SOCIAL NETWORK AND BUSINESS GROWTH IN SMALL AND MEDIUM MANUFACTURING ENTERPRISES

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Abstract

With the vulnerability of the business environment today, the social network is considered as a weapon to secure important resources for small and medium enterprises firms. The aim of this study was to investigate social network and business growth in manufacturing Small and Medium Enterprises (SMEs) in Nigeria. This was achieved by examining the influence of the Facebook social network on manufacturing SMEs growth in Nigeria. In this study, manufacturing industry include agro-based, designed and manufacturing related services sectors. The questionnaire was designed based on Likert Scale of 1 – 5 with 1 as strongly disagreed and 5 as strongly agreed. A total of 240 questionnaires were sent out to fully registered entrepreneurs' with Corporate Affairs Commission Abuja and firms with the Manufacturers Association of Nigeria (MAN) in Kaduna, Yola, Minna, Enugu, Port-Harcourt and Lagos towns where manufacturing is visible. A total 210 questionnaires representing 87.5% of the distributed copies of questionnaires were returned and deemed useable. The data were analyzed using percentage and linear regression for descriptive and inferential statistics respectively. The study established that 50.48% of the respondents made use of Facebook social network on a daily basis and the same percentage of respondents visit the Facebook sites for business purposes. Facebook social network was statistically significant in explaining the growth of manufacturing SMEs in Nigeria: The study concluded that entrepreneurs/firms in Nigeria took advantage of Facebook social network for their business growth. The study recommended that entrepreneurs/firms should join Facebook social network so as to help them in getting current and relevant information from far and wide to run their businesses. Also, the Nigerian government should create enabling environment for businesses by providing adequate infrastructural facilities that would enhance the growth of manufacturing firms through the use of social networks in the country.

Keywords: Business, Facebook, Growth, Small and Medium enterprises (SMEs) and Social Network

Introduction

The social network is defined as the interrelationship between the entrepreneurs and their contact for business purposes. With the vulnerability of the business environment today, the social network is considered as a weapon to secure important resources for small and medium enterprises firms. Social networking allows business to gain access to resources that might otherwise not be available to them. It can also aid the development of a firm's worthiness, increase the customer and supplier contact, bring to light where resources and funding are available, promote innovation and help in the cultivation of strategic partnership (Zontamos & Anderson, 2004).

According to Simon (2012) business owners rarely possess all the skills and knowledge needed to expand their enterprise and finding people with necessary skills and getting them to contribute is a vital aspect of their networking. Owing to the flexibility of social networking tools, business can realize different benefits. These according to Simon (2012) are greater access to different audiences, improved customer service, improved products and services and adoption of favourable pricing practices.

As of January 2012, there were more than 800 million active Facebook users, with over 250 million of them logging in every day. In addition, the average Facebook users have 130 friends and likes 80 pages but this figure is expected to expand with time. Over 3.5billion pieces of contents such as blog posts, web links and news stories are shared on the social network (Digital Buzz, 2012). Frehling & Digman (2000) opined that the adoption of the internet can help a business increase its customer and market base and this makes a contribution towards the business growth strategy. The internet can also facilitate a business to expand its scope and extending its main business through market penetration and development and product development. Porter (2001) goes further to say that the relationships formed via internet can boost sales and generate opportunities to come up with new products or services.

Sarvanan, Gupta & Ghatala (2008) further revealed that SMEs comprise over 90 percent of African business operations and contribute towards over 50 percent of African development and Gross Domestic product (GDP). Additionally they contribute 95 percent of formal manufacturing activities in Nigeria. Social networking allows for ease of collaborating, allowing people to easily meet, gather information and stay in touch with others at a very low cost. Meeting with new network locally and from other countries can be done anytime and anywhere. Goel (2008) further states that it is internet business to have access to international markets thereby increasing their market share. Companies can also achieve Greater economies of scale.

Growth is an essential phenomenon for firms and businesses. Indeed, their survival is fundamentally contingent on their ability to participate in the market with other businesses. Thus, growth decreases the possibility of closing a business (Ranch & Rijikk, 2013). Corporations of

different sizes are also using social networks of which 72 percent of the Fortune 500 companies in America have Facebook accounts (2013), small friends and manufacturing organizations can potentially take advantage of using the social network too, since it provides a platform for them to join for free and these networks can be managed on a low budget.

Marketing over these social networks would also serve as substitute to interfacing with individuals yet the most influential platform of these social technologies within the global economy are largely untapped (Manyika, 2011). While growth is usually as the result of good administration of capacities, acquired information, financial counseling and technological resources (Coat et,al 2013). It is therefore important to examine this gap of social network tools that can be used for the achievement of growth by manufacturing organizations.

Thus, this study is to investigate social network and business growth in manufacturing Small and Medium Enterprises (SMEs) in Nigeria. This was achieved by examining the influence of the Facebook network on manufacturing firms growth in Nigeria.

Literature Review

The term "Network" is generally used for the structure of ties among the actors in a social system (Nohira & Eccles, 1992). These actors could be roles, individual persons, organizations, industries, or even nation states. Their ties may be based on conversation affection, friends, kinship, authority, economic exchange, information exchange, or anything else that forms the basis of a relationship. Networking emphasizes relationship initiation, often between strangers.

The Concept of Social Network

The social network has been distinctly defined in different ways, nevertheless the various definitions gave the similar impression that the social network is a way to connect with other people by means of the different communication systems through online media platform (Kitis and Karatan, 2011). The social network comprises of several platforms and channels that enable networking, communication and sharing of information and contents (Bowman, Westerman and Claus, 2012).

The study focused on social networking sites, precisely, Facebook which is the commonly adopted social media tools among firms. Moreover, on social networking sites, users create profiles, they share information, including videos, audio files, photos and blogs and also ask colleagues and friends to join to connect to their profiles (Haunlein and Kaplan, 2010).

Types of Social Network

Facebook

According to Bodman & Cohen (2012), Facebook till date is the leading and most popular social media channel where users search for, locate and add friends and contact them to share content

through corporate and personal profiles. Facebook was launched in February 2004, and as of 2010, Facebook has over 500 million users (Social Bakers, 2011). Facebook is a unique networking and marketing tool for firms and people searching for ways to acquire a product concept or form business relationships which are either virtual or physical. Facebook has an advanced campaign setup that allows companies to select a specific demographic region which implies that they can target products, services and relationships to specific individuals living in a particular geographic region (Gerrad, 2009). According to Thirushen (2011) Facebook enables opportunities such as consumer engagement, enhancement of brand reputation and image, business networking, building of positive branch attitudes, enhanced customer relationship management and publicizing new products or services.

Facebook companies try to spread their message about their free services (Ellison, Steinfield & Lamps, 2007). Companies considered that Facebook was a gateway to checkmyheal.net. This online social network is viewed by companies as a very quick tool where the customers can see who they are, what they said and what was done. The blog gives a great importance to providing their users with high quality content related to computer user level once the company has a fan or friend on Facebook, the company would try to offer added value in order to differentiate itself from other companies.

LinkedIn
Linkedin is a business networking media that is more dedicated to networking (Kietzmann, 2011) with other professionals or companies. While on the consumer side, LinkedIn is not used for finding customers (Funk, 2011), but on the business-to-business side, it is used for gathering market information, acquiring customers, and also for recruitment. Bodnar & Cohen, 2012). LinkedIn can be used to build awareness and gain referrals (Kietzmann et.al 2011). This platform is used to find jobs, recommend others in the network and receive recommendations from others.

Twitter
The most widely used microblogging service is the twitter, which allow people to send and read short messages of 140 characters or less from their profile to users who follow them. (Berthon, 2012). Furthermore, it makes it possible to add links to other pages or send direct messages to other users by including a username in a post (in the form of @username) (Funk, 2011). The specificity of Twitter lies in its message-tweets that can have maximum 140 characters, with the default setting public which means that the essence of events can be transmitted on a large scale across the network, instantaneously. This made twitter's owner, practitioners and few researchers in the field to define twitter as Information Company (The Economist, 2010 p.5) or a form of electronic word of mouth (e-WOM) communication which is the online projection of traditional word of mouth (WOM) which enhances the visibility of firms for valuable networking.

Firms Marketing Effort and Social Network

Markets are gradually paying attention to knowing meaningful connections in social network to be able to exploit information exchange in markets. Social networks data characterize an enormous source of opportunities and information for marketing studies and research by firms, and social network connections and data can lead to discovery of new aspects in the markets by following the connectivity patterns. Social groups and business alliances can create a high level of internal harmony and trust, furthermore, social network is an effective means to gain customers loyalty. (Ansari et.al. 2011)

Furthermore, two trends were discovered regarding social network from the point of view of marketing literatures; the first trend is related viral marketing through social media (De Vries et al, 2012), while the second is related to the study of network structure for predictability and crowd sourcing. The above mentioned aspects can also be useful for any kind of firms that want to improve its business performance and contribute to the overall organizational growth.

Innovation and Social Network for Firms Growth

Researchers have established that innovation is a key constituent to success and to gain competitive advantage in organizations (Hussain and Ilyas, 2011). A quick review of current literature regarding innovation in business revealed that recent research tools focused attention in three broad categories of innovation, viz:- marketing, managerial and product innovation emanates from the capabilities of actors involved. In this sense social network built bridges to fill the gaps in business-to-customer and business-to-business relationship. These connections facilitated exchange of knowledge and collaboration, which were fundamentals for innovation. In addition to this, innovative firms can exploit their social capital by identifying new opportunities and defect trends prematurely and to share and test ideas. Therefore, an innovative firm stands in good position to enhance the economic value of the firm and innovation. Enough social network became a facilitator of organizational growth.

Link between Social Network and Business Growth

Networking with others is carried out because the entrepreneurs mostly depend on the information, raw materials, technology or knowledge in order to make their enterprises continually develop and be acceptable to societies (Lechner, Sowing & Wraps 2005). Numerous researchers found that networking provided many benefits and encouraged success of an enterprise. According to Hile & Hesterly (2001), in their research found that networking increases profit from investment and access to growth, particularly for new founded companies and made dynamic relationship with these companies. The economic literature emphasizes the benefits of social network such as the reduction of transaction cost, the reinforcement of collective action, or the generation of learning Spinoffs (Falchamps, 2002).

Theoretical Framework
Social Exchange Theory

Social exchange theory originated from studies in sociology exploring exchange between individuals or small groups (Emerson, 1976). This theory primarily uses cost-benefits framework and comparison of alternatives to explain how human beings communicate with each other, how they form relationships and bonds, and how communities are formed through communication exchange (Homans 1958).

This theory posits that individuals involve in behaviors that they find rewarding and avoid behaviors that have too high a cost. This implies all social behavior was based on each actor's subjective assessment of the cost benefits of contributing to the social exchange. They communicate or exchange with each other depending on reciprocal actions from the other communicating party (Emerson, 1974).

Hence, the reasons why individuals and firms engaged in a social exchange have been posited as: an expected gain reputation and influence on others, an anticipated reciprocity on the part of others, altruism and direct reward. Recognizing the social network sites that were helpful to the firms and increasing their visibility for growth through search engine marketing was also another options.

Research Methodology

Descriptive research design was used. The target population for this study was SMEs within the six geographical regions of Nigeria. A list of 2400 enterprises sourced from Corporate Affairs Commission (CAC) Abuja was used as the sampling frame.

Cluster sampling was used to divide the entire population of Nigeria Manufacturing organizations into the six geopolitical regions and picking one cosmopolitan town in each region- Kaduna, Yola, Minna, Enugu, Port-Harcourt ad Lagos representing North-Western region, North-Eastern region, North-Central region, South-Eastern region, South-South region and South-Western region respectively. Each region was considered as a cluster. Simple random sampling was used to get 10% representation.

Table 1: Sampling Frame of SMEs from each Cluster

Towns	No of SMEs	Percentage	Size
Kaduna	170	10%	17
Yola	140	10%	14
Minna	110	10%	11
Enugu	320	10%	32
Port Harcourt	600	10%	60
Lagos	1,060	10%	106
Total	2400	10%	240

Simple random probability sampling technique was used to ensure that each object had an equal chance of selection and thus avoid biased selection. A structured questionnaire was administered to 240 managers of the SMEs. The questionnaire comprised of both closed questions to enhance uniformity and open ended questions to ensure maximum data was collected. A total number of 210 were retrieved representing 87.5%, which was deemed usable. The data was analyzed using statistical packages for social sciences (SPSS) version 17, where measure of central tendency and correlation analysis were undertaken to establish the degree of relationship between the variables. The qualitative data was analyzed using linear regression.

Results and Discussions
Descriptive Statistics
Table 1 shows the descriptive statistics of how entrepreneurs visit social network websites. It shows 50.48% of the respondents visit Facebook daily, 28.57% of the respondents visit Facebook occasionally, (15.24%) of the respondents never visited Facebook, 3.81% of the respondents visit Facebook weekly and 1.91% of the respondents visit Facebook monthly. This implies that respondents mostly visit Facebook daily.

Table 1: Extent to which Facebook is visited by entrepreneurs

Variables	Frequency	%
Never	32	15.24
Occasionally	60	28.57
Monthly	4	1.91
Weekly	8	3.81
Daily	106	50.48
Total	210	100.01

Table 2 classifies the responses of the respondents on what they use the Facebook for. It shows 50.48% of the respondents use it for business, 26.7% of the respondents use it for keeping in touch with friends 19.05% of the respondents use it for local invents information and 3.01% respondents use it for making friends. This implies that these sites are mostly used by the entrepreneurs for business purposes. This is shown in table 2

Table 2: Reasons for visiting Facebook Sites

Variables	Frequency	%
Keeping in touch with friends	56	26.67
Business	106	50.48
Making new friends	8	3.81
Local event information	40	19.05
Total	210	100.01

Inferential Statistics

Ho: Facebook has no significant influence on business growth of manufacturing SMEs in Nigeria.

Growth was regressed on Facebook social network. The relationship among the variables are depicted below:-

$$Y = Bo + B_1 X_1$$

Where

Y = Growth of Manufacturing SMEs in Nigeria.

Bo = Constant (coefficient of intercept)

B_1 = Regression Coefficient

X_1 = Facebook as a social network tool.

Linear regression was used to measure the linear relationship between independent and dependent variables.

Table 3 shows that correlation coefficient (R) between Facebook as a social network tool and business growth of manufacturing SMEs in Nigeria is 0.844 implying a strong linear relationship between Facebook social network and business growth of manufacturing SMEs in Nigeria. The coefficient of R^2 adjusted is .525 indicating that 52.5 percent of the variation in business growth of manufacturing SMEs in Nigeria is explained by Facebook social network.

Table 3: Model Summary

Model	R	R^2	R^2 Adjusted	Std error of estimate
1	0.844	.712	.525	2.52933

a. predictor (content). Facebook social networks.

Table 4 shows an ANOVA test performed on Facebook social network. It has a p-value equal to 0.000 which is less than α (0.05), therefore concludes that the model is significant and therefore fit for use.

Table4: ANOVA

Model	Sum of Squares	Df	Mean of Square	F	Sig
Regression	11.531	2	11.531	8.156	.000
Residual	5.702	208	1.426		
Total	17.333	210			

a. Predictor(constant) Facebook social Network

b. Dependent Variable: Business Growth of Manufacturing SMEs in Nigeria

Table 5 shows the linear relationship between Facebook social network and business growth of manufacturing SMEs in Nigeria is Y = 6.994 + 2.329 X1. Where Y is business growth of manufacturing SMEs in Nigeria and X_1, Facebook social network. The p-value of the slope of the model. 0.000 is less than α (0.05), therefore it was rejected and it is concluded that Facebook social network has a significant influence on business growth of manufacturing SMEs in Nigeria.

Table 5 Regression coefficient

Model	Unstandardized B	Coeff Stdd error	Standardized Beta	F	Sig
Content	6.994	2.582		7.595	.004
Facebook Social network	2.329	1.113	.146	9.296	.000

a. Dependent variable: Business Growth of Manufacturing SMEs in Nigeria.

Discussions

The study established that 50.48% of the respondents made use of Facebook social network as a tool on a daily basis, for the growth of their businesses while 1.91% of the respondents used the Facebook social network on a monthly basis. Also 50.48% of the respondents visit the Facebook sites for business purposes, while 3.81% of the respondents visit Facebook sites for making new friends. This result corroborates Bowman, Westernman & Claus' (2012) wok which says that Facebook is the leading and most popular social media channel were users search for, locate and add friends and contact them to share contents through corporate and personal profiles.

Facebook social network was statistically significant in explaining business growth of manufacturing SMEs in Nigeria. Correlation coefficient (R) for Facebook social network is 0.844 implying a strong linear relationship between Facebook social network and business growth of manufacturing SMEs in Nigeria. 52.5% of the variation in business growth of manufacturing SMEs in Nigeria is explained by Facebook social network. Linear relationship between the two variables is Y = 6.994 + 2.392 X1. This result corroborates Lechner et.,al's work (2005) that networking by entrepreneurs was carried out mostly for information, raw materials, technology or knowledge in order to continuously develop their enterprises and be acceptable to the societies. This is the situation with the manufacturing SMEs in Nigeria- according to the study.

Conclusion and Recommendations
Conclusion

The study was able to empirically proof the fact that entrepreneurs in Nigeria took advantage of Facebook social network for their business growth as corroborated with the findings of Bowman, Westernman and Claus (2012). The findings of the study show that Facebook social network brought about growth that every entrepreneur/firm craves for. It was concluded that Facebook

social network has become a viable tool for any entrepreneur/firm for business differentiation and growth as the business world is more competitive in the emerging global village.

Recommendations

Based on the findings of the study, the following are recommended:

1. Entrepreneurs/firms should join Facebook social network so as to help them in getting current and relevant information from far and wide to run their businesses.

2. Government should create enabling environment for businesses to thrive by providing adequate infrastructural facilities that will enhance business growth of manufacturing SMEs in Nigeria.

3. Entrepreneurs/firms should invest in ICT and particularly on social network so as to enhance their operations which will result in the growth of their businesses

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