phase which is influenced by the increased role of information technology and the fact that the consumer is king and plays a dominant role in the marketplace.

Ballett (2012) puts forward five simple strategies for small businesses to be successful. They include: to know what you do not know, staying different, making sure the worst does not happen, applying leverage at the right time to keep everything aligned and leadership. Social media can add value in all of these strategies. This is depicted in Table 3.1.

**Table 3.1: Successful business strategies** (Ballet, 2012)

<b>Success strategy</b>	<b>Social media strategy</b>
<b>Know what you do not know</b>	Business owners need experience in order to make good decisions. The majority of businesses are sole owners which makes it difficult to make decisions if you do not have other minds to tap into. Social media makes this much easier by giving business owner access to blogs, websites, links and colleagues from which he/she can find information and help
<b>Stay different</b>	Businesses today cannot just compete on price. They have to make themselves competitive by adding value and connecting with their customers. Social media is a great way to connect and build relationships with customers and also help business owners to determine what products or services or other extras will add value to their current and future customers
<b>Make sure the worst does not happen</b>	It is suggested that small steps are taken when making decisions. For example when a new product is launched, present it to current or potential customers in order to get

	their comments and feedback
<b>Apply leverage at the right time</b>	A business gets leverage when borrowing money to invest, by hiring people or buying-in expertise. Social media is a great way to connect with potential investors and get buy-in from them. A business owner can find good expertise or advice through blogs or links from LinkedIn or Facebook
<b>Keep everything aligned</b>	Businesses are much more successful if they are aligned. This can be achieved by better internal communication which can also be boosted through social media
<b>Leadership</b>	Through social media the business owner can portray huge leadership and trust if customers can get to know him/her better

Cronin-Gilmore (2012) describes the most critical marketing mistakes a small business can make. They include the following:

- Not being sufficiently market-focused and customer-driven;
- They do not understand target customers or monitor competitors;
- They mismanage relationships with stakeholders;
- They have difficulty discovering new opportunities;
- Are deficient in marketing planning;
- Their product and service policies need tightening;
- Weak brand-building and communication efforts;
- They do not make use of technology; and
- They are not well organised to carry out marketing.

The author states that social media and networking can help address all of these critical marketing mistakes in many ways. Social media, if used correctly can build a strong brand for a business, as new opportunities are to be found everywhere if explored and if information and ideas are shared amongst businesses and consumers through social media networking activities. Social media can also be successfully used to check out competitors and to understand and read target markets and users of products and services.



### **3.5 CONCLUSION**

This chapter began with a definition of small medium and micro enterprises according to the National Small Business Act of 1996. Thereafter the importance of SMME's to the economy were described and some statistics further highlighting the importance of SMME's in enhancing economic growth and job creation, were presented. The chapter ended with information on how social media relates specifically to small medium and micro enterprises and the role it plays with regards to their strategies and marketing mistakes they commonly make. The next chapter outlines the empirical study and the research methodology utilised to further investigate a guideline that can be used by SMME's for the use of social media and networking.

## **CHAPTER 4**

### **RESEARCH METHODOLOGY**

#### **4.1 INTRODUCTION**

In chapter two, the theory of social media and networking was investigated and in chapter three a literature review was conducted on Small, Medium and Micro Enterprises. The purpose of chapter four is to describe the research methodology used in this study. The research methodology is discussed from a theoretical perspective, and then the reasons for the specific choices and why they were considered suitable, are described. Information regarding the questionnaire design is also presented.

#### **4.2 RESEARCH THEORY**

The sociologist Norbert Elias defined research as follows (Veal, 2006: 2):

“The aim, as far as I can see, is the same in all sciences. Put simply and cursorily, the aim is to make known something previously unknown to human beings. It is to advance human knowledge, to make it more certain or better fitting...The aim is...discovery”.

Burns and Grove (2005) describe research as a diligent, systematic inquiry or investigation to validate and refine existing knowledge and generate new knowledge. The concepts systematic and diligent are critical to the meaning of research because they imply planning, organisation and persistence. The objective of this research is to develop a guide which can be used by SMME's to assess and make decisions on online social media and network strategies to grow and develop their business.

Collis and Hussey (2009) summarise the objectives of research as follows:

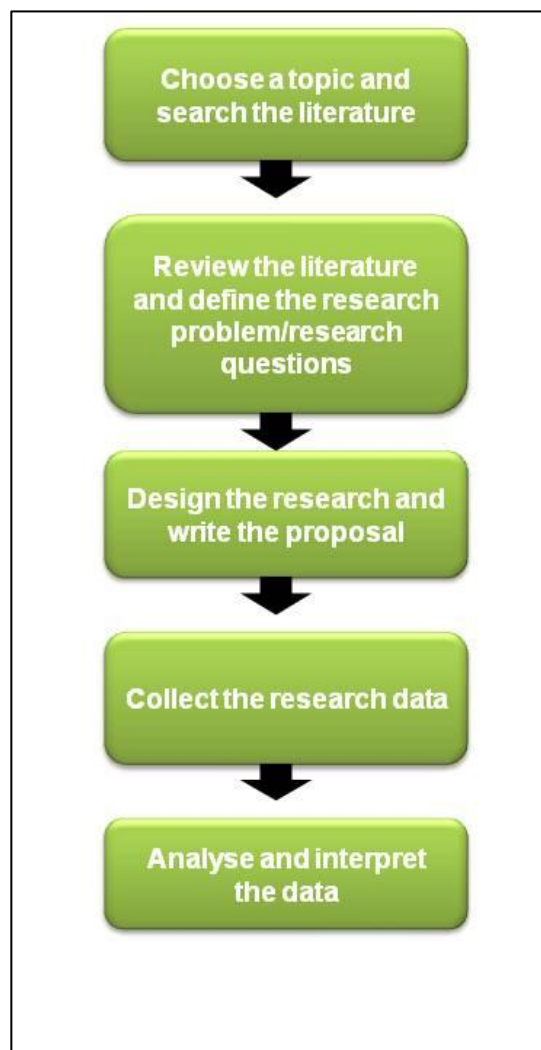
- To review and synthesize existing knowledge;
- To investigate some existing situation or problem;

- To provide solutions to a problem;
- To explore and analyse more general issues;
- To construct or create a new procedure or system;
- To explain a new phenomenon;
- To generate new knowledge; and
- A combination of any of the above.

### 4.3 RESEARCH PROCESS

The research process can be illustrated in the following diagram.

**Figure 4.1: The research process** (Collis & Hussey, 2009)



### **4.3.1 Research design**

According to Wagenaar and Babbie (2001) research design is determining exactly what you want to find out and then developing strategies for executing enquiries, making observations and interpreting the results. The design guides the researcher to plan and implement the study so that the intended goals of the study are achieved (Burns & Grove, 2005). They also state the research design can be used in two ways:

- The design is considered to be the entire strategy for the study i.e. identification of the problem to a collection plan of data;
- The design is limited to clearly defined structures within which the study is implemented.

The starting point of a research design is to determine your research paradigm. “Paradigms are general frameworks for viewing social reality and are grounded in various assumptions about the nature of reality” (Wagenaar & Babbie, 2001: p31). There are two main paradigms, namely a quantitative and qualitative approach and they will be described in the paragraphs below.

According to Veal (2006) the quantitative approach to research involves statistical analysis. He further states that it relies on numerical evidence and from this evidence, conclusions can be drawn or hypothesis tested. The author also states that to ensure the reliability of the results, it is necessary to study large numbers of data which need to be computer analysed. Data can be captured from questionnaires, surveys or observations.

On the other hand, the qualitative approach to research is generally not concerned with numbers (Veal, 2006). The process involves gathering a great deal of information about a small number of people and is usually not presentable in numerical form. Qualitative techniques are used in the following situations:

- When the focus of the research is on meanings and attitudes;
- When exploratory theory building rather than theory testing work is called for;

- When the researcher accepts that the concepts, terms and issues must be defined by the subjects and not by the researcher in advance; and
- When interaction between members of a group is of interest.

In research, the triangulation method involves the use of more than one research approach in a single study to gain a broader or more complete understanding of the issues being investigated (Veal 2006). The methods used are often complementary in that the weaknesses of one approach are complemented by the strengths of another.

The approach used in this study was a quantitative technique called factor analysis and the reasons for the choice of this method are as follows:

- A large sample will be used to test hypothesis with;
- It has an artificial location; and
- It will allow results to be generalised from the sample to the population.

Somekh and Lewin (2011) define factor analysis as a quantitative technique that identifies the general dimensions or concepts within a set of responses to questions, bringing together a range of correlated variables into a smaller number of factors which can be interpreted more easily. It is also used in scale development and to reduce data. In this study hypotheses were developed and they will be proved or disproved during the analysis of the data received.

#### **4.3.2 The research problem and hypotheses**

In the first chapter of this study, the selected problem that SMME business owners do not realise the importance of social media and social networking for their business gave rise to the question: Can a reference guide be developed for SMME business owners to help them make decisions on their social media and networking strategies? The main objective of the research was to define social media and networking, state reasons why it is significant to businesses, analyse strategies that current businesses are using including recruitment and also the challenges faced by businesses when social media strategies are implemented in their workplace.

A literature review was conducted on the above objectives and the existence of some these objectives will be investigated in current SMME businesses registered with the George Business Chamber.

#### **4.4 DATA COLLECTION PROCEDURE**

##### **4.4.1 Sample**

Burns and Grove (2005) say that sampling involves the selection of a group of people, events, behaviour or other elements with which to conduct a study. They also define a sampling plan as the process of making the sample selections of a sample which denotes the selected group of people or elements included in the study.

Wagenaar and Babbie (2001) add that sampling gives the researcher the ability of describing a larger population based on only a selected portion of that population. The authors further state it is important to select samples that adequately represent the population under study as humans are heterogeneous. A sample not representative of the population is biased, therefore it is important that the process of sample selection must be aimed at minimising bias in the sample (Veal, 2006).

The research problem covers a large population and therefore the extent of the research in terms of the focus is stated as business owners registered with the George Business Chamber. The target audience for the purpose of the questionnaire is therefore also the business owners of SMME businesses registered with the George Business Chamber. There are approximately 323 members registered with the George Business Chamber across 47 industries. Any business in the George and surrounding areas can become members and they support businesses through organising events and networking functions to channel businesses in finding new business contacts. In addition the chamber host events whereby speakers inform businesses on different challenges faced on a daily basis.

#### **4.4.2 Reliability and validity**

Collis and Hussey (2009) note it is important to ensure that respondents' views will be measured consistently if the research makes use of rating scales or attitude scales. They further state that reliability is concerned with the findings of the research, and it is said to be reliable if someone else repeats the research and obtains the same results. They further explain that validity is important as this is concerned with the extent to which the research findings accurately represent what is happening in the situation.

Collis and Hussey (2009) describe three common ways of estimating the reliability of the responses to questions in questionnaires or interviews:

- Tests re-test method – The questions are asked of the same people, but on two separate occasions. Responses are correlated and the correlation co-efficient of the two sets of data are computed, thus providing an index of reliability. The disadvantage of this method is that it is difficult to persuade respondents to answer a questionnaire a second time;
- Split-halves method – The questionnaires are divided into two equal halves, by putting the responses to the odd numbered questions in one pile and the responses to the even numbered questions in another. Alternatively, the responses to the first half of the questions are put in a separate pile from the answers to the remainder. The two piles are then correlated and the correlation co-efficient of the two sets of data computed as above;
- Internal consistency method – Every item is correlated with every other item across the sample and the average inter-item correlation is taken as the index of reliability.

In order to ensure the validity of the research, the opinion of professionals was sought to determine whether they agreed with the conclusions made and the conclusions were sent back to the respondents to determine whether they agreed with the conclusions drawn. The questions were designed to be as simple as possible to increase the understanding and in turn the reliability of the questionnaire. The questionnaire was reviewed by a statistician and academic of the NMMU University.

#### **4.4.3 Questionnaire design**

Somekh and Lewin (2011) state that questionnaires provide a way of gathering structured and unstructured data from respondents in a standardised way, either as part of a structured interview or through self-completion. Often, the data collected are numerical (a measurement) or can be represented numerically (ranked in order of preference for example) and can thus be analysed using statistical techniques. Self-completion questionnaires are also a cost-effective way of collecting data from a large number of widely dispersed participants.

There are many issues that need to be considered in order to (a) maximise the responses and (b) be confident that the instrument is reliable and valid. Thought should be given as to whether the questionnaire should be completed anonymously or not, depending on the sensitivity of the questions being asked. In this study it was not regarded as necessary that the businesses add their details as it asked for industry and other demographic information which were necessary for the analysis.

A questionnaire should have clear aims and objectives and be structured logically into sections and sub-sections with filter questions to ensure the respondents only answer relevant questions. Open-ended questions are more suited to qualitative approaches, allowing the respondent to give free response in continuous text. Questions should be:

- Clear and unambiguous and must not contain technical or inappropriate language;
- Not lead the respondents to particular answers;
- Be simple rather than complex;
- Avoid questions that are double-barrelled;
- Avoid the use of negatives and double negatives;
- Ensure that in multiple choice questions and rating scales all categories are mutually exclusive; and
- Avoid questions that may antagonize or irritate respondents or could be perceived to be threatening.



The questionnaire was divided into four main sections namely:

1. Information about the person who is completing the questionnaire;
2. Information about the SMME;
3. Information on the current use of social media within the business for business purposes; and
4. Information on the future use of social media within the business.

#### **4.4.4 Data collection process**

Collis and Hussey (2009) mention a number of distribution methods to be used. The decision of a specific method is largely dependant on cost, size and location of the sample:

- By post – This is a commonly used method of distribution that is fairly easy to administer. One of the drawbacks is that response rates of 10 percent or less are not uncommon and this introduces the problem of sample bias because those who respond may not be representative of the population;
- By telephone – This is also a widely used method to employ as it reduces the costs associated with face-to-face interviews, but still allows some aspect of personal contact. However, achieving the desired number of responses may require a very large sampling frame and there is the cost of many calls to consider;
- Online – Web-based tools, such as Survey Monkey, allow the researcher to create his/her own survey for a fee and email it to potential respondents. The preliminary results can be viewed as they come in and the data file can be exported to Excel, SPSS and other software packages for analysis. Sufficient responses may take some time and the results may be biased;
- Face-to-face – The questionnaire can be presented to respondents in the street, at their homes, in the workplace or any convenient place. It is time-consuming and can be expensive if the researcher has to travel to a particular location to meet an interviewee;
- Group distribution – This method is only appropriate where the survey is being conducted in a small number of locations or a single location; and

- Individual distribution – This is a variation of group distribution. If the sample is situated in one location, it may be possible to distribute, and collect, the questionnaires individually. The researcher may encounter problems with sample bias if this method is used.

After considering the advantages and disadvantages of the different collection methods and the limited time available to collect the data, the researcher used an online tool to distribute the questionnaire to the selected sample. Emails containing a cover letter were prepared and sent to the selected sample individually with a link to the online tool.

#### **4.5 CONCLUSION**

This chapter dealt with some theory on research methodology and described the research paradigm, population, sample, questionnaire design and data collection methods used for this study. The next chapter will describe the analysis of the results from the questionnaire responses received from the respondents.

## **CHAPTER 5**

### **EMPIRICAL FINDINGS**

#### **5.1 INTRODUCTION**

This chapter presents an analysis of the use and perceptions of social media in Small Medium Businesses registered with the George Business Chamber. The results of this research study are presented and analysed in this chapter, which allowed the researcher to draw conclusions that are presented in chapter six.

The data will be analysed and interpreted in terms of the following structure:

Section 5.2: Demographics of respondents;

Section 5.3: Information on the businesses;

Section 5.4: Personal use of social media;

Section 5.5: Business use of social media;

Section 5.6: Perceptions on importance of social media;

Section 5.7: Future use of social media in business.

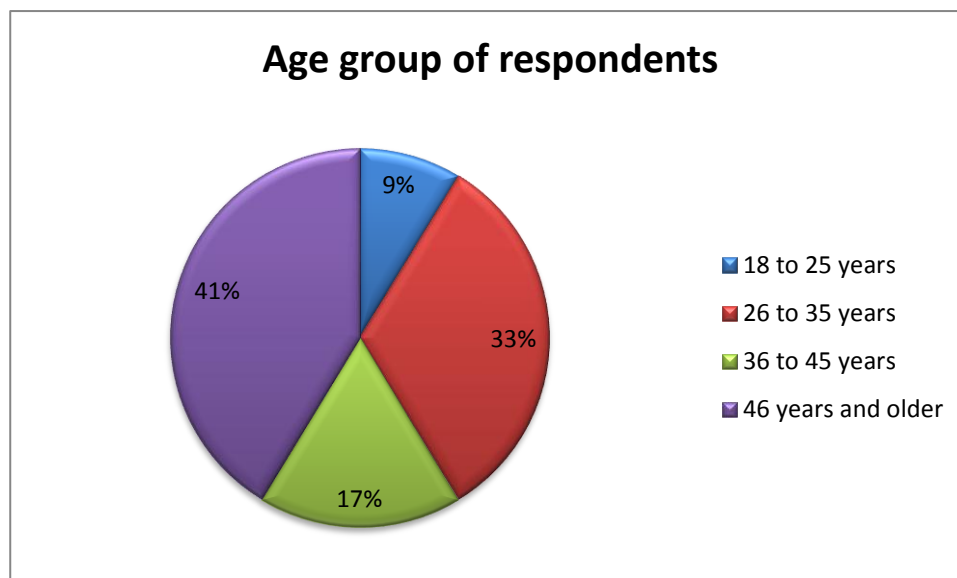
The research findings are presented in this chapter and are organised in graphic and tabular form.

Sixty (60) out of the one hundred and eighty three (183) companies requested to participate in the survey returned their survey forms in time to allow completion of this thesis. This represents a response rate of 32 percent and a 19 percent sample of the approximate three hundred and twenty three (323) registered businesses with the George Business Chamber.

## 5.2 ANALYSIS AND INTERPRETATION OF THE SURVEY RESPONDENTS' DEMOGRAPHICS INFORMATION

Questions 1 to 6 provided information on the survey respondents and included their age, gender, education level, level of responsibility in the business, the age of their children and a rating on their computer skills. The age groups of the respondents are displayed in Figure 5.1 and show that the largest age group is represented by people older than 46 years (41 percent) and the smallest age group is represented by people between the ages of 18 to 25 years (nine percent).

**Figure 5.1: Age group of respondents**



The following table depicts the different generations of people and their use/interest in social media (Brown, 2010).

**Table 5.1: Generation depiction**

Generation	Age group	
Generation Y	18 to 29 years	Grew up with email, internet, cell phones, and immediate access to information
Generation X	30 to 44 years	Comfortable with technology
Baby Boomers	45 to 63 years	Did not grow up with technology, and the web to them seems like a magical tool

From this information the age groups relates to approximately nine percent of survey respondents being part of Generation Y, 50 percent of Generation X and 41 percent Baby Boomers. This relates positively to the possible use or future use of social media in businesses, as a large group is represented by Generations Y and X who grew up with and are comfortable with technology.

Fifty five percent of the business owners or managers are male and 45 percent are female which represents an even spread of gender.

The level of education is depicted in Figure 5.2 and show that 31 percent of respondents have a diploma and 30 percent matric. Twenty eight percent have an education level higher than a diploma.

**Figure 5.2: Level of education**

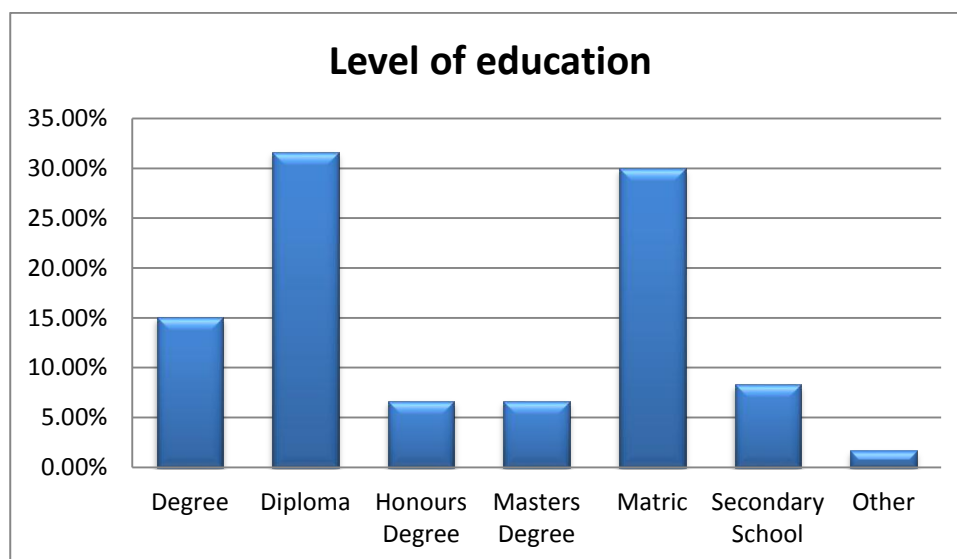
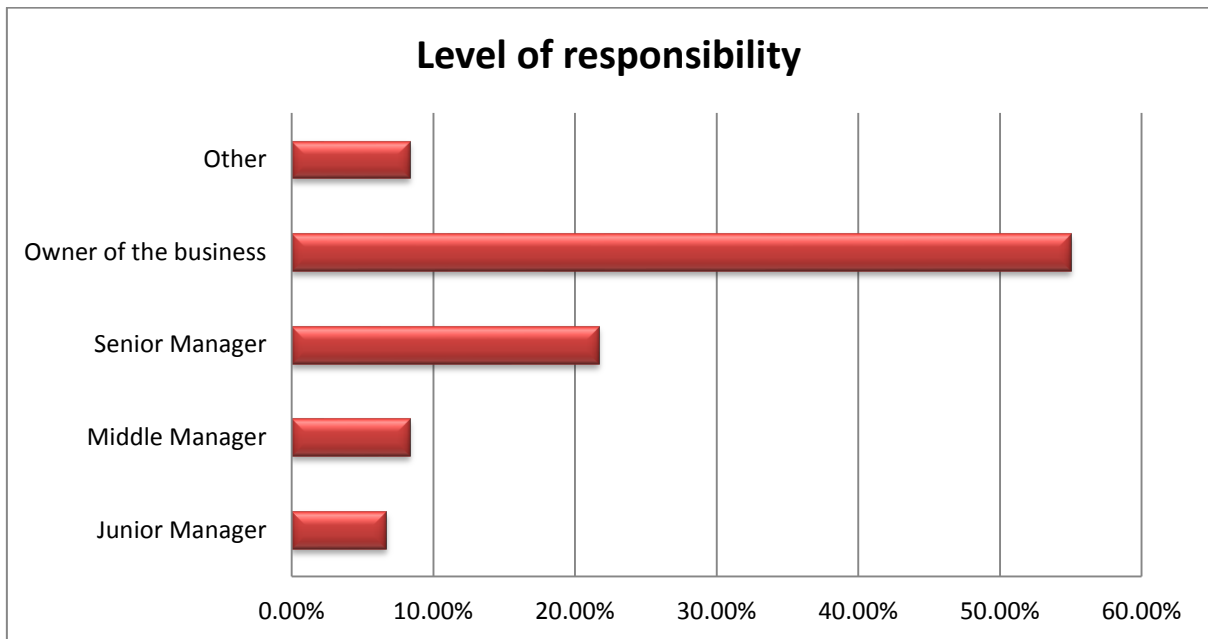


Figure 5.3 shows that seventy six percent (76%) of respondents are owners or senior managers of the business. Eight percent (8%) are middle managers and six percent (6%) are junior managers. The eight percent (8%) of respondents in the other category are represented by three people in a sales capacity and one receptionist.

**Figure 5.3: Level of responsibility**



This corresponds positively to the target group of people surveyed as part of the planned demarcation of the research. Forty two percent of respondents have no children, whereas 35 percent have children between the ages of 13 and 35 years which fall in the Generation X and Y category. Eighty percent of respondents rate their computer skills at above average which represents a rating of 6 to 10 on a scale of 1 to 10.

The following hypothesis was formulated that relates to the demographics of the respondents section in the survey:

*H1: People between the ages of 18 - 35 use social media more in their business than any other age group*

No significant relationship could be found to prove that respondents between the ages of 18 to 35 uses social media more in their business than any other age group. This indicates that the target group of social media users is not necessarily limited to a specific age group or generation.

*H<sup>2</sup>: Females use social media sites more than males in their business*

No significant relationship could be found to prove that females use social media sites more than males in business.

*H3: People with an education level higher than a diploma use social media more in their business than people who have a diploma or matric level*

No significant relationship could be found to prove that people with an education level higher than a diploma use social media more in their business than people who have a diploma or matric level.

*H4: People with children between the ages of 13 - 35 use social media more in their business than people with children of any other age group*

No significant relationship could be found to prove that people with children between the ages of 13 to 35 use social media more in their business than people with children of any other age group. This indicates that parents are not necessarily influenced by their children to use social media.

*H6: People who have advanced and formally trained computer skills are more likely to use social media in their business*

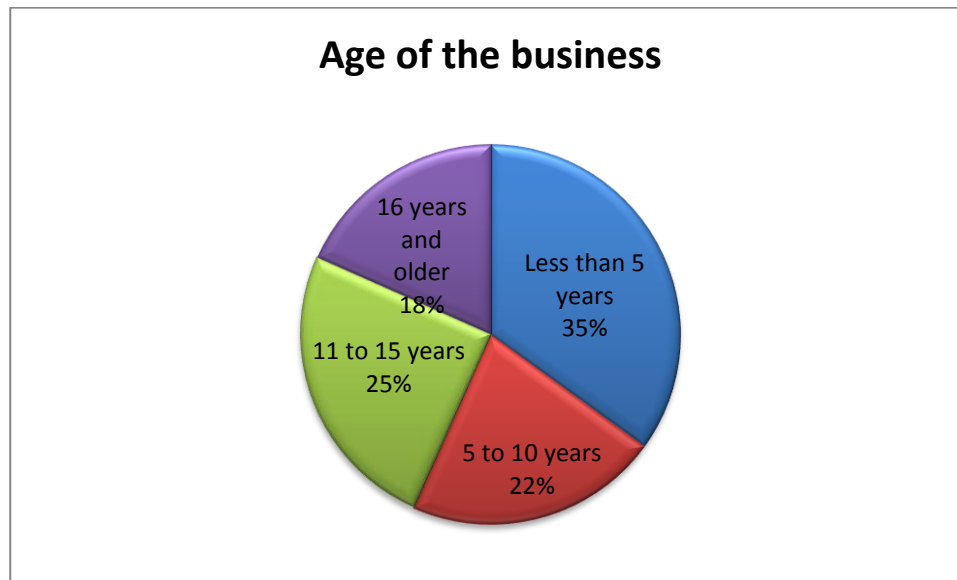
Although there is some degree of positive correlation in all three cases, it is not statistically significant, possible due to the relatively small sample.

### **5.3 ANALYSIS AND INTERPRETATION OF THE INFORMATION ON THE BUSINESSES REPRESENTED BY THE SURVEY RESPONDENTS**

Questions 15 to 18 gathered information on the business itself and included the age of the business, the industry in which the business operates, annual turnover of the business, and the number of employees working in the business. The answers to these questions also help classify the business into the SMME category which is the focus of the main research objective, namely the guide on social media use.

Figure 5.4 presents the number of years the business has been in existence. Thirty five percent of businesses have been in existence for less than five years and only 18 percent have been in existence for longer than 16 years.

**Figure 5.4: Age of the business**

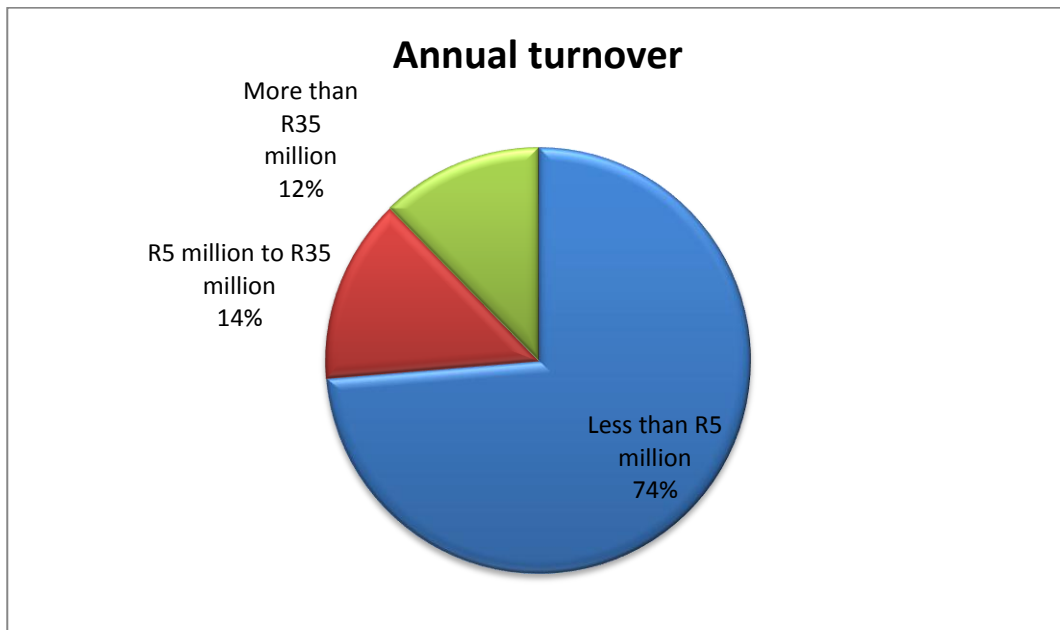


The businesses are represented across a wide range of industries. The majority are represented by business services and consulting which is 10 percent and transport which is 20 percent, between seven and eight percent range from accommodation, catering and furniture industries.

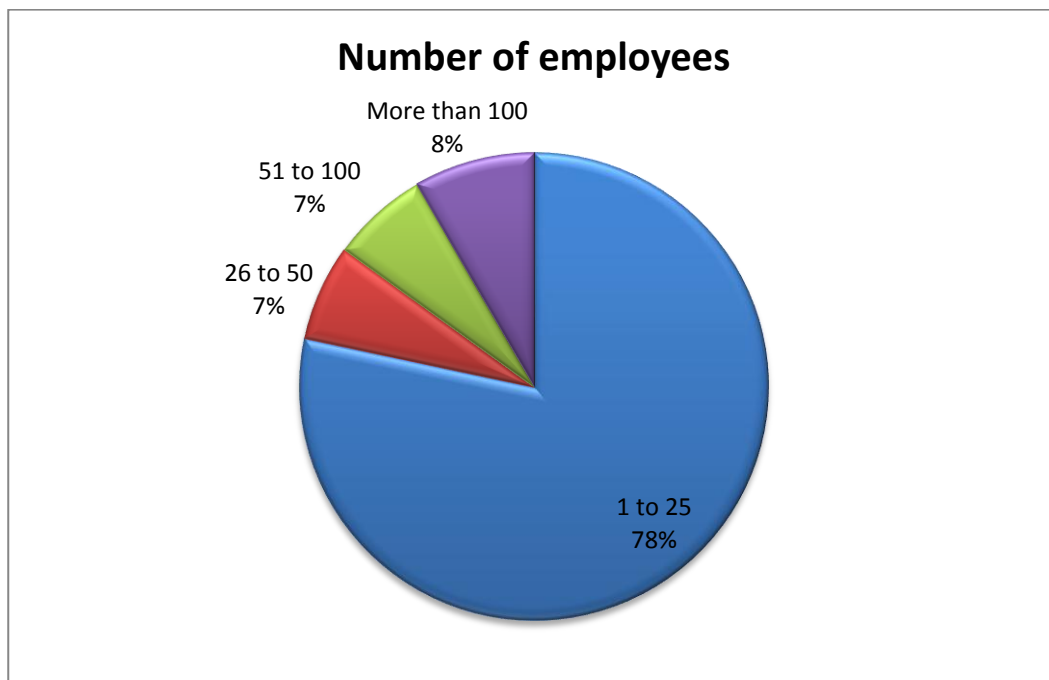
Figures 5.5 and 5.6 present the business' annual turnover and number of employees respectively. These figures indicate that the businesses fall in the SMME enterprise category. Seventy four percent have a turnover of less than R5 million rand and only 12 percent have a turnover of more than R35 million. Seventy eight percent of businesses have less than 25 employees and only eight percent have more than 100 employees.



**Figure 5.5: Annual turnover of the business**



**Figure 5.6: Number of employees in business**



The following hypothesis was formulated with regard to information on the businesses in the survey:

*H7: Businesses that have been in existence for less than five years are more likely to use social media than businesses older than five years*

No significant relationship could be found to prove that businesses in existence for less than five years are more likely to use social media than businesses older than five years

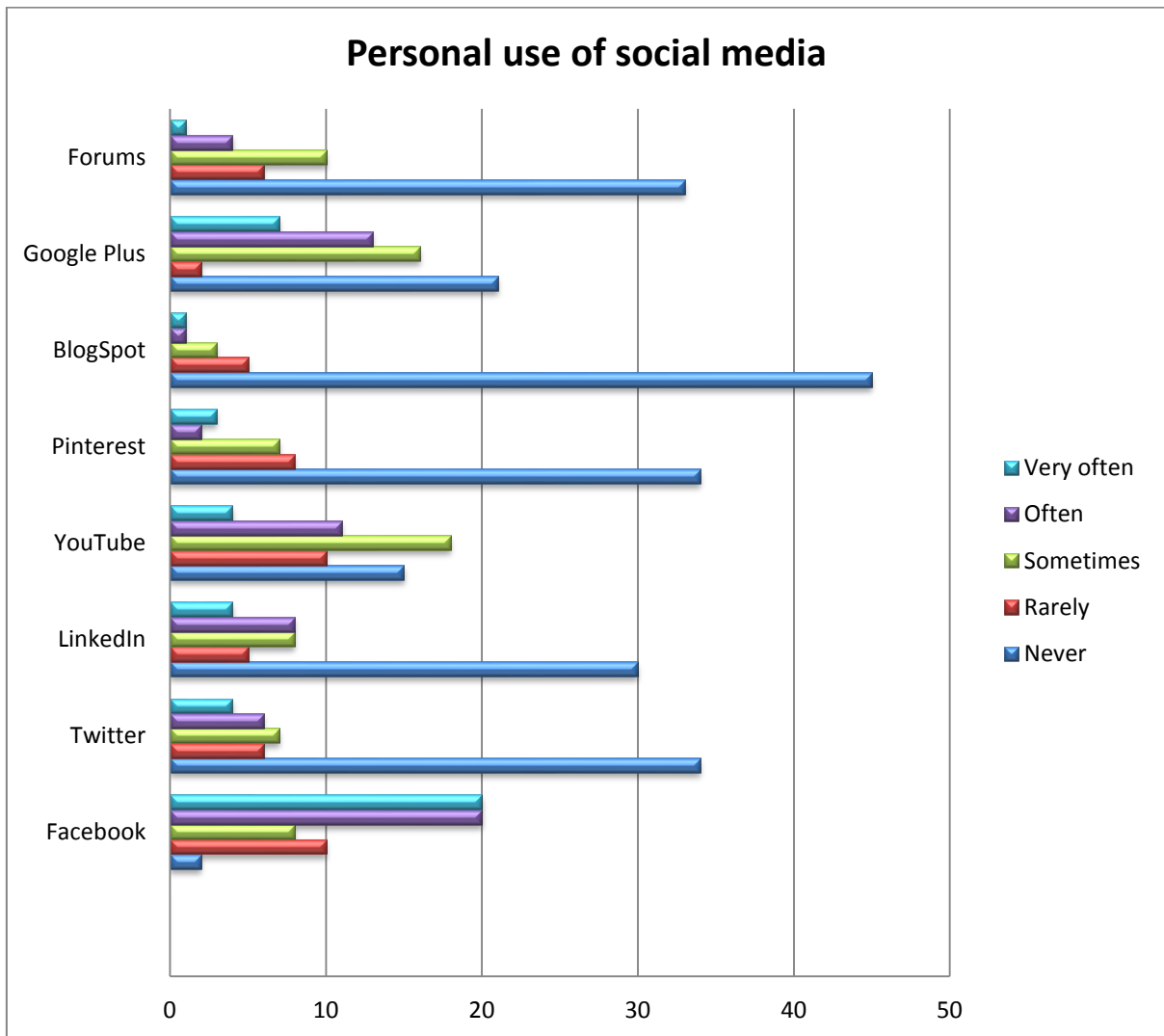
*H8: Businesses in the service industry use social media more than businesses in the manufacturing industry*

No significant relationship could be found to prove that businesses in the service industry use social media more than businesses in the manufacturing industry

#### **5.4 ANALYSIS AND INTERPRETATION OF THE INFORMATION ON THE PERSONAL USE OF SOCIAL MEDIA BY THE SURVEY RESPONDENTS**

Questions 7 to 14 present the personal use of social media of the survey respondents for the use of Facebook, Twitter, LinkedIn, YouTube, Pinterest, BlogSpot, Google+ and Forums. Figure 5.7 depicts the personal use of social media by the survey respondents. Facebook and Google+ are used the most often and BlogSpots, Pinterest and Forums are used the least often.

**Figure 5.7: Personal use of social media**



### ***Facebook***

Facebook is the most popular media site used by the respondents and represents 67 percent. Twenty percent of respondents rarely or do not use Facebook at all. This corresponds favourably with the fact that Facebook is one of the most popular social media sites being used today.

### ***Twitter***

Only 17 percent of respondents use Twitter in their personal capacity. Twelve percent only use it sometimes and 67 percent use it never or rarely.

### ***LinkedIn***

Fifty eight percent of respondents rarely and never use LinkedIn in their personal capacity and only 20 percent use it often.

### ***YouTube***

Forty two percent of respondents rarely to never use YouTube in their personal capacity and only 25 percent use it often.

### ***Pinterest***

Seventy percent of respondents rarely to never use Pinterest in their personal capacity and only eight percent use it often.

### ***BlogSpot***

Only four percent of respondents use BlogSpot personally and five percent use it sometimes.

### ***Google Plus***

There is an almost equal split between respondents using and not using Google Plus and represents 33 three percent and 38 percent respectively.

### ***Forums***

Sixty percent of respondents rarely to never use Forums in their personal capacity and only nine percent use it often.

The following hypothesis was formulated with regards to information on the business in the survey:

*H5: People who use social media for personal reasons are more likely to use social media for business purposes*

A significant relationship was found which proves that people who use social media for personal reasons are more likely to use social media in their business.

From the results of the empirical study this would mean that the 67 percent who use Facebook would be more likely to use this for their business but that the respondents who rarely use sites such as Twitter and Facebook for example would be less likely to use this in their business.

## **5.5 ANALYSIS AND INTERPRETATION OF THE INFORMATION ON THE BUSINESS USE OF SOCIAL MEDIA BY THE SURVEY RESPONDENTS**

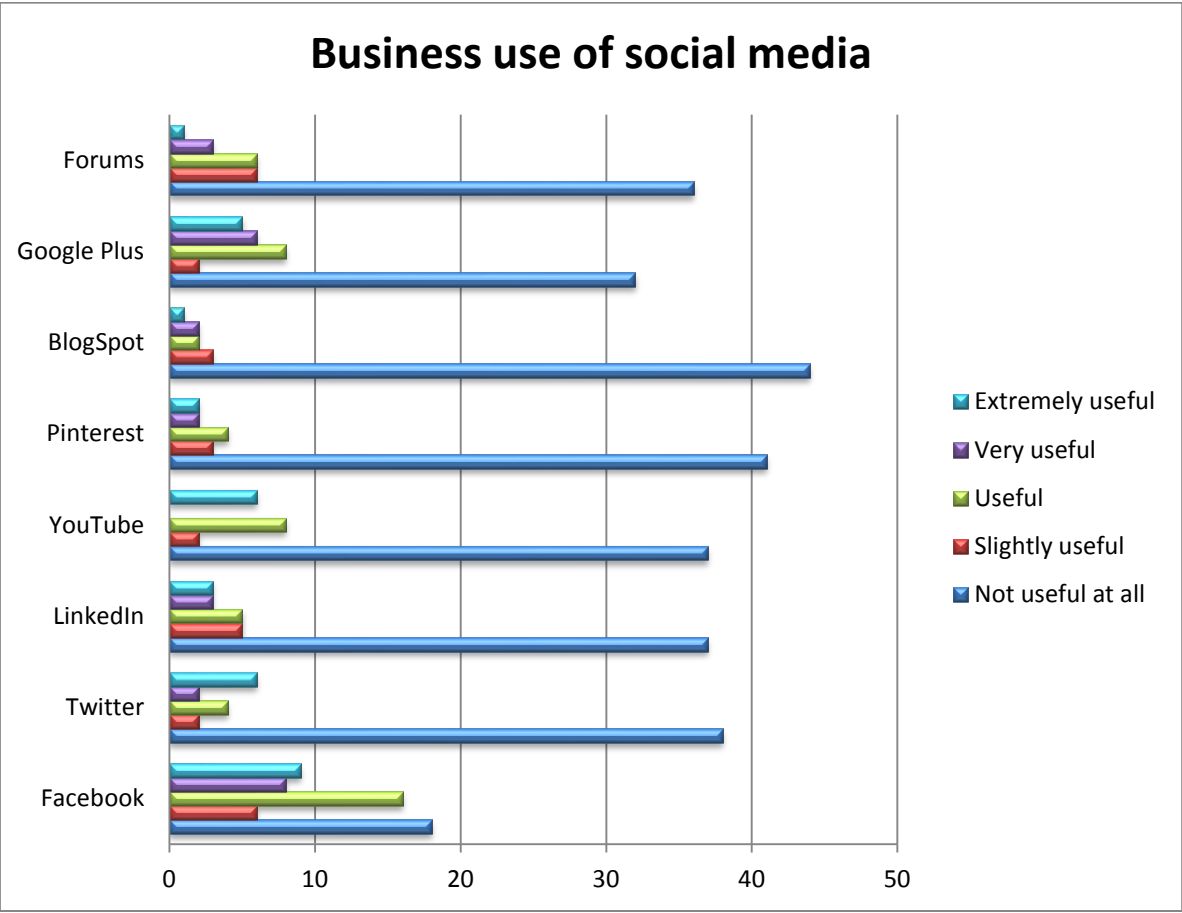
Questions 19 to 36 and 39 to 43 address the business use of social media by the survey respondents and include the IT infrastructure, the use of email or websites and business use of social media on various social media sites. Further to this, they also include whether business owners allow employees to use social media at work and if they have a social media policy regulating the use of social media, the extent to which respondents use social media sites for certain purposes and the extent to which respondents use certain channels for marketing the business.

The IT structure in the businesses is not of a high level as 45 percent of businesses say they do everything themselves with regard to IT and only 34 percent use an outsourced company or a qualified IT person.

Ninety three percent and 73 percent of businesses use email and have a website in their business respectively.

Figure 5.8 depicts the business use of social media by the survey respondents. Facebook and Google+ are used the most often and BlogSpots, Pinterest and Forums are used the least. This compares favourably with personal use by the respondents.

**Figure 5.8: Business use of social media**



The percentage usage of the different social media channels are presented in the table below.

**Table 5.2: Business use of social media per social media site**

	Not useful at all	Slightly useful	Useful	Very useful	Extremely useful		
Facebook	18	6	16	8	9	3	60
	30%	10%	27%	13%	15%	5%	
Twitter	38	2	4	2	6	8	60
	63%	3%	7%	3%	10%	13%	
LinkedIn	37	5	5	3	3	7	60
	62%	8%	8%	5%	5%	12%	
YouTube	37	2	8	0	6	7	60
	62%	3%	13%	0%	10%	12%	
Pinterest	41	3	4	2	2	8	60
	68%	5%	7%	3%	3%	13%	
BlogSpot	44	3	2	2	1	8	60
	73%	5%	3%	3%	2%	13%	
Google Plus	32	2	8	6	5	7	60
	53%	3%	13%	10%	8%	12%	
Forums	36	6	6	3	1	8	60
	60%	10%	10%	5%	2%	13%	

### ***Facebook***

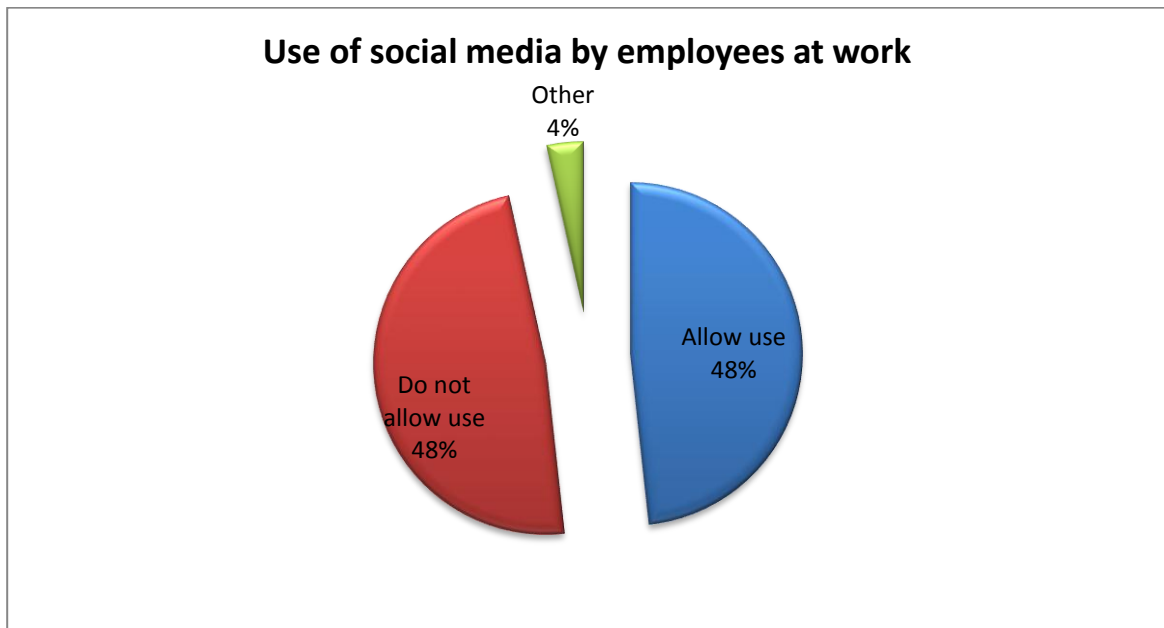
Fifty five percent of respondents find Facebook useful for business purposes and 30 percent do not find it useful at all. This relates positively to the fact that 67 percent of respondents who use Facebook for personal reasons find it useful in business.

### ***Twitter***

Twenty percent of respondents find Twitter useful for business purposes and 63 percent do not find it useful at all.

Similar figures are found for the business use of LinkedIn, YouTube, Pinterest, BlogSpot, Google Plus and Forums, in that the majority of respondents do not find it useful for business purposes. There is an equal split between employers allowing their employees to use social media during working hours. This is presented in Figure 5.9.

**Figure 5.9: Use of social media by employees at work**



This information does not correspond positively with the information found in the literature study that state many businesses feel social media causes problems when used by employees (Stoller, 2008). The literature study also revealed that business stakeholders have productivity concerns with regard to their employees wasting time chatting with their friends online (Stoller, 2008). One would expect the percentage of small businesses not allowing employees the use of social media at work would be higher and not split almost even.

Seventy one percent of respondents do not have a social media policy in place in their business even though almost half of them allow the personal use of social media during work hours. This coupled with the fact that the businesses' IT infrastructure is handled mostly by the owners themselves raises huge risks with regards to viruses, online predators and the leaking of sensitive information.

The goal of Questions 31 to 36 was to establish the extent to which the respondents use social media sites for the purposes of:

- Professional networking;
- Keeping in touch with former colleagues/contacts;
- Sharing knowledge and information;



- Socialising with business contacts;
- Finding sales business leads; and
- Recruitment.

Sharing knowledge and information seems to be the main reason for using social media, as 22 percent of respondents indicated they use social media to a large extent for this reason. The second biggest reason was to keep in touch with former colleagues and contacts, 20 percent. The following table represents the percentage use of social media for the named purposes.

**Table 5.3: Social media use**

	Not at all	To a little extent	To a moderate extent	To a large extent	Blank	
Professional networking	12	22	11	10	5	60
	20%	37%	18%	17%	8%	
Keeping in touch with former colleagues / contacts	17	14	13	12	4	60
	28%	23%	22%	20%	7%	
Sharing knowledge and information	13	14	18	13	2	60
	22%	23%	30%	22%	3%	
Socialising with business contacts	15	24	14	5	2	60
	25%	40%	23%	8%	3%	
Finding sales / business leads	14	20	15	9	2	60
	23%	33%	25%	15%	3%	
Recruitment	32	16	4	5	3	60
	53%	27%	7%	8%	5%	

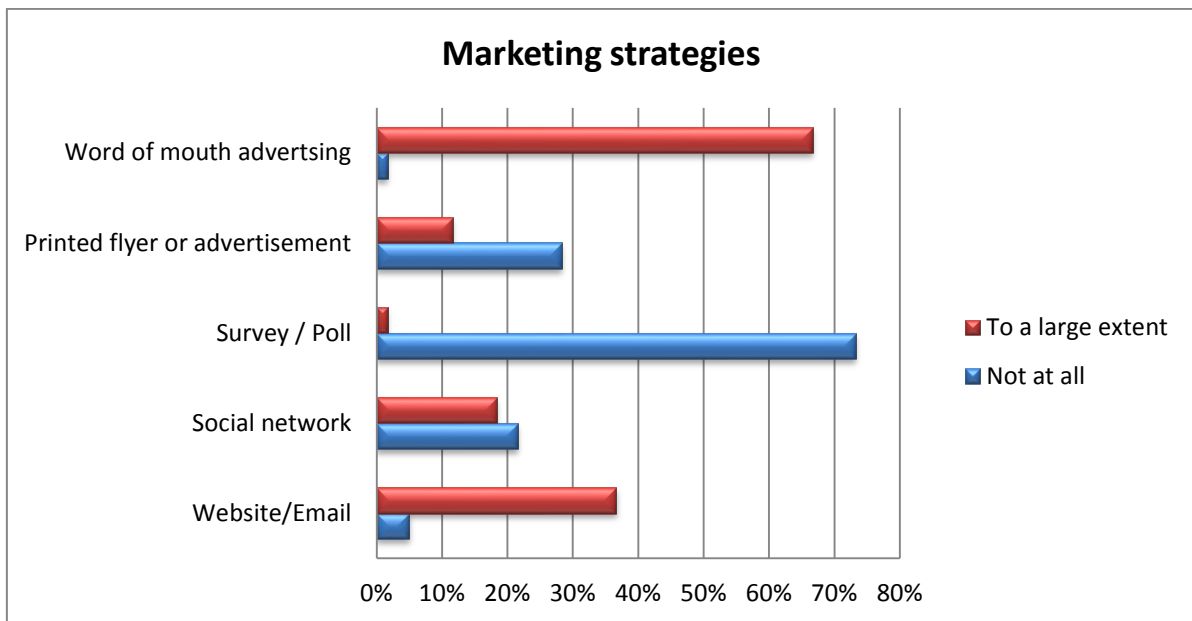
Fifty three percent of respondents do not use social media for recruitment purposes. This suggests there is huge opportunity for small businesses to use social media in their recruitment strategy. From the literature study, this strategy is important for small businesses, specifically to enable them to attract and retain the new generation of enthusiastic workers to compete with their competitors and bigger businesses. It would also make it easier for them to get to know the candidates before spending time with a long interview process which could be costly.

Questions 39 to 43 establish the extent to which the following is used to market their business. This is depicted in Figure 5.10:

- Website/Email;

- Social network;
- Survey/Poll;
- Printed flyer or advertisement; and
- Word of mouth advertising.

**Figure 5.10: Marketing strategies of small businesses**



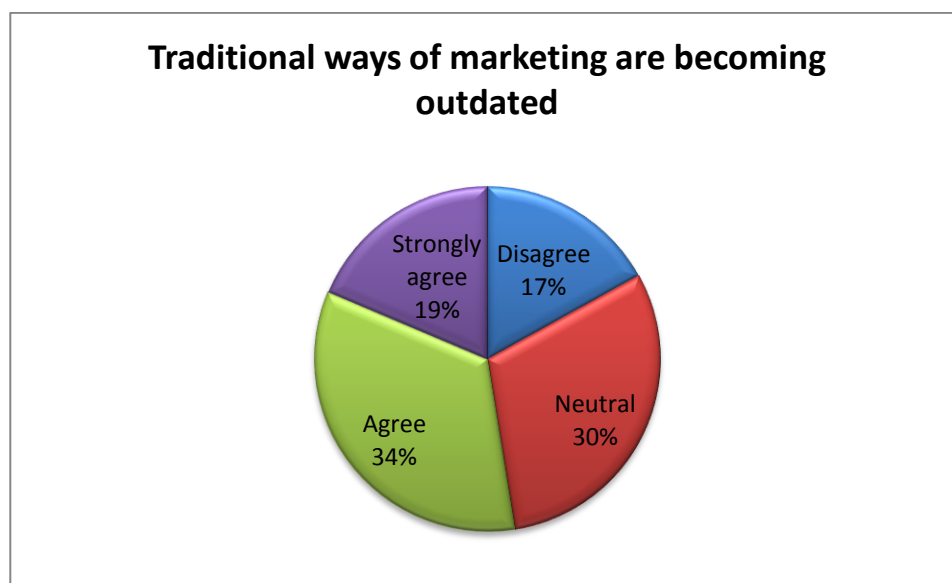
Website/email (37 percent) and word of mouth advertising (67 percent) are used the most to market businesses and survey/polls (73 percent) and printed flyer or advertisements (28 percent) are not used at all. This suggests that business owners of small businesses will find it easier to use social media in their marketing strategy as they rate printed flyers or advertisement the least to market their business.

Questions 44 and 45 asked respondents if they check someone's profile before employing them and if they do, do they feel it is unethical. Fourteen percent of respondents indicated they always check their profile, 31 percent said they do it sometimes and 51 percent said they never have. Only three percent feel it is unethical and 50 percent feel it is not unethical.

## 5.6 ANALYSIS AND INTERPRETATION OF THE PERCEPTIONS OF RESPONDENTS ON THE IMPORTANCE OF SOCIAL MEDIA

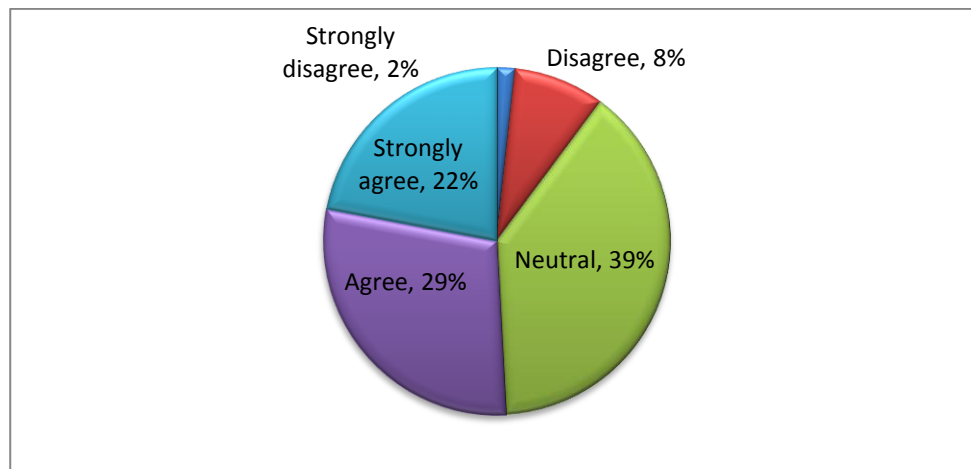
The purpose of question 37 was to determine if respondents agree that traditional ways of marketing such as advertisements, pamphlets and networking evenings are becoming out-dated. Fifty three percent of respondents agree with this statement and 17 percent disagree with this statement. Thirty one percent have a neutral response on this statement. This is presented in Figure 5.11.

**Figure 5.11: Traditional ways of marketing are becoming out-dated**



Question 38 asks respondents to agree or disagree with a statement about social media as a marketing tool. Fifty one percent of respondents agree with the statement that social media will become a better marketing tool than TV advertising or printed advertising. Ten percent of respondents disagree with this statement and 39 percent are neutral. This is represented in Figure 5.12.

**Figure 5.12: Social media will become better marketing tool than TV or printed advertising**



Question 46 asks the main motivations/reasons why the respondents started using social media in their business. The following reasons were given:

- It is a must in the marketing world as traditional forms of marketing (e.g. print/advertising) is very expensive and not always measureable. With e-marketing (social media/website) return on investment can be tracked;
- It is cheap and a lot of people use it;
- To remain in contact with colleagues and clients on a more social level;
- It is free and easy to do yourself, user-friendly and immediate;
- I work with a lot of young promoters who all use Facebook on a regular basis. I can check their profiles and communicate with them via Facebook;
- A business's success depends on its involvement within the community. If one fails to adapt to the ever changing technological era, then there is no advantage of gaining new clients. The use of social media is important to view one's social skills and perhaps their personality profile. This could be a great selling point for any individual;
- It is the future of communication at all levels;
- Everyone else is doing it;
- To stay "connected";
- We use it because it is relevant;
- Networking and sourcing new ideas;
- Marketing, more business;

- Quick availability of data that could be partially verified by checking alternative sites and googling, especially with regards to checking data before employing people;
- You can have as many business contacts and share information and costs you nothing. Social media is well known all over the world;
- To see if it works;
- Marketing and advertising;
- To advertise our products;
- Future of marketing and easy access to customers;
- To reach a bigger customer base;
- Keep in touch;
- To become accustomed to new ways in IT growth;
- Word of mouth/other people had very good response;
- Keeping in touch with employees;
- New development, new technology, new mode of advertisement strategies;
- Reaching more people, the tool to go;
- To increase sales;
- For a wider advertisement and for a bigger scale of society;
- To be visible to a wider range;
- Easy way to get your message out there fast;
- Logical process in advancement;
- Advertising;
- Keep up to date with trends;
- To promote it;
- To keep us up to date with the media and what is going on; and
- Marketing.

Question 47 states that social media is just a current craze and will eventually disappear. Eighty eight percent of respondents disagree with this statement and only two percent agree with the statement.

The following hypothesis was formulated with regards to perceptions of social media of respondents related to their demographical information:

*H9: People between the ages of 18 to 35 feel traditional ways of marketing and networking are fast becoming out-dated*

No significant relationship could be found that people between the ages of 18 to 35 feel traditional ways of marketing and networking are fast becoming out-dated.

*H10: Females are more likely to feel that traditional ways of marketing and networking are fast becoming out-dated, compared to males*

No significant relationship could be found that females are more likely to feel traditional ways of marketing and networking are fast becoming out-dated, compared to males.

*H11: People with an education level higher than a diploma feel that traditional ways of marketing and networking are fast becoming out-dated compared to people who have a diploma or matric level*

No significant relationship could be found that people with an education level higher than a diploma feel traditional ways of marketing and networking are fast becoming out-dated compared to people who have a diploma or matric level.

*H12: People with children between the ages of 13 - 35 feel that traditional ways of marketing and networking are fast becoming out-dated, compared to people with children of any other age group*

No significant relationship could be found that people with children between the ages of 13 to 35 feel traditional ways of marketing and networking are fast becoming out-dated compared to people with children of any other age group.

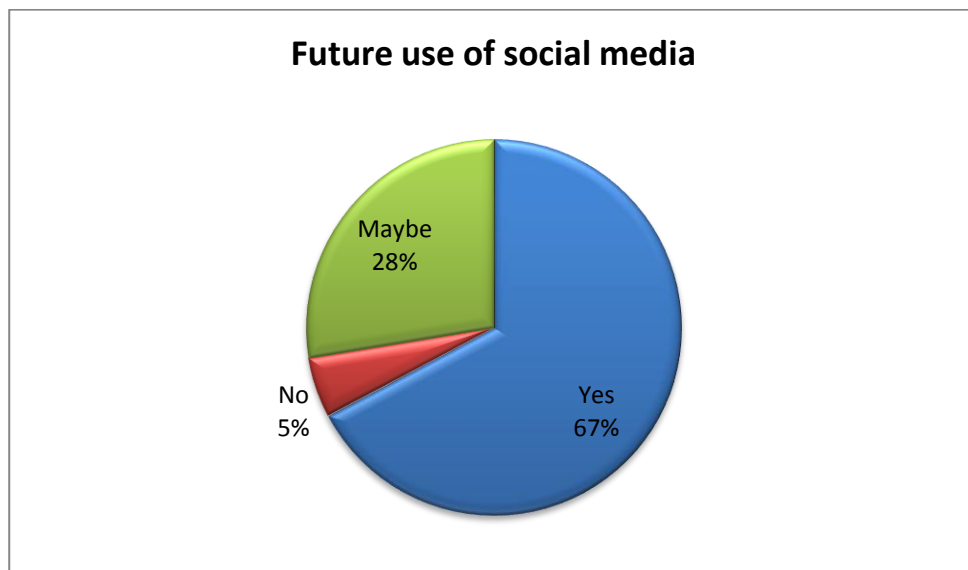
*H13: People who use social media for personal reasons and/or business purposes feel traditional ways of marketing and networking are fast becoming out-dated*

No significant relationship could be found that people who use social media for personal and/or business purposes feel traditional ways of marketing and networking are fast becoming out-dated.

## 5.7 ANALYSIS AND INTERPRETATION OF THE FUTURE USE OF SOCIAL MEDIA IN BUSINESS

Question 48 asked if respondents will be using social media more in their business in the future. Sixty seven percent of respondents will be using social media in their business, five percent will not use it in their business and 27 percent are unsure if they will use it or not. This is depicted in Figure 5.13.

**Figure 5.13: Future use of social media in business**



Question 49 asked for reasons why respondents are not planning to use social media in their business. The following reasons have been put forward by the respondents:

- It is difficult to measure if it is worth the time and money;
- I need advice from experts;
- It takes too much time;
- I deal with a known client base and regular newsletters are more effective;
- We have people to do it; and
- Will have to in future to attract a young customer base.

Forty one percent of respondents are not sure if their competitors are using social media to promote their business. Fifty three percent say their competitors are

using social media to promote their business and five percent say their competitors are not using social media to promote their business.

The majority of respondents agree that in order to stay competitive it is very important to be visible on social media sites (such as a website, Facebook, Twitter, LinkedIn etc.).

## **5.8 CONCLUSION**

The purpose of this chapter was to analyse and interpret the data obtained from the empirical data and to determine if there are any significant relationships between certain factors from the hypothesis and answers from the empirical study.

Generation X and Y people represent a large section of the age group. The other large section is represented by the Baby Boomers. Despite this fact, a large percentage (67%) says they would use social media in their business in the future.

The fact that 74 percent of businesses have a turnover of less than five million rand and 78 percent have less than 25 employees show that the results of the empirical study represents SMME's registered with the George Business Chamber.

A significant relationship was found between people who use social media for personal reasons and those who use it for business reasons. This translates to the fact that the 67 percent of respondents who use Facebook for personal reasons will be more likely to use it for business purposes as well. From the empirical results, 55 percent found Facebook useful when they used it for business purposes. The majority of respondents found the rest of the social media channels are not useful for business purposes.

Respondents equally allowed and disallowed employees the use of social media in the workplace, but do not have a social media policy in place. Sharing knowledge and keeping in touch with former colleagues and contacts are the main reasons for using social media above professional networking, socialising with business contacts, finding sales/business leads and recruitment.



Businesses use website/email and word of mouth more to market their business than survey, polls or printed flyers and advertisements. Respondents seems to agree with the fact that traditional ways of marketing are becoming out-dated and that social media will become a better marketing tool than TV or printed advertising.

The majority of respondents plan to use social media more in future in their business and that to stay competitive it is important to be visible on social media sites. More than half of the respondents know their competitors are using social media to promote their business.

Chapter six will present concluding remarks and recommendations based on the above mentioned results.

## **CHAPTER 6**

### **CONCLUSION AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

The previous chapter provided an explanation of the research results with regard to social media in SMME businesses registered with the George Business Chamber. The literature study together with an empirical study was conducted to answer the identified sub-problems. This chapter focuses on the extent to which the results provide answers to these problems and recommendations originating from the findings are made. Problems and limitations of the study are discussed and the chapter is concluded with proposals for further research in this field.

#### **6.2 CONCLUSION**

The main findings of the study are based on the literature review presented in chapter two and chapter three as well as on the empirical results presented in chapter five. The main findings based on the literature review are discussed in the next paragraphs.

As a business owner or manager it is important that the concept of social media, social networking and social business is accepted as part of business life now and increasingly so in the future. Everyone understands the term word-of-mouth marketing and knows this is one of the most powerful ways of marketing that still exists in business today. With the advent of social media, this is becoming increasingly powerful. Social media presently provide us with the ability to generate and nurture electronic word of mouth. This can be done by providing people with tools such as videos, links, and electronic documents they pass on to their friends to promote things they believe in.

It is very important that any small business owner makes this mind shift change to see social media as something positive that can change the way they have thought about their business and their customers. SMME businesses play a huge

and important role globally and specifically in South Africa, as they increase economic growth and create much needed job opportunities for an ever increasing unemployed work force. The global economic crisis has forced large companies to downscale and therefore not create new job opportunities for the people of a country.

The purpose of this study was to address the following main problem: SMME business owners do not understand the importance and impact of online social networking and social media in their business.

In attempting to solve the above mentioned problem, the following sub-problems were identified:

#### **6.2.1 What is the definition of social media and social networking?**

Section 2.2 of the literature study addresses the definition of social media and social networking. It describes the vastness of social media to include all web-based and mobile technologies that allow communication between online communities (Taprial & Kanwar, 2012). Networking occurs between people who shares common interests in hobbies, religion, politics and business (Brown, 2012b). The most commonly used social networking sites are also mentioned and include LinkedIn, Facebook and Twitter (Chaney, 2009).

#### **6.2.2 What is the significance of social media and networking in businesses?**

Section 2.3 of the literature study addresses this sub-problem. Business models have changed with the entry of social media by adding the consumer's voice and feedback after the product or service has been purchased. Traditionally the marketing process ended at the point of purchase but now it continues long after this and is carried out by customers and not the marketing department of the company. This fact impacts any business in a huge way.

Customers buying products have an opinion and are able to share their views and experiences on the World Wide Web for anyone to see. One can choose to ignore this or engage in these conversations to get value and promote one's business,

products and services further. Consumers trust the opinion of their friends, family and colleagues more than information being received from companies through advertising or other means.

The advantages of using social media are vast and include increasing awareness about the company, improving brand recognition and reaching people efficiently to pull them to their value proposition. It is also important that businesses are geared up for the next generation of consumers who is technology-savvy and will not be influenced by fancy and expensive traditional advertising campaigns (Greenberg, 2009).

Questions 37 to 38, 46 to 48 and 51 address the perceptions of respondents on the importance of social media. The majority of respondents feel traditional ways of marketing such as advertising, pamphlets and networking evenings are becoming out-dated. In addition they agree with the statement that social media will become a better marketing tool than TV or printed advertising. The main reason for respondents starting to use social media in their business include: cost-effectiveness, technological advancement and advertisement and marketing.

### **6.2.3 How do traditional networking activities compare to online social activities?**

Section 2.4 of the literature study addresses this sub-problem. The main differences between traditional networking and online social networking are described as the fact that social media activities are available to anyone at little or no cost, no specialised training is needed for someone who wants to engage in social media, communication is instantaneous and information used in social media conversations can be altered immediately (John, 2011).

The commonalities of online social networking and traditional networking include, the professionalism of your image i.e. photos vs. the way that you dress; and business cards which are used in traditional networking and similarly during online social networking activities as befriending someone serves the same purpose (Chaney, 2009).

Social media has more benefits than traditional networking. These include: a person can meet someone he/she would not have met under normal circumstances, it is easier to meet people for the first time as the person's interests and hobbies can be viewed before a physical meeting, and it provides an easy and affordable way to organise members and meetings (Ellison et al., 2009).

Questions 42 and 43 also address some information on traditional ways of marketing. The questions asked respondents to what extent they are using social networks or printed flyers and advertisements to market their business. Twenty two percent (22%) said that they do not use social networks at all and eighteen percent (18%) said they use it to a large extent. Twenty eight percent (28%) said that they do not use printed flyers or advertisements at all and twelve percent (12%) said they use it to a large extent.

#### **6.2.4 What social media methods, strategies and measurements are businesses currently using?**

Section 2.5 of the literature study addresses this sub-problem. The current use of social media for personal and business purposes is based on findings from the empirical study as well as the use of social media for activities including: professional networking; keeping in touch with former colleagues/contacts; sharing knowledge and information; socialising with business contacts; finding sales/business leads and recruitment. This was addressed in questions 31 to 36.

The literature study describes the fact that it is very important that business owners understand the context of social media in marketing and how this is different from traditional marketing (Kietzmann et al., 2011). It is also important that business owners realise consumers do not trust information from businesses anymore but rely on their friends, colleagues and families for information on their future purchases. Social media should not be regarded as a marketing channel but the biggest benefit of social media is relationship building that is possible with their customers (Chaney, 2009).

The first step according to Divol et al., (2012) in the strategy to use social media in a business is to listen to what is being said about your company. The second step

is to engage with your customers in conversations and lastly it is important to measure the results. The use of the following sites by businesses is described:

Twitter: Can be used effectively to find out what is being said about your business. By using Twitter chats businesses can connect with others with similar interests and passions (Frery, 2012).

Facebook: Can be used to post sales information, promotions, new products and information about a business (Anon, 2012).

LinkedIn: Can be used to position the company as the best place to work. It is also described as a place where a business owner can connect with people they would like to do business with or who are in a similar industry (Kerpen, 2011).

Blogging: Is used to provide value content to its customers. It can also be used to solicit ideas before a new product is launched. It gives consumers insight on what your business is all about (Kerpen, 2011).

The empirical results indicate that only Facebook is seen as useful for business purposes by respondents. The rest of the social media channels show poor results with regards to their usefulness in business marketing. The majority of businesses use email and websites in their business.

#### **6.2.5 How are businesses using social media in their recruitment strategies?**

Section 2.6 of the literature study addresses this sub-problem. Social media can be used to complement current recruitment systems (Madia, 2011). In order to attract and retain the new generation of employees, businesses need to become competitive and use technology to communicate with them successfully (Doherty, 2010). SMME's benefit from the cost-effectiveness of this method and it could help them to get to know the candidate before spending time actually interviewing the person (Therrien, 2010).

Madia (2011) says that a social media recruitment strategy must include the following suggestions: it is not a replacement method of current strategies used;

adequate resources must be allocated to this function; content added must be updated regularly; a social policy must be developed; choose social media sites that target audiences the company needs and videos can be used to show off the company and its benefits.

Social media sites can also be used to do some other checks on potential candidates such as their weekend exploits, political views, and their thoughts on their current employers. This however must be used very carefully as legal and ethical issues must be addressed adequately (McKenzie, 2010).

Fifty three percent (53%) of respondents do not use social media for recruitment purposes. Only fourteen percent (14%) of respondents check the profiles of potential employees on social media sites and fifty percent (50%) do not feel it is unethical to do this.

#### **6.2.6 What are some of the disadvantages of using social media in business?**

Section 2.7 of the literature study addresses this sub-problem. Divol et al., (2012) state businesses find it difficult to embrace social media because it is difficult to find out exactly where consumers are discussing their business or products and services. There is also no single measurement that exists to measure the impact of social media and the financial investment in this.

Businesses are concerned that the use of social media by their employees will result in a decrease in productivity and also increase any security issues the company may have as a result of allowing the use of social media sites within their business (Stoller, 2008). It also creates the risk of confidential information being posted on the web by employees, together with virus attacks and other online predators (Brown, 2012b).

All of these risks can be decreased by putting in place applicable security measures, policies and monitoring tools which could show what information is being placed on the net by employees (Bahadur, 2011).

Seventy one percent (71%) of respondents do not have a social media policy in place in their business which presents huge risks to their business's IT structure and information.

#### **6.2.7 What is the definition and classification of SMME's?**

Section 3.1 of the literature study addresses this sub-problem. There is no universal definition according to Lucky and Olusegun (2012) that defines SMME's and depends on the number of employees in the company, the size of the company, the industry, the country in which the business is registered and the asset value.

In this study, the majority of businesses fall into the category of SMME's as their annual turnover is less than 5 million rand (74%) and have 25 or less employees in their business (78%).

#### **6.2.8 What is the importance of SMME's in our economy?**

Section 3.2 of the literature study addresses this sub-problem. SMME's are very important for economic growth and to create jobs. The recession and global economic crisis puts big organisations under huge pressure and makes it very difficult for them to increase revenue and create job opportunities (Lucky & Olusegun, 2012). The literature study has also indicated how the big influence of a web presence specifically creates success for SMME's and how 150 000 of them would not have been able to survive without this (Goldstuck, 2012).

#### **6.2.9 How can social media help with the challenges being faced by SMME's?**

Section 3.3 of the literature study addresses this sub-problem. Customers play a huge role in SMME's success and affect their bottom line by what they think about the business's reputation and service. Therefore building great relationships with their customers is a very important activity for any SMME and includes good listening skills and finding ways to help their customers and add value to their lives (George, 2011).



Tariq and Wahid (2011) state that marketing is also a huge challenge for SMME's and their cash flow does not allow large spending on advertising campaigns. Social media and networking allow the business to have more communication with their customers and help them to build better relationships.

The following strategies that SMME's can implement to ensure their success can be achieved by using social media and networking activities (Ballet, 2012):

- Know what you do not know - experience is needed when making good decisions. Social media presents a huge opportunity to tap into experience via blogs, websites, links and colleagues linked through social media sites;
- Stay different – finding out what customers value and what they like about businesses gives great insight into how a business can stay different by concentrating on this valuable information;
- Make sure the worst does not happen – before a new product is launched place it on social media sites for comments and suggestions;
- Apply leverage at the right time – social media can be used to connect with potential investors and business partners to take the business to the next level;
- Keep everything aligned – alignment can be achieved by better internal communication and collaboration; and
- Leadership – social media can help the business owner portray huge leadership by getting customers to know him better.

Critical marketing mistakes such not being sufficiently market-focused and customer driven, not understanding target customers or monitoring competitors and difficulty in discovering new opportunities can be addressed by social media activities (Cronin-Gilmore, 2012).

### **6.3 RECOMMENDATIONS**

The following section contains guidelines for the implementation of social media and networking in SMME's derived from the empirical findings of the study.

### **6.3.1 General guidelines**

- It is important SMME business owners make the mind shift change in accepting social media as part of business life presently and increasingly so in the future. It is something they cannot ignore and will pose a huge competitive disadvantage if they do not make this part of their business strategy.
- Starting social media in a business is not going to quadruple sales in a few days or months. It takes patience and continuous effort to find the best ways in which it can help improve your business model and consequently sales. First efforts are probably not going to be successful.
- SMME's should not use social media to replace their marketing. Social media and networking should be used to complement and improve their current marketing strategies. Social networking should be used to complement their current face-to-face connections and to build up new ones through references and the value that you as SMME can add to customers.
- Social media is not a channel to try and sell products or services through. It should be used to build and maintain relationships with current and potential customers through a well thought-out strategy and continuous efforts.
- SMME's should not try and implement every social media site available but should focus their efforts on those they feel comfortable with and with which they can have patience until results are achieved.
- Social media is about building relationships and adding value to powerful consumers' lives through their products and services. If the business is selling something currently that is not adding value to consumers, social media is not going to magically change this. Social media will only work with a current value added product or service that people want to buy and want to engage with to share with others.

### **6.3.2 Social media guide for SMME's**

Empirical results show the eagerness of SMME business owners to use social media in their businesses in the future. They also realise the importance of social

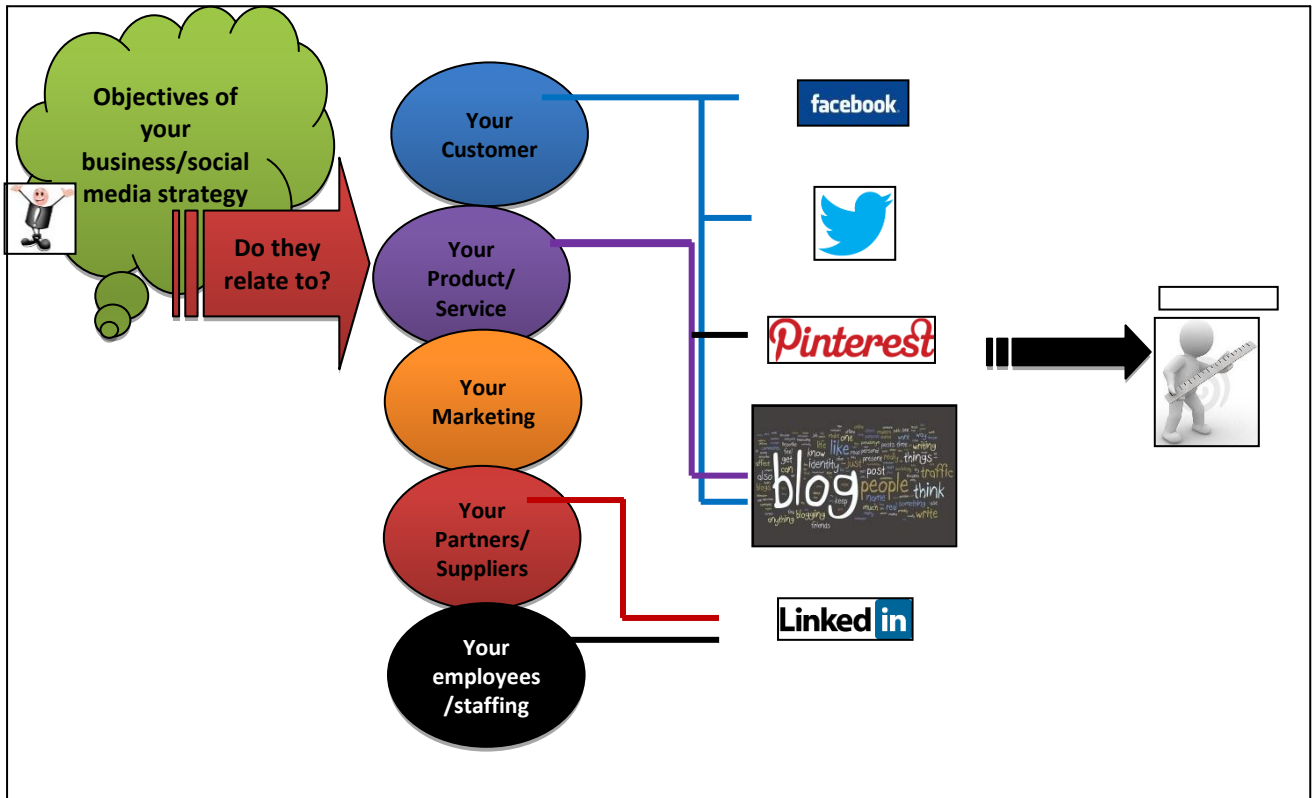
media in their businesses and that it is imperative to use this in order to stay competitive.

The literature study revealed that the entry of social media resulted in a change of business models and a social media strategy is not to try and sell products or services, but rather to engage with customers and build relationships. This information has led the author to propose the social media guide in a business model format so as to encourage SMME business owners to regard social media not as a pure marketing tool, but as a slow build-up of the current business models of the SMME's in order to improve current customer engagement and present a value added product or service that can be shared amongst consumers who use social media.

In order to successfully implement social media in a SMME, the business owner needs to follow the following three strategies:

1. Identify their business objectives
2. Look at their current business model and analyse areas where improvements need to be made. The areas to be analysed should include the following:
  - Customer and relationships;
  - Product and service;
  - Marketing;
  - Employees and recruitment; and
  - Key influencers.
3. Put social media measurements in place in order to determine if the strategy was successful or not.

**Figure 6.1: Social media guide**



### 6.3.2.1 Business objectives

Business objectives can include the following:

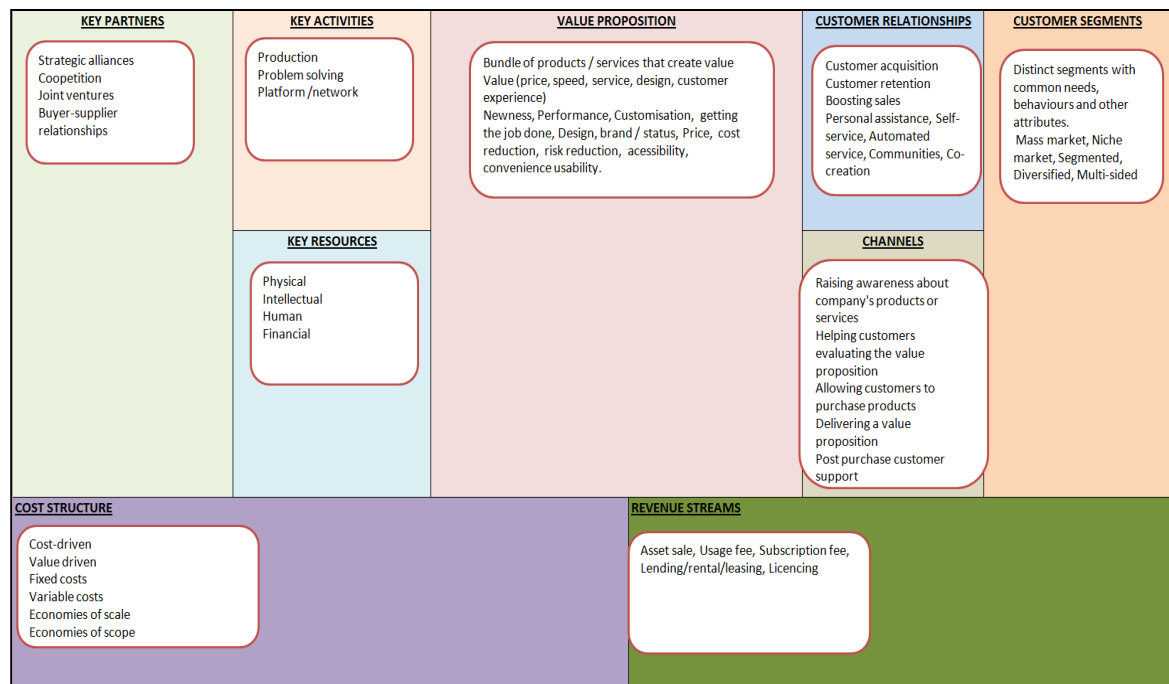
- Improving relationships with current customers;
- Improving the brand awareness of the business;
- Finding new customers;
- Sell more to current customers;
- Improving the current marketing strategy;
- Introduce more products or services to the market;
- Finding partners or investors to invest or join the business.

All of the above objectives can be reached by using social media and networking activities in the business. The objectives are important as this leads to the business model areas where the business owner would want to focus his/her attention.

### 6.3.2.2 Analyse current business model

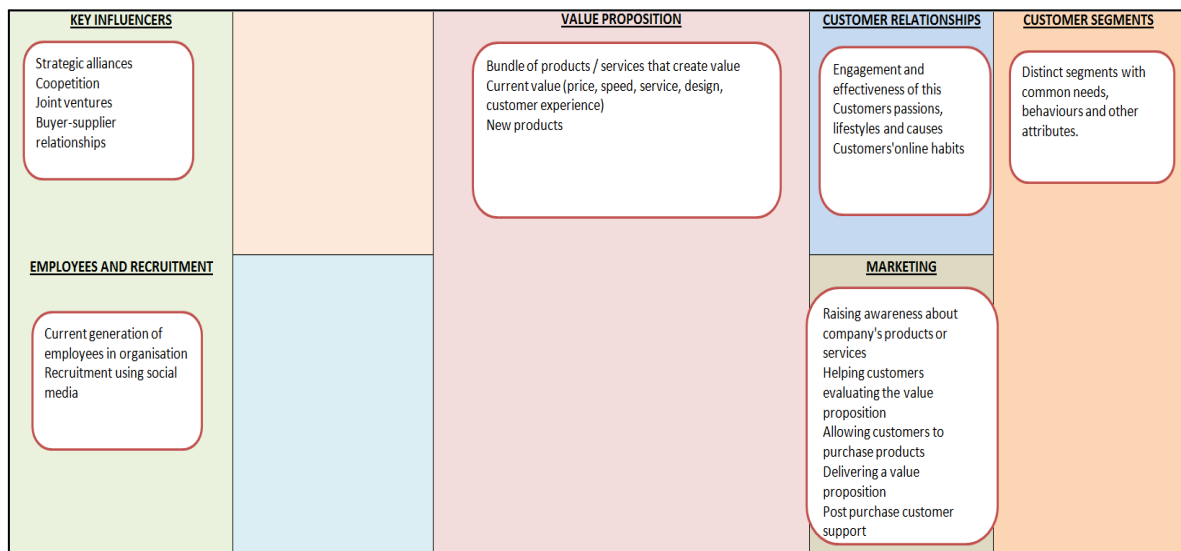
Figure 6.2 is a depiction of a business model from the book *Business Model Generation* (Osterwalder & Pigneur, 2010).

**Figure 6.2: Business model**



From this business model the following areas are suggested for analysis by the business owner and are depicted in Figure 6.3 and described in the next section.

**Figure 6.3: Business model including social media strategy**



## Customer, relationships and segments

Business owners should ask the following questions:

- How is the business currently engaging with their customers?
- How effective is this engagement process?
- Do you know what your customers' passions, lifestyles and causes relevant to them are?
- Do you know what the customers' online media habits are?
- Which categories of customer relationships do the company have or need to have with their customers?
  - Personal assistance;
  - Dedicated personal assistance;
  - Self-service;
  - Automated service;
  - Communities;
  - Co-creation.

The answers to these questions lead to the following social media opportunities which can be used by SMME's to improve this section of their business model:

Social media gives business owners a great opportunity to learn more about their customers. Through their profiles, what they write on their walls and in blogs reveals a lot about their thoughts, ideas and specifically their needs. By absorbing this information, business owners can go a long way towards improving their current products or services or even adding a new value added product or service to their existing bundle of products.

It is also very important that business owners notice which social media sites, blogs etc. are used the most by their customers. This is where the relationship or communication with the customer will start. Through their website or Facebook page businesses can add value to their customers through sharing information or providing help to their customers.

Facebook is a great way to connect with your current customers, to learn more about them and to get suggestions and comments from them on important topics related to the industry the business is in or the current services and products of the business. Through Facebook the business owner can also inform them of new products or promotions that the business may offer. If they like what the business has to offer, the added advantage is that the business will benefit from them sharing the page with their friends and family.

### **Products and/or services**

Business owners should analyse their current value proposition to their customers. The questions that should be asked are:

- Is the product or service more valuable than my competitors' products or services?
- What can be added to the current value proposition to make the business stand out and become the obvious choice for consumers?
- What about my value proposition will ensure that consumers would share it with their friends, family and colleagues?

Social media is the perfect place to determine what goes on in an industry or what customers are saying about a specific problem. It is a platform where customers are sharing their frustrations and also things they like and would refer to their friends and family. Businesses are there to solve customers' problems and listening to what is being said about their company, their competitors and other businesses in the industry is extremely valuable to a business owner.

Twitter introduces a great opportunity through an automated alert service to find discussions related to the businesses' industry or products or even competitors' products. These discussions could provide valuable information on improving or enhancing the businesses' current value proposition.

## **Marketing**

Analysing the current channels the business is using, is important in order to determine where social media and networking can help to complement their current marketing strategies.

Does the business currently make use of: a sales force; web sales; through their own store; through partner stores; or through a wholesaler. The answer to this question is very important in the social media context as it would determine how the business will engage with their customers through the applicable channel.

A business who uses a sales force will for example consider Facebook an important social media channel. Facebook allows businesses to target consumers based on towns, age groups and marital status for example. It is also a very useful tool to give these targeted consumers advanced notice of new product offerings and to let them know they are appreciated.

## **Key influencers**

LinkedIn is a professional website which can be used by SMME's to connect with other professionals in similar industries. In addition they can link up with their suppliers and keep up to date with what is going on in their businesses. It is an ideal place to find new suppliers and partners who can help get SMME's to the next level of growth.



## **Employees and recruitment**

Business owners must do a generation analysis of their current employees. Those employees who form part of the Generation X and Y category could prove to be invaluable in helping the business with its social media strategy. Most SMME business owners also employ Generation X and Y employees and the best place to find them are through Facebook or a job posting on your website.

It is also very important that business owners understand the impact of employees posting negative information on their own profiles. Discussions about this and social media policies should be put into place to prevent this from happening. The employees of the business represent the face and culture of the business and it is therefore very important business owners have them on board with any social media strategy.

### **6.3.2.3 Social media measurements**

The success of adding social media to a business's current strategy is similar to the way in which they have always done it before. The main measurements include the following:

- The quantity of new customers;
- The amount that sales have increased by;
- Goodwill; and
- Increase of direct access, current and potential customers and their contacts - people they trust to share information with about the business.

## **6.4 CONCLUSION**

Chapter six reviewed the study objectives, discussed the empirical findings and presented a guide that a SMME business owner can follow to implement social media and networking in their business.

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## **ANNEXURE A**

### **A GUIDE FOR SMME's ON USING ONLINE SOCIAL MEDIA AND NETWORKING ACTIVITIES**

Dear Respondent

I am studying towards my MBA (Masters in Business Administration) Degree at the Nelson Mandela Metropolitan University Business School. I am conducting research on to develop a reference guide on using social media and networking in SMME's.

You are part of our selected sample of respondents whose views I seek on the above-mentioned matter. I would therefore appreciate it if you could answer a few questions. It should not take more than ten minutes of your time and I want to thank you in advance for your co-operation.

There are no correct or incorrect answers. Please answer the questions as accurately as possible. Please click on the link provided in the email below and then click on your applicable choice.

Thank you very much.

Charmaine Morley

To verify the authenticity of the study, please contact Dr Margaret Cullen at 041 5043772.

All information provided will be kept strictly confidential.

**<https://survey.surveybasket.co.za/8293319453748/>**



# **SOCIAL MEDIA AND THE CURRENT USE, PERCEPTIONS AND FUTURE USE OF IT IN SMME's REGISTERED WITH THE GEORGE BUSINESS CHAMBER**

## **QUESTIONNAIRE**

Question 1: What is your current age group?

18 to 25 years

26 to 35 years

36 to 45 years

46 years and older

---

Question 2: Are you?

Male

Female

---

Question 3: Indicate your highest level of education.

Secondary School

Matric

Diploma

Degree

Honours Degree

Masters Degree

Other (please specify):

---

Question 4: What is your current level of responsibility in the company?

Owner of the business

Senior manager

Middle manager

Junior manager

Other (please specify):

---

Question 5: What is the age of your oldest child?

1 to 12 years

13 to 25 years

26 to 35 years

35 years and older

No children

---

Question 6: On a scale of 1 to 10 how would you rate your computer skills?

1 (Not computer literate at all)

2

3

4

5

6

7

8

9

10 (Very computer literate)

---

Rate your PERSONAL use of the following social media sites.

Never

Rarely

Sometime

Often

Very often

Question 7 **Facebook**

Question 8 **Twitter**

Question 9 **LinkedIn**

Question 10 **YouTube**

Question 11 **Pinterest**

Question 12 **BlogSpot**

Question 13 **Google Plus**

Question 14 **Forums**

---

Question 15: How long has your business been in existence?

Less than 5 years

5 to 10 years

11 to 15 years

16 years and longer

---

Question 16: In what industry does your business operate?

Accommodation

Agriculture and nursing

Air conditioning and refrigeration

Automotive and related services

Banking

Business services and consulting

Catering, food and beverage services

Cleaning

Clothing, textiles, footwear and accessories

Construction, engineering, building and related

Decor, office and household

Education, training and research

Estate

Exporter, freight services, courier

Financial and accounting services

Furniture, wood and timber supplies

Graphic design

Health and fitness

Health, medical, welfare services

Human resources, personnel

IT systems, electronics, equipment

Jewellery, arts and craft

Legal services

Manufacturing

Media

Retail

Safety and security

Transport

Travel

Other (please specify):

---

Question 17: What is your company's annual turnover?

Less than R5 million

R5 million to R35 million

More than R35 million

---

Question 18: How many employees does your organisation have?

1 to 25

26 to 50

51 to 100

More than 100

---

Question 19: Does your company make use of/have the following?

Email

Website for your business

---

Question 20: How is your IT structure currently set up?

It is outsourced to an IT company

It is outsourced to qualified IT person

I do everything myself

We have an IT department

Other (please specify):

---

Do you use any of the following social media sites for BUSINESS purposes and rate how useful you find them for marketing purposes?

Not useful at all      Slightly useful      Useful      Very useful      Extremely useful

Question 21 **Facebook**

Question 22 **Twitter**

Question 23 **LinkedIn**

Question 24 **YouTube**

Question 25 **Pinterest**

Question 26 **BlogSpot**

Question 27 **Google Plus**

Question 28 **Forums**

---

Question 29: Do you allow your employees to use social media sites during working hours for personal use (including lunch time and on your business owned computers)?

Yes

No

Other (please specify):

---

Question 30: Do you have a social media policy in place that is signed by all employees?

Yes

No

Not applicable

---

To what extent do you use social media sites in your business for each of the following purposes?

Not at all    To a little extent    To a moderate extent    To a large extent

Question 31 **Professional networking**

Question 32 **Keeping in touch with former colleagues/contacts**

Question 33 **Sharing knowledge and information**

Question 34 **Socialising with business contacts**

Question 35 **Finding sales/business leads**

Question 36 **Recruitment**

---

Question 37: Do you agree that traditional ways of marketing (advertisements, pamphlets and networking evenings) are fast becoming out-dated?

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

Other (please specify):

---

Question 38: To what extent do you agree or disagree with the fact that social media will become a better marketing tool than TV advertising or printed advertising?

Strongly Disagree

Disagree

Neutral

Agree

Strongly Agree

Other (please specify):

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To what extent do you use the following to market your business?

Not at all      To a little extent      To a moderate extent      To a large extent

Question 39 **Website / Email**

Question 40 **Social network**

Question 41 **Survey / Poll**

Question 42 **Printed flyer or advertisement**

Question 43 **Word of mouth advertising**

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Question 44: Before you employ someone, do you check their profile on social media sites (i.e. Facebook, LinkedIn, blogs etc)?

Never

Sometimes

Always

Other (please specify):

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Question 45: If you do use it, do you feel it is unethical?

Yes

Maybe

No

Not applicable

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Question 46: What was the main motivation / reason why you started using social media in your business?

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Question 47: Social media is just a current craze and will eventually disappear.

Strongly disagree

Disagree



Neutral

Agree

Strongly Agree

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Question 48: I will be using social media more in my business in future.

Yes

No

Maybe

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Question 49: If you are not planning to use social media more in your business in future please elaborate why?

I do not have the necessary skills and / training

It is too expensive

I need advice from experts

It takes too much time

It is difficult to measure if it is worth the time and money

Not applicable

Other (please specify):

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Question 50: My competitors are using social media to promote their business.

Yes

No

I am not sure

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Question 51: To stay competitive it is very important to be visible on social media sites (like website, Facebook, Twitter, LinkedIn etc.).

Strongly Agree

Disagree

Neutral

Agree

Strongly Disagree