

# Role of Social Media Networks in Penetration of International Markets by Small and Medium Enterprises in Kenya: a case of Small Businesses at Yaya Centre Nairobi County

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## Abstract

By making use of electronic media and social networks, the ways of doing businesses by many SMEs in Kenya has rapidly changed and evolved. New business ventures are budding because of globalisation and this has led to abolition of geographical barriers. Social media networks allow a business to be where the customers are. The sites rely on the habitual presence of millions of users. From the young to the elderly generations, most people spend many hours daily on sites like Face book and Twitter, watching videos on YouTube, sharing photos on Flickr and instagram among others. This helps most users to be informed about the products and services offered by a particular business online either in the same geographical position or overseas and means in which they can be able to access the products or services. This study therefore sought to investigate whether the Kenyan Small and Medium Enterprises have followed suit to this globalization trend and whether there were tangible benefits attached to this new mode of doing business. This study used descriptive statistics and targeted a population of 65 respondents operating SMEs at Yaya centre in Nairobi. The study concluded that the benefits of social media for internationalization include the huge exposure that company can generate, the relatively low costs associated with it, the possibilities for customer segmentation and targeting it provides and the market insight that can be gained from analyzing consumers' online behaviour and interacting with them through social networks. For SMEs to full use social media networks in their business, the government needs to increase the diffusion of internet infrastructure and hardware required for accessing the internet. Diffusion could help SMEs in developing countries to gain access to social media networks, internationalize and this would ultimately lead to tremendous performance

**Keywords:** social media, globalisation, SMEs, social media business strategy and Kenya

## 1. Introduction

An increasingly interconnected world has emerged due to globalization and rapid advances in information technology. Social media, mobile technology and the Internet continue to spread globally, accelerating and expanding the free flow of information. This interconnectivity enables influencers to create deep transnational networks and impact on a global scale. Global communities can also be created virtually and conversations can start anywhere at any time, mobilizing audiences that transcend borders and geographic distance. Companies have embraced social networks by setting up pages in Face book, Twitter and LinkedIn. Many view this as an extension of their current marketing mix. They help by offering product information, sales notices and contact information which is no different from their website (Hitt, 2008). The use of Information Technology in all aspect of business has become a norm. When properly implemented, Information Technology has enabled businesses gain competitive advantage, cut costs, improve efficiency and ease communication by eliminating major barriers that were earlier caused by distance, different time-zone, cultural differences and also prohibitive costs.

Today many business owners and executives are struggling to figure out what, if anything, they should be doing with social media. According to a study by Insites Consulting in U.S (2000), some companies still view it from

the sidelines, rather than integrating it fully with their overall marketing efforts. Less than half of the businesses surveyed have integrated social media into their business processes and 43% of these firms are just getting started or are still in the process of evaluating whether or not is effective. The most important information this firm discovered is that businesses that have already integrated social media into their operations are seeing greater financial results from their efforts than those who have not. Through the use of computer networks and internet, people in different regions are able to interact and exchange idea (IBM, 2007). Companies discovered that the popularity of social media creates a viable forum for the voice of the customers, Face book and Twitter's combined membership is over 1 billion people worldwide. This creates a major opportunity for companies to harness customer perceptions and use them to better understand what people are saying on a topic or about a company.

Social adverts pull to the push, making companies marketing attractive. Being a social business requires a different mindset; it updates effective traditional marketing practices by maximizing appropriate calls to action and web site references and carefully and thoughtfully positions opportunities for feedback across marketing mix (Fu, 2008). Social networking allows companies to make marketing memorable. It provides the technological ability to delight, inspire and surprise the audience in ways that traditional marketing has never been able to before. Organizations that adopt a social mindset can benefit by empowering colleagues and customers. Just as customers are empowered with knowledge through their personal networks, social businesses keep colleagues informed and openly communicate with employees by: communicating company initiatives. Listening to feedback and input, mapping consumer touch points whether through email, in-store, on a social platform or at a customer service center and encouraging sharing and collaboration across functions, especially those who have ongoing contact with customers and prospects. They can instantly send messages, ask queries and make complaints perhaps that are part of the problem. But there really isn't any reason for companies to be afraid of social media. Used wisely, it can open up new markets and even find new business partners. Social media is a long term commitment that should add value to company's relationships with its customers. Therefore, the advice is for small businesses to continue with social media, but to update their strategies in line focusing on posting regular useful content, engaging with other profiles and developing relationships (Kim, 2010).

Small and Micro Enterprises are vital in promoting economic growth, competitiveness, entrepreneurship and innovation and in creating new jobs. Currently there are three broad parameters which define SMEs: micro-entities are companies with up to 10 employees; small companies employ up to 50 workers, whilst medium-sized enterprises contain up to 250 employees. SMEs are a source of innovation and they generate exporting opportunities and source of future successful medium and large enterprises. Developments in information technology and movement towards greater global trade and financial integration imply even greater opportunities for further expansion of regional SMEs. This contribution of SMEs to employment growth is even higher, if somewhat contentious. Social media is key in helping businesses attract scarce talent, build relationships with their customers and navigate the rapidly growing morass of information on the internet. Promoting through social media is one of the best ways to present SMEs products or services to the consumers in a more personal way. SMEs can also upload images and videos of their latest events. Additionally, the SME can communicate personally with the people by responding to their comments on the profile pages. Since the SMEs activities are not limited to posting content about its products or services, the SME can also manage public relations through its social pages. And, if some third parties or previous customers give negative comments, the company can state its side of the story without sounding too defensive. Most leading social media channels such as Facebook, Google, Twitter and YouTube cater to worldwide audiences.

Facebook, Twitter and LinkedIn are globally the most widely used social media networks for private and business purposes and therefore they were chosen to be presented as examples of leadership social media tools. Social networking services (e.g. Facebook, Twitter and LinkedIn) focus on building online communities of people who share interests or activities or who are interested in exploring the interests and activities of others (Bennet et al. 2010). These social networking sites generally provide several ways for users to interact and communicate with each other including writing to each other's profile, instant messaging, chat rooms, e-mail, webcams, file sharing and blogging and discussion groups. Social networking tools foster transparent communication visible to all, the collaborative input of any employee could be recognized and potentially be rewarded. This study therefore sought to fill the existing void by answering the question how social media influence the performance of small and micro enterprises in Kenya a case of small businesses at Yaya centre Nairobi County.

## **2. Literature Review**

Social media is viewed from the perspective of organizational capability as organizing and making available important knowledge wherever and whenever it is needed. The strategic management theory, resource-based

view, the knowledge-based view and organizational learning theory are used as underlying theories for this research. According to resource-based views, firms perform well and create value when they implement strategies that exploit their internal resources and capabilities. With the growth of strategic management theory, there has been considerable interest in focusing on intangible resources or social media and their deployment in the firm (Wernerfelt, 2005). Social media theorists consider it to be a firm's strategic resource. Social media processes, including knowledge acquisition, knowledge conversion and knowledge application were used in the study to manage and increase and to sustain competitive advantages. The knowledge-based view of the firm considers knowledge as the most strategically significant resource of the firm (Zander, 2002). This view considers a firm to be a distributed knowledge system composed of knowledge-holding employees and this view holds that the firm's role is to coordinate the work of those employees so that they can create knowledge and value for the firm (Pascu, 2008). A firm's absorptive capacity could be enhanced through social media processes that allow the firm to acquire, convert and apply existing and new knowledge by adding value to the remaining competitive in the market.

The next theory applied in this research is organisational learning theory. Lariscy (2009) defined organisational learning as reflecting the skills of creating, acquiring, and transferring knowledge" and "modifying behaviour to reflect new knowledge and insights. This theory emphasises that organisational learning depends on individual learning but is more than the cumulative result of each employee's teaching (John, 2010). Organisations acquire knowledge, not only through their own employees, but also through consultants and through formal and informal environmental scanning. Competitive advantage is a position that a firm occupies in its competitive landscape. Porter model (2010) posits that a competitive advantage, sustainable or not, exists when a company makes economic rents, that is, their earnings exceed their costs. That means that normal competitive pressures are not able to drive down the firm's earnings to the point where they cover all costs and just provide minimum sufficient additional return to keep capital invested. Most forms of competitive advantage cannot be sustained for any length of time because the promise of economic rents drives competitors to duplicate the competitive advantage held by any one firm.

The resource-based approach flourished during 1990's. Main resource-based theories were developed during 1988-1997 and there are no major advances on this approach since then. The fundamental principle of the resource-based view is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal. The resource based view of the firm is based on two underlying assertions, as developed in strategic management theory: that the resources and capabilities possessed by competing firms may differ; and that these differences may be long lasting.

### **3. Research Methodology and Design**

The research design to be employed in this research is descriptive. The basic reason for using a descriptive research design was identify the cause of something that is happening. The target respondents included the small and medium enterprises (SMEs) at Yaya Centre in Nairobi County. There were 235 SMEs licensed by Nairobi County Council Department by January 2013 in Hurlingham. Yaya centre has many SMEs which includes Children's shops, Computers and Technology ,Fashion ,Financial Services ,Food Shops and Supermarkets ,Gifts Books Cards and Sports ,Health Beauty and Keep Fit ,Jewellers, Medical ,Music and Offices among other . A sample size of 70 was large than 10% of the entire population of SMEs licensed by Nairobi City County Council Department. Simple random sampling was used in this study to select 70 respondents, which is 30 percent of the population.

A self administered questionnaire with both open and closed ended questions were developed and administered to obtain information from the 70 SMEs at Yaya Centre in Nairobi County. The study used both quantitative and qualitative in nature. Descriptive statistics such as percentages, mean score and frequencies were used for analysis. The results of quantitative data were presented in charts and tables. Qualitative data from open-ended questions was analyzed using content analysis method. Qualitative information was then grouped into themes and trends established based on data collected. The results of content analysis were then presented in prose.

### **4. Findings of the Study**

The study was based on the premise that social media networks have a role in the penetration into global market by SMEs in Kenya. In order to assess the role of social media networks on penetration into global market by SMEs, the study had set the following null hypothesis;

$H_{01}$ : Social media networks do not have significant effect on penetration into global market by SMEs in Kenya.

In order to test the above hypothesis, the researcher used regression coefficient (beta  $\beta$ ) with the test criteria set that the study should reject the null hypothesis  $H_{01}$  if  $\beta \neq 0$  and  $p\text{-value} < \alpha$ , otherwise fail to reject  $H_0$  and F tests were conducted to determine the indication and overall significance of the relationships respectively. All the questions in the questionnaire answered by the respondents had scores and scored marks depending on the response of the respondents. The marks were then added up and finally divided by number of respondents answering the questionnaire to enable the researcher attain the mean score of every question measuring the

independent and dependent variables. In order to test the hypothesis, the aggregate mean score of penetration into global market measures were regressed against the mean score of measures of social media networks and results presented in table 4.1, and 4.2.

**Table 4.1 Goodness of fit analysis of Social Media Networks on Global Market penetration**

Sample size	R	R Square	Adjusted R Square	Std. Error of the Estimate
70	0.682	0.628	0.687	0.218

Source: Research data

From the study results, the regression results reveal that social media networks had overall positive significance impact on penetration into global market by SMEs (p-value = 0.016) Table 4.2. The regression results also shows that at individual level, there was a statistically significant positive linear relationship between social media networks and penetration into global market by SMEs ( $\beta = 0.682$ ) Table 4.1 in that the p-value is less than 0.05 ( $0.004 < 0.05$ ) Table 4.2. The hypothesis criteria was that the null hypothesis  $H_0$  should be rejected if  $\beta \neq 0$  and p-value  $< \alpha$  otherwise fail to reject  $H_0$ . From the above regression results  $\beta = 0.682 \neq 0$  and  $0.016 < 0.05$ , the study therefore rejects the null hypothesis and conclude that social media networks had significant effect on penetration into global market by SMEs in Kenya.

**Table 4.2: Regression results for social media networks and global market penetration**

Overall significance: ANOVA					
	Sum of Squares	Degree of Freedom	Mean Square	F	Significance (p-value)
Regression	2.018	4	3.218	49.018	0.016
Residual	1.640	66	0.124		
Total	3.658	70			

  

Individual significance (T-test)					
	Unstandardized Coefficients		Standardized Coefficients	T	Significance(p-value)
	B	Std. Error	Beta ( $\beta$ )		
(Constant)	1.446	2.482		1.402	0.038
Means of social media networks	0.451	0.402	0.682	1.068	0.004

Source: Research data

The regression results also shows that 62.8 percent of the performance of penetration into global market by SMEs can be explained by social media networks (R squared = 0.628) and the relationship followed a simple regression model of the nature;

$$GMP = 1.446 + 0.451SMN + \epsilon$$

Where:

SMN is the Social Media Networks.

1.446 is a constant intercept term ( $\alpha = 1.446$ ).

0.451 is the beta ( $\beta = 0.451$ ) or the slope coefficient.

GMP is the Global Market Penetration by SMEs

$\epsilon$  is the error term.

### 5.1 Conclusion

The study had the objective of establishing the effect of social media networks on penetration into global market by SMEs in the study area. The regression results also shows that 62.8 percent of penetration into global market by SMEs can be explained by social media networks (R squared = 0.628). This means that social media networks help increase penetration into global market by SMEs by 62.8 percent.

The study was based on the premise that social media networks influence penetration into global market by SMEs. The study results supported this premise in that social media networks was found to significantly and positively affect penetration into global market by SMEs with 62.8 percent of it being explained by social media networks (R squared = 0.628). There is therefore need for SMEs to make use of social media networks in their marketing strategies.

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