

Do You Need Social Media as an Entrepreneur? — A look into the literature

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Abstract. Also known as Social Networking Services (SNS), social media platforms have been ingrained in people's lifestyles and enterprises' business practices – and it doesn't seem to be going away anytime soon. This paper's objective is to verify the importance of SNS for an entrepreneur's business success. For that, a narrative literature review was conducted. The results have shown that small and medium-sized enterprises (SMEs) fall behind large enterprises (LE) in the usage of SNS due to lack of expertise, security risks, and fear of negative e-WOM (electronic word-of-mouth), meanwhile SMEs and LE that use SNS have been benefiting in a variety of areas, which include: performance, brand awareness and relationship with clients. The relevance of this study lies in the indicatives of an important, almost necessary, element for entrepreneurs' business success – SNS – in particular for the ones of SMEs.

Keywords. social media; entrepreneur; SNS; SME; literature review.

1. Introduction

As time goes by, social media platforms' influence on people's lives and businesses' success gets exponentially more relevant [see [1,2,3](#)]. Firstly created with a simple purpose to communicate with others online while being able to share digital content, such as texts and images [\[3,4\]](#) — social media has completely transformed itself since the first platform of its kind appeared on the web.

Also known as Social Networking Services (SNS), social media are digital platforms, whether available as a website and/or as a mobile app [\[2,4\]](#), that allows individuals (so-called “users”) in the present times a wide range of possibilities, and not just the opportunity to connect with others around the globe and to share their personal experiences. For example, SNS platforms can also: process and share a variety of data from their users (e.g. personal interests); be used as a source of information; and, be used as a powerful tool for entrepreneurs, being a helping hand in their marketing strategies, clients loyalty, and even crowdfunding [\[2,3,5-9\]](#).

At the beginning of the consolidation of capitalism, it's possible to highlight the “American Way of Life” — a marketing motto that had the intent of

indicating people's consumerist behaviour, which is understood as a social, economical, and cultural shift [\[10\]](#). Nowadays, with technology and innovation, the interaction between consumers and behaviour ideals has been spread and facilitated by SNS and by globalisation [\[11\]](#). SNS has become the new contact channel for companies and clients [\[12\]](#), providing more information and communication for both parties, which in turn allows “conscious consumption” and an easier engagement between them [\[13\]](#).

And so, it's clear that SNS has a positive social impact on consumers' choices. Because of this, large-sized enterprises (LEs) have inserted themselves into various types of SNS a long time ago so they can target and attract potential clients. Yet, entrepreneurs of small and medium-sized enterprises (SMEs) might wonder if it's worth it for them to follow in the same steps [\[14\]](#).

Considering the context, one might wonder: what is the importance of social media (SNS) for an entrepreneur's business success? The work done in this paper aims to answer this question by presenting the manners SNS has developed and the way it is shaping the behaviour of both companies and customers. This study aims at three vectors of study in the academic field. Two niche areas:

consumer behaviour, and e-business. And a motor theme: social media marketing [12].

2. Methodology

Considering the given background and the research question, the narrative literature review is the best approach to follow [15]. Once the review summarises the present SNS scenario by defining its scope of networking and online communication, it will be possible to comprehend the consequences of the access to new technology and the internet by individuals and its various phenomenons, such as the Electronic Word-of-Mouth (e-WOM) and Prosumerism [16]. Then, it enables the discussion section to focus on entrepreneurs and small and medium-sized enterprises (SMEs) and their connection to the topic. In the end, the gaps, inconsistencies, and new possibilities of research are cleared and highlighted.

3. Literature Review

3.1 SNS Influence on Business Practices

Due to the increased usage of SNS, the internet had a remarkable growth [14]. With the excruciating majority of internet users having an active account in one or more famous SNS platforms such as Facebook or Youtube [1], being present on the internet has almost become synonymous with using SNS. Consequently, it's expected from people and companies to be on SNS — to the point where one can say they don't "exist" if they can't be found online [2,14].

Such expectations have driven many changes in business practices over the years [2]. Owing to this, SNS has also been through an exponential development of its platforms. Like a cycle, where one element influences the other continuously. The start of such a cycle can amount to the importance of the classical and traditional marketing practice of "word of mouth" (WOM), which can be easily multiplied by the thousands in the digital world [17].

WOM is an interpersonal communication phenomenon where a certain subject is largely spread out by individuals reciting to others the information they received from someone else, in case the source of information [18]. Due to this, WOM is seen as a tool for enterprises to manage the client's perception of the company's brand, creating interest and customer loyalty [17]. Internet dynamics change the WOM process, where the digital/electronic form of word of mouth (e-WOM) enhances the customers' ability to make their voice heard — affecting companies in beneficial or destructive ways [19,17].

3.2 SNS as a Connection Between Supply & Demand

More recently, literature has emerged focusing on

digital or social media-based marketing capabilities, as well as research on consumer behaviour and influence [12]. The scenario presents e-commerces and social media platforms merging processes since the boundaries between both are getting blurred as time passes [20]. When it comes to its users, the individual role inside these communities has become more active when it comes to sharing information and engaging material [21,22].

Once the importance of digitalization is settled, Bianchi and Mathews [23] define online network capabilities as a firm's capability to use the internet in online advertising, sales and after-sales, market research, and to generate brand value for customers [24]. Meanwhile, Nguyen et al. [25] clarify the concept of social media strategic capabilities as the ability of firms to integrate their knowledge garnered from their own network resources and skills with their strategic directions. This process is composed of four-layered abilities: to connect, engage, coordinate and collaborate in interaction with business exchange partners.

Once the social capabilities are defined for each company, the next step is the digital engagement strategy which allows a practical application [26,24]. The actions include content and post sharing; Rating, Review, and recommended posts; Delivery announcement posts; Feeler posts — defined as "posts [...] sent by one network actor to another, designed to grab the recipients' attention and generate reciprocal communication" — and tweets [24]. These engagement strategies will then allow an array of choices to interact and "catch" consumers, supplies, and competitors' attention on different social media platforms [7].

Such transformation of social media and the emergence of new strategic models from a technological and digitalization point of view is followed by the consumer's adaptation to these same environments [27,22]. Once, the amount of information available (e.g., personal experiences, company's ideal, social or environmental impact) has grown, due to the e-WOM environment, consumers take into consideration new variables that may guide their choice. And so, the companies can observe the consumers' behaviour and react to it, through the same SNS. Such a phenomenon has been labelled "prosumerism" [16].

The consumers' behaviour is composed of their own needs, utility, and taste, but also by service quality, price, and impact. It allows each individual to customise their experience with the product [16]. Furthermore, this scenario is feasible due to the advance of technology 2.0 and the digitization process. In this way, social media now can contribute to connecting supply (companies) and demand (consumers). Their interaction, through this means, has been changing both sides: behaviour and approach techniques.

4. Discussion

4.1 Business Practices in the e-WOM Environment

The emergence of multiple SME companies, in different sectors, and their thriving are required. It shows that the economic system is working properly since the market is not dominated by a single or a group of companies [28], which reduces the SME or entrepreneur's risk-taking or pay-off [29]. In Schumpeter's view, the "creative destruction", SME businesses and entrepreneurs are the ones that can insert innovation into the system, thus having a suitable environment to include them, is crucial [30]. Nowadays, it can be indicated as "The Seed Accelerator Phenomenon", as Cohen and Hochberg [31] analyse, mostly relating to entrepreneurship and start-up investments.

Regarding the investment and risk-taking in SMEs and entrepreneurship, it requires solid business management and market input [30]. The market flexibility is a great characteristic of this type of business [30], while technology and SNS tend to aid the asymmetric information problem [32].

4.2 Importance of SNS for Entrepreneurs

With how practical SNS is to transmit information and discuss opinions and experiences, LE has identified this as an opportunity to further market their brand while simultaneously building a better relationship with their customers [14]. But there lies one of the biggest challenges and risks of applying SNS to its business practices and strategy. SNS platforms enhance the voice of customers, making their stories heard in ways it wouldn't be possible on traditional grounds [18].

In real life, a bad experience might never be shared publicly, so it's like it never existed (for the company and for other clients). But in the digital world, this scenario is different. E-WOM allows for a quick build-up on certain issues since it's quick to spread the discussion to others that have like-minded interests [17]. If the company doesn't manage SNS well, the action they took to elevate the brand's value may backfire and do the opposite instead: SNS can create irreversible damage to brand reputation and company performance [17,33].

In other words, if the company hasn't been offering high-quality service (or products), doesn't acknowledge how the brand perception is in the eyes of others or isn't aware of who their customer base is and how satisfied they are — SNS enhancing clients voices poses a threat to the company [17]. That's one of the reasons SME entrepreneurs are hesitant to include SNS in their business practices [14]. Other risks SME companies may consider are security risks; and lack of expertise [34,14].

While dominating SNS platforms and tools can become a competitive advantage, having no SNS at

all becomes a true disadvantage. Potential customers have a sincere expectation to find their desired business online, and current customers are constantly bombarded by shared content and marketing advertisements from other companies [14,33] — so, SME entrepreneurs have to take the risk in order to not lag behind on LE companies.

For SME entrepreneurs and companies that took action, SNS usage has been benefiting their businesses in their: revenue, promotion, reputation and brand awareness, client base (creating customer loyalty), and performance [2].

Although there are different outcomes to be expected depending on the SNS platform(s) you choose due to the different tools each one offers, the essence of SNS stays the same. Through created content (e.g. *posts*, *tweets*, photos, texts, videos, guides, and so on) in formal or informal ways, companies can: share information about the business (history, services/products, working team, ideals and values, accomplishments, contact, competitive advantages, etc.); do marketing activities (which becomes more effective due to e-WOM environment); prove itself useful for analysis (e.g. business decision); recruit talent personnel; create a global reputation without actively spending resources on other regions outside of their local base; receive and process customer feedback; and even give the opportunity to clients to purchase by a few taps and clicks on their screens [2,3,6,8,33].

SNS may have been considered a "fad" in the past [14], but it's clear it isn't going away anytime soon. As time passes, its importance in the digital world has become undeniable. With all of the discussed possibilities in this paper, it's indispensable for entrepreneurs to incorporate SNS in their business strategy and practices if they are considering the success of their business — independent of its sector or size.

5. Final Thoughts

Although SNS usage is a topic of interest for researchers of SME and LE, this is a scarce topic in the entrepreneurship literature. This study's objective was to verify the importance of social media (SNS) for an entrepreneur's business success, through a narrative literature review about those topics in question.

The results of this research have shown that SMEs fall behind on LE in the usage of SNS due to lack of expertise, security risks, and fear of negative e-WOM — which could potentially destroy a business reputation, if not appropriately managed. It also showed that businesses that take the risks of using SNS could benefit tremendously in various areas, including performance, sales, brand awareness, relationship with clients, and business decision process. With this, this research has identified that SNS platforms are an important element for

business success, independent of their size or sector, which should be adopted by entrepreneurs if that's their goal.

Considering that this research had only an exploratory subject and was conducted as a narrative literature review, future studies should be conducted with primary data in order to better analyse the actual impact of social media platforms on entrepreneurs' businesses, whether it is SME or LE.

6. References

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