Use of Social Media by European SMEs

FINAL REPORT

A study prepared for the European Commission
DG Communications Networks, Content & Technology
Abstract

This report examines social media use by small and medium-sized enterprises (SMEs). It employs a mixed-method approach, including a survey of 600 SMEs in six EU Member States, to gather insights from various sources. For example, 61% of SMEs currently use social media. Those SMEs that use social media appear to be better off financially than those that don’t, though not necessarily in manufacturing. The main reasons stated for not using social media are a lack of a strong business case and insufficient demand from customers. For SMEs that use social media, concerns about their employees' behaviour (i.e. them becoming distracted or posting inappropriate content) constitute the main barrier to continuing this use. On the other hand, lack of financing is not considered a barrier. SMEs that use social media are more aware of their benefits than those that don’t. The report includes an analysis of future scenarios and highlights the importance of policies targeting the availability of skills and perceived information risks for increasing SME uptake of social media.
Executive summary

From a business perspective, social media are here to stay. Interviewed small and medium-sized enterprises (SMEs) felt that the policy interest in their use was justified, since they will definitely be part of every company in the future. According to the survey, 61% of firms currently used social media; 39% did not.

In SMEs, social media are mainly applied to externally-focused processes. Approximately 72% of firms using social media (henceforth users) agreed on their importance for external activities, such as developing the enterprise's image, while only 33% agreed on their importance for internal activities, such as enhancing collaboration and communication.

SMEs that use social media appear to be doing better than non-users. When asked about their financial situation over the past 3 years, 29% of users claimed their situation had improved, compared to only 18% of non-users. Along similar lines, only 29% of users claimed their situation had worsened, while 39% of non-users claimed this was the case.

In the manufacturing sector, only 19% of users claimed their economic situation had improved (compared to 24% of non-users). Moreover, 37% of users claimed their situation had worsened (compared to 36% of non-users). These results are in line with the claim that most social media use applies to externally-focussed processes, which might be less relevant to manufacturing.

While social media use in SMEs is linked to more dynamic, open and innovative ways of organising, they are not likely to start a revolution. Users were more open to new ideas than non-users (93% vs. 84%) and less hierarchical (47% vs. 51%). On the other hand, they were slightly more focussed on administrative procedures than non-users (59% vs. 53%). Nonetheless, both users and non-users claimed they had an informal culture, with few norms and regulations (55% vs. 54%).

Familiarity breeds awareness of what social media can do for a company. Users were much more likely to agree on the potential benefits of social media for business purposes than non-users (63% vs. 36%). This difference was greatest for benefits at an external level (with customers), where 70% of users agreed, compared to 36% of non-users.

Behavioural analysis on non-users rejects the notion that belief in the potential benefits of social media use (or lack thereof) significantly influences their intention to use (or not use) social media. The policy implication of this is that highlighting the benefits of social media to non-users is not likely to increase the level of uptake.

According to the survey, 61% of users had a planned strategy for their social media, while 39% did not. Those with a planned strategy were more likely to pay for social media tools (64%) than those without (36%), suggesting greater commitment to social media. Those without a strategy used social media because they felt they 'had to', given the existing trend, according to SME interviews.

SMEs with a planned social media strategy were more likely to have a manager (38%) or a staff member (37%) in charge of their social media use than users without a planned strategy (31% and 27% respectively). Of those with no strategy, 25% left nobody specifically in charge of social media, which could be a risk.

A greater percentage of users with a planned social media strategy claimed their financial situation had improved, compared to users without a social media strategy (31% vs. 28%). On the other hand, only 28% of users with a social media strategy claimed their financial situation had worsened, compared to 30% of users without a social media strategy.

Users with a planned social media strategy showed greater agreement with the potential benefits of social media than users without a strategy. This would stand to
reason, as committing to a planned strategy requires the conviction that it has benefits. From a policy perspective, promoting the strategic use of social media can result in greater benefits to European SMEs.

The main reason why SMEs do not use social media is because they see no reason for it. 'No strong business case' was a reason for not taking up social media for 54% of non-users; 'insufficient customer demand/need' for 53%. For users, the main barriers to continuing using social media involved concerns with their employees' behaviour: they could become distracted or post inappropriate content.

Approximately 48% of users and 61% of non-users considered that 'lack of financing' was not a barrier to using social media. Among users, the bigger the firm, the less likely it considered lack of financing an obstacle to adopting social media. This was not the case among non-users, where there was no noticeable difference according to size.

Disagreement with the statement that 'lack of financing can be a barrier' is greatest in countries where SME uptake of social media is largest (e.g. the Netherlands and the UK). Almost 91% of Dutch and 80% of British SMEs did not consider lack of financing to be a barrier.

The most helpful policy initiatives with regard to social media use by SMEs were those aimed at increasing skills and expertise. One of the least helpful options, especially among non-users of social media, was 'government funding to SMEs'. This is in line with the finding that lack of financial resources is not considered a barrier.

The following four scenarios for the future were developed at the validation workshop according to two parameters: availability of skills and perceived information risks:

- 'Heterogeneity', where social media use would not follow a pattern. High perceived information risks would dampen the social media hype. However, using social media would be easy and inexpensive, so some SMEs would continue to use them, perhaps without much of a strategy in mind. Many of the potential gains of social media use would be lost.

- 'Limited and specific', where only SMEs with a business case would be willing to invest in social media, partly depending on their economic sector. Low availability of skills and high perceived information risks would act as disincentives to social media use. Social media would offer benefits only in some specific cases.

- 'Inequality', where all SMEs would consider adopting social media. Perceived information risks would be low, but it would be costly to maintain social media use given low availability of skills. Only some SMEs would be able to afford a social media strategy and reap its benefits, resulting in an uneven playing field.

- 'Platform for all', where social media use would be widespread. All SMEs would be able to use them easily and inexpensively due to high availability of skills. Benefits of social media use would accrue to all, but especially to smaller, resource-constrained SMEs, for whom social media would lower the barriers to entering the virtual marketplace.

These scenarios could be influenced by policy at EU level. Policy options for increasing the availability of skills for taking up and maintaining social media use include:

- Setting up a system of internships for young, social-media savvy people to help develop social media strategies for SMEs.
- Supporting the inclusion of social media in school curricula.
- Creating online courses on developing social media strategies.
- Providing a 'quality mark' for specialized social media training programmes.
Policy options for **lowering perceived information risks** associated with social media use, which increase trust among the population, include:

- Implementing effective regulation to ensure transparency among social media providers.
- Supporting the creation of highly secure ('PRISM-resistant') European web services.
- Providing better information to SMEs on the risks of social media use.
- Addressing concerns over intellectual property rights and data management on the cloud.
Acknowledgements

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Preface

This is the final report of the SEA-SoNS project (Assessing the Benefits of Social Networks on Organisations) carried out by the Institute for Prospective Technological Studies (JRC-IPTS) under an Administrative Agreement with DG CNECT.

The project set out to analyse the role of social media in organisations, particularly small and medium-sized enterprises (SMEs). It explored the benefits of social media, identified barriers and bottlenecks to its uptake, developed future scenarios, and put forward relevant policy options at EU level.

This report brings together the findings of the Survey of the Use of Social Media by SMEs (600 SMEs were surveyed in 6 Member States), two waves of in-depth SME interviews, an online stakeholder animation activity, a literature review and discussions at two workshops. All quantitative reporting about social media use by SMEs, unless otherwise stated, refers to findings from the survey.
# Table of Contents

Abstract ......................................................................................................................... 1  
Executive summary ........................................................................................................ 2  
Acknowledgements ....................................................................................................... 5  
Preface .......................................................................................................................... 6  
1. Introduction .............................................................................................................. 8  
   1.1 Adoption of social media in Europe ............................................................... 9  
   1.2 Focussing on SMEs .................................................................................... 10  
2. Methodology of the study ...................................................................................... 11  
3. Findings .................................................................................................................... 13  
   3.1 Use of social media by SMEs ...................................................................... 13  
   3.2 Benefits of social media use ........................................................................ 15  
   3.3 Perceived benefits ....................................................................................... 20  
   3.4 Barriers to the uptake of social media ......................................................... 24  
   3.5 Policy options to increase the uptake of social media by SMEs ............... 28  
4. Future scenarios ....................................................................................................... 30
1. Introduction

As pledged in the Digital Agenda for Europe (DAE), the European Commission (EC) aims to foster web entrepreneurship by working with stakeholders to develop a new generation of web-based applications and services through EU-funded programmes. In order to achieve this, the EC recognises the need to build an in-depth understanding of the current web ecosystem, its likely development and the role of web-based applications and services in organisations.

Social media which support interpersonal communication and collaboration using Internet-based platforms, are particularly important in the web ecosystem.\(^1\) They have a potentially significant impact on the way organisations work and their outcomes. Moreover, their rapid proliferation over recent years (e.g. over a billion on Facebook and counting) suggests that this impact could be extremely large, now and in the future.\(^2\)

Organisations' use of 'social tools and technologies', including social media, has increased steadily since 2008. Around 50% of organisations were using social tools and technologies in some fashion in 2011.\(^3\) On average, each of the Fortune 500 companies had adopted more than one social media platform by 2012.\(^4\) This figure is likely to have increased since then.

These new information technologies are believed to offer organisations a powerful means to improve their communications, processes and, ultimately, their performance.\(^5\) Popular business and technology journals are especially optimistic about the positive impacts that these technologies will have on the organisations that adopt them.\(^6\) In fact, some estimates put the economic impact of social media on business at over 1 trillion US dollars.\(^7\) But these potential benefits are still the subject of debate, partly due to the lack of empirical research on organisations' use of the technologies and platforms that underlie social media.

Simply put, social media has the potential to provide additional value to organisations by allowing for more efficient communication and collaboration within and across organisations and by generating new social connections.\(^8\) In e-commerce, for example, they allow users to design and deploy their own

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\(^1\) Gerald C. Kane, Maryam Alavi, Guiseppe (Joe) Labianca, and Stephen P. Borgatti, "What’s Different about Social Media Networks? A Framework and Research Agenda. MIS Quarterly.

\(^2\) [http://www.businessweek.com/articles/2012-10-04/facebook-the-making-of-1-billion-users](http://www.businessweek.com/articles/2012-10-04/facebook-the-making-of-1-billion-users)

\(^3\) 'How social technologies are extending the organisation', J. Bughin, A.H. Byers & M. Chui, McKinsey Quarterly, November 2011.


\(^6\) See, for example, 'Business starts to take Web 2.0 tools seriously', J. Twentyman, Financial Times, Digital Business, 28 January 2009.


\(^8\) 'Shattering the Myths about Enterprise 2.0', A.P. McAfee, Harvard Business Review: 1-6, November 2009

applications (for example, through the use of application programming interfaces, or APIs). They are also platforms in the figurative sense, insofar as they provide people and organisations a foundation on which to build further achievements. They allow ideas to be shared among a broader audience, increase the chances of these ideas being funded by interested investors, expand the network of stakeholders around these ideas, and even make it possible to achieve some objectives with little or no start-up capital.

Some debate exists on what is meant by social media and how it is different from social networking. Social networking technologies allow users to create profiles within a bounded system and maintain lists of other users and organisations with which they share a connection, in order to view and traverse these connections. Similarly, social media technologies are applications that facilitate communication and social interactions among users and organisations, and which build on the creation and exchange of user-generated content. The SEA-SoNS project did not dwell on this difference. Rather, it focused on the capacity of both social media and social networking to generate value by facilitating new social connections, regardless of the content that is generated. Therefore, while this report uses the term social media, the findings are largely applicable to social networking as well.

More specifically, in this report 'the use of social media by organisations' refers to the formal use of web-based technologies and communication platforms for connecting, discussing and creating content online, within the enterprise, with customers, suppliers or partners. These include collaborative projects (e.g. wikis, blogs, instant messaging, slide sharing websites, knowledge management systems); multimedia sharing (e.g. photo and video-casting, podcasting, slide sharing); social networks or websites (e.g. Facebook, LinkedIn, Twitter); and social bookmarking and tagging (e.g. knowledge tags, keyword taxonomy).

1.1 Adoption of social media in Europe

Use of social media is almost as high in Europe as it is in the US, but about two-thirds of the platforms are provided by US companies. However, there are some niches in Europe, mainly due to cultural or linguistic differences, where European companies are competitive. The Latvian site Draugiem.lv, bigger than Facebook in Latvia, is a case in point.

There are notable differences in the geographical use of social networking and social media technologies among EU Member States; Internet users in Germany (37%) are less likely to visit social networking sites than any of their EU neighbours, while Hungarians, Latvians, Maltese, Irish, Slovakians and Cypriots are heavy users (between 66% and 80%).

Social media use grows in tandem with Internet use. However, there is a generational split: the use of social media as a percentage of total Internet use is far higher for younger people (i.e. digital natives) than for older people. In other words, when younger

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people are on the Internet, they are far more likely to be using social media than older people, who have more uses for the Internet other than social media.

This generational split may be set at 40 years of age, as the 40-54 age group tends to act more like the 55+ age group while the 25-39 age group tends to act more like the 15-24 age group. These differences need to be considered for the effective deployment and uptake of social media by organisations.

1.2 Focussing on SMEs

Even though social media can benefit all types of organisations, this study has focused on the use of social media by small and medium-sized enterprises (SMEs). While much has been published in recent years on the adoption of social media, research on the adoption and use of social media by European SMEs has been neglected.

SMEs are considered one of the ‘driving forces’ of modern economies, mainly due to their contributions to job creation and innovation. Jobs in SMEs account for 67% of total employment in Europe. However, 85% of net new jobs (i.e. new jobs created minus jobs lost in a given period) in the EU between 2002 and 2010 were created by SMEs. Throughout the economic downturn in Europe, SMEs have retained their position as the backbone of the European economy, with some 20.7 million SMEs accounting for more than 98% of all enterprises, out of which the lion’s share (92.2%) are firms with fewer than ten employees.

Moreover, the ability of SMEs to innovate is important because it improves not only their own competitiveness, but also the entire industry and economy via linkages and knowledge spill-overs with other firms. Better understanding the use of social media, a rapidly growing and potentially limitless phenomenon, by SMEs, ‘the backbone of the European economy’, is necessary to design policies that help unleash the full potential of European business activity.


2. Methodology of the study

The SEA-SoNS study employed a mixed-method approach in order to gather insights from various sources. It was a cumulative process, with each step building on insights from the previous one.

The starting point was a literature review on the use of social media by organisations. It covered the scientific literature, policy documents, and reports from various research organisations (grey literature). The review identified the main benefits of, and barriers to, social media use by organisations. The knowledge acquired from this literature review was used as input for the first workshop and the questionnaire of the survey.18

An online discussion in a stakeholder community was conducted to explore benefits, challenges and best practices relating to social media use by private and public organisations. Forty-four stakeholders from 40 organisations were recruited. Three groups were created within the community, who were presented with a series of open-ended questions. In addition, three exit polls – guided by insights from open-ended questions – were conducted to quantitatively assess attitudes and behaviours.19

Two workshops brought together different experts in the field to contribute their insights. The first one (scoping workshop)20 identified and prioritized potential benefits and challenges facing European organisations wanting to use social media. The second one (validation workshop) discussed the findings of the study, identified policy options at EU level, and arrived at scenarios on the future evolution of social media use by SMEs. Between these two workshops, preliminary results were presented at the Digital Agenda Assembly in June 2012.

In-depth, semi-structured interviews were conducted with organisations that either used social media or provided the technology for it, in two waves. The first wave included 10 interviews with social media platform providers and large companies.21 The second wave consisted of 5 interviews with micro firms (i.e. fewer than 10 employees) that used social media. The topic guides were based on previous findings and complemented the survey questionnaire.

A survey of 600 SMEs across different economic sectors was undertaken in 6 EU Member States (UK, NL, ES, IT, BG, and LV).22 The questionnaire was based on the findings of the literature review, the online stakeholder animation exercise and the first wave of in-depth interviews. The survey was conducted over the telephone and covered issues such as the participants' current and future use of social media, perceived benefits, best practices, and barriers to uptake. The sample was evenly distributed across countries (n=100 in each) and representative of SMEs by size and presence on the Internet. A pilot study was carried out in Bulgaria, Spain and the UK to test and validate the final questionnaire.

18 SEA-SoNS Deliverable 1, Appendix A
20 SEA-SoNS Deliverable 1, Appendix C
21 SEA-SoNS Deliverable 1, Appendix D
22 SEA-SoNS Deliverable 2 Annex C http://is.jrc.ec.europa.eu/pages/TFS/SEA-SoNS.html
This final report brings together the results of the different parts of the SEA-SoNS project.
3. Findings

3.1 Use of social media by SMEs

Participants in the in-depth interviews claimed that social media are suitable for all kinds of companies, since all can gain something from their use. However, social media are considered more useful for SMEs, as they have greater difficulties in reaching the market.

In the survey, 61% of SMEs claimed they were making formal use of social media (henceforth these firms will be called users). The leading countries were United Kingdom (90%), Netherlands (79%) and Latvia (75%). In Spain, almost half of SMEs (54%) were users of social media, and in Bulgaria and Italy only a minority of SMEs used social media (37% and 28% respectively). However, of this overall 61% of social media use, only 33% is mainstreamed into work practices.

Interviewed SMEs claimed that 'social media were here to stay'. They felt that policy interest in the business use of social media was justified, since they were definitely going to be part of every company in the future. This was confirmed at the validation workshop, where it was claimed that, although everything changed very quickly on the Internet, social media would continue to exist for the foreseeable future and businesses would continue to use them. Another study claims that although only 18% of managers believe that social media are important for their business today, more than 63% thought they would be important for business within three years.23

The most widely-used social media tools were social networking services; very few firms reported using more sophisticated applications. In fact, 61% of users made use of free social media tools, while only 39% paid for them. Confirming previous findings,24 the survey showed that, while the use of social media varies, they are mostly applied to externally-focused processes (e.g. developing the company's image or marketing products). Internal use of these technologies (e.g. discovering emerging opportunities) is less common among SMEs in the survey. Almost 72% of users agreed on the importance of social media for external activities while only 33% agreed on the importance of social media for internal activities.

It is telling that social media adoption is driven by the marketing department in 52% of cases, and by the IT department in only 20% of cases. Also, users devote a higher priority to customer relationship management than non-users. When asked to prioritise the main challenges they faced, users put 'manage customer relationships' as their 3rd priority, while non-users put it as their 5th priority. These findings confirm a claim made by participants in the validation workshop, namely that those networks which crossed over to the outside world were the ones that added most value to an organisation.

While social media use is correlated with more open and innovative ways of organising in SMEs, they are not likely to start a revolution. Firms using social media were more likely to be 'open to new ideas' (93% agreed with this description) than non-users (84% agreed). They were also more likely to be considered 'innovative' (81%) than non-users (64%) and slightly less 'hierarchical' (47% vs. 51%). However, users were more 'highly procedural' than non-users (59% vs. 53%) and had slightly stronger 'codified cultures and norms' (58% vs. 56%). Regarding organisational culture, both were equally 'informal, with few norms and regulations' (55% of users vs. 54% of non-users).

Both users and non-users had a similar opinion about the possibility that, in the future, team self-organisation would increase (48% users vs. 45% non-users). Moreover, both

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had a very realistic down-to-earth vision, disagreeing with the most hyped statements such as 'employees will play a greater role in selecting leaders', 'performance will be evaluated by peers rather than by managers' and 'strategic priorities will be set from the bottom up'.

Table 1: Perceptions about future change in organisations

<table>
<thead>
<tr>
<th>Perception</th>
<th>Users</th>
<th>Non-users</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The boundaries between employees, vendors, and customers will blur</td>
<td>37%</td>
<td>30%</td>
</tr>
<tr>
<td>2. Teams will self-organise</td>
<td>48%</td>
<td>45%</td>
</tr>
<tr>
<td>3. Decisions will be based primarily on the examination of data rather than reliance on opinion and experience</td>
<td>33%</td>
<td>41%</td>
</tr>
<tr>
<td>4. The organisation’s formal hierarchy will become much flatter or disappear altogether</td>
<td>30%</td>
<td>29%</td>
</tr>
<tr>
<td>5. Employees will play a greater role in selecting leaders</td>
<td>26%</td>
<td>30%</td>
</tr>
<tr>
<td>6. Strategic priorities will be set from the bottom up</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>7. Performance will be evaluated by peers rather than by managers</td>
<td>22%</td>
<td>24%</td>
</tr>
<tr>
<td>8. Employees will have much more discretion in choosing which tasks to work on</td>
<td>28%</td>
<td>32%</td>
</tr>
</tbody>
</table>

SME interviews identified two different types of users: (a) companies that had incorporated social media strategically and had a clear plan for them and (b) companies without a clear goal or objective for their social media use. The first type acknowledges the complexity of managing various social media channels (in external use) and the risks of information overload (in internal use). The second type uses social media because they think they 'have to', given the existing trend or because they are run by digital natives who have personal experience with social media. In the survey, 61% of users had a planned strategy for their social media use, whereas 39% did not.

Users who had a planned strategy were more likely to pay for their social media tools (64%) than those who did not have a strategy (36%), demonstrating a greater conviction in the benefits of social media.

Figure 1: Firms that have paid and those that haven’t, according to whether they have a social media strategy or not

Within SMEs, activities in support of social media use are basically voluntary tasks. Around 63% of users claimed that employees who supported social media did it on top of
their existing tasks, and only rarely (37% of users) was there an ad hoc budget and function dedicated to it.

Table 2: Ways in which social media use is supported in SMEs (users)

<table>
<thead>
<tr>
<th></th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. There is an ad hoc budget dedicated to it</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>2. With employees formally devoted to it part-time</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>3. Social media is tolerated but there is no ad hoc budget/employee</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>4. With full-time staff supporting social media</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>5. With employees that support social media on top of their other tasks</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>6. Minimum support</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>7. Outsourced</td>
<td>78%</td>
<td>22%</td>
</tr>
</tbody>
</table>

These figures change when looking at those firms with a planned social media strategy. These were more likely to have a manager (38%) or a staff member (37%) in charge of their social media use than users without a planned strategy (31% and 27% respectively). Of those who had no strategy, 25% left nobody specifically in charge of social media. This is not unexpected, since there is in fact no planned strategy. But it does highlight a potential risk.

Figure 2: Person in charge of monitoring social media inside the firm

3.2 Benefits of social media use

A salient policy question is whether the use of social media by SMEs leads to improved economic performance. There is no easy answer to this, just as there is no easy answer
to the productivity paradox.\(^{25}\) A longitudinal panel study, following SMEs that use and do not use social media over several years and controlling for other variables (such as the business cycle) would be required.

Alternatively, the same question could be addressed differently: instead of thinking of the benefits to SMEs of using social media, we could consider the costs of not using social media. As one validation workshop participant put it: 'social media is like a huge village market – that's where the people are. And as a company you would be stupid not to be there'.

A similar logic can be applied to quantifying the benefits of the Internet to companies. It would simply be an impossible task. It makes more sense to recognise that the Internet arrived in the 90’s and those companies that have not learned to use – or at least adapt to – the Internet have not survived. Similarly, social media do not necessarily give companies a competitive advantage. Rather, they set a new scene, a different way of communicating and collaborating and of reaching out to customers and stakeholders. SMEs must adapt in the face of these changing circumstances and do whatever is necessary to remain competitive.

Having said this, the study does provide findings which address the benefits of social media use. In the survey, SMEs were asked about their perception of their financial situation over the past 3 years. Users of social media, in general, claimed they were doing better than non-users: 29% of users claimed their situation had improved, whereas only 18% of non-users claimed the same thing. Along similar lines, only 29% of users claimed their situation had worsened, while 39% of non-users claimed this was the case.

**Figure 3: Perceived financial situation of firms over the last 3 years**

![Graph showing perceived financial situation](image)

Differences between countries were observed in this respect. In Bulgaria and Spain, fewer users claimed that their financial situation improved (27% and 42% respectively) than the average of the sub-sample of users. On the other hand, in Italy and Latvia more users claimed their financial situation had improved than the average of the sub-sample of users (50% and 84% respectively). In the UK and Netherlands, the results were in line with the average (89% and 76% respectively).

\(^{25}\) This paradox was best summed by Robert Solow in 1987 when claiming 'you can see the computer age everywhere but in the productivity statistics'.
The survey sample was not large enough to conduct analyses per sector of economic activity (too few cases per individual sector). However, in an attempt to detect differences between economic sectors, firms were grouped in three groups: services (32% of the sample), manufacturing (33% of the sample) and hybrid (35% of the sample). These categories were formed by grouping together sectors of economic activity, and are a rough approximation:

- The services group included the sectors of accommodation and food service activities; real estate activities; professional, scientific and technical activities; and administrative and support service activities.
- The manufacturing group was composed of the sectors of electricity, gas, steam and air conditioning supply; construction; manufacturing (light industry) and manufacturing (heavy industry).
- The hybrid group brought together those sectors which cannot be clearly allocated to either services or manufacturing, namely water supply; sewerage, waste management and remediation act; wholesale and retail trade; repair of motor vehicles and motorcycle; transportation and storage; information and communication and 'other'.

In the services and hybrid groups, social media users claimed on average to be in a better financial situation than non-users. However, this was not the case for firms in the manufacturing group, where users claimed – on average – to be in a worse financial situation than non-users (see Table 3).

### Table 3: Financial situation of the SMEs according to their economic activity and use of social media

<table>
<thead>
<tr>
<th>Activity group</th>
<th>Users</th>
<th></th>
<th>Non-users</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Improved financial situation</td>
<td>Worsened financial situation</td>
<td>Improved financial situation</td>
<td>Worsened financial situation</td>
</tr>
<tr>
<td>Services</td>
<td>37%</td>
<td>24%</td>
<td>15%</td>
<td>40%</td>
</tr>
<tr>
<td>Hybrid</td>
<td>29%</td>
<td>29%</td>
<td>14%</td>
<td>41%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>18%</td>
<td>37%</td>
<td>24%</td>
<td>37%</td>
</tr>
</tbody>
</table>

It would appear that the positive relationship between social media use and perceptions of improved financial situation does not apply to manufacturing. Although further analysis is required to fully confirm these findings, they are in line with the claim that most social media use applies to externally-focused activities, which may be less relevant to manufacturing.
Figure 4: Perceived financial situation of firms over the last 3 years in the 'services' sector

Financial situation over the last 3 years - Services

- Improved
- Worsened
- Remained stable
- Do not know

Users Non-Users

Figure 5: Perceived financial situation of firms over the last 3 years in the 'hybrid' sector

Financial situation over the last 3 years - Hybrid

- Improved
- Worsened
- Remained stable
- Do not know

Users Non-Users
Differences in perceived financial situation also exist depending on whether the SME has a formal social media strategy or not. Around 31% of users with a social media strategy have seen their financial situation improve, compared to 28% of users without a social media strategy. On the other hand, 28% of the firms with a social media strategy have seen their financial situation worsen, compared to 30% of users without a social media strategy.

Figure 7: Perceived financial situation of firms over the last 3 years
3.3 Perceived benefits

Aside from exploring the relationship between social media use and improved economic performance, this study enquired about the perceived benefits of social media use from the point of view of SMEs. This was done through the in-depth interviews and the survey, and built on the findings of the online stakeholder animation exercise and the literature review.

It is important to stress that the mere use of social media by a SME will not necessarily reap benefits. As with any business tool, there is a right way and a wrong way to do it. A number of best practices have been identified for successfully incorporating social media into a business. These include developing a social media strategy, investing time and resource in social media management, getting senior management to lead by example (sending the message that 'someone is behind it'), and having personal interactions over social media channels (trying to avoid corporate messages).

Adapting the insights of the online stakeholder animation exercise, the benefits to SMEs can be placed in 3 categories: increased connectivity, knowledge surfacing, and better communication and collaboration:

- Increased connectivity: social media support SMEs in developing closer relationships internally (among employees or between management and employees) and externally (with customers or potential recruits). This improved connectivity leads to speedier access to organisational expertise; better employee engagement; improved marketing, customer service and support; increased sales and more effective recruitment.

- Knowledge surfacing: social media help SMEs access information on customers' activities (and, to a lesser degree, employees' activities also). This information allows SMEs to tailor their marketing approaches more and also improves feedback between organisational decisions and the effect of these on employees and customers. Social media also promote the surfacing of innovative ideas in a company, increasing the likelihood that they can be put to good use.

- Better communication and collaboration: social media support better sharing of information between people. In turn, this allows organisations to involve customers or members of the public in projects or decisions and to form and support teams that are geographically and temporally dispersed. It leads to greater collaboration opportunities and reduces internal and external communication costs.

All of these benefits apply both internally and externally. Moreover, externally they apply to both customers as well as partners (e.g. collaborators, suppliers, and investors). When SMEs in the survey were asked about these benefits, therefore, the following list of specific benefits was presented to them.

- Benefits on an internal level
  - Increased speed of accessing internal experts
  - Increased speed of accessing knowledge
  - Reduced communication costs


- Benefits on an external level (with customers)
  - Increased effectiveness of marketing
  - Increased customer satisfaction
  - Reduced marketing costs
- Benefits on an external level (with partners)
  - Increased speed to access knowledge
  - Increased speed to access external experts
  - Reduced communication costs

According to the survey, there is significant statistical difference between users and non-users regarding the benefits of social media use: users are more likely to agree on the potential benefits of social media for business purposes than non-users (63% vs. 36%). Broken down by type of benefits, the findings are: 57% of users (vs. 32% of non-users) agreed there were benefits at an internal level mentioned above; 70% of users (vs. 36% of non-users) agreed there were external benefits with customers; and 61% of users (vs. 39% of non-users) agreed there were external benefits with partners.

Moreover, users with a planned social media strategy showed the greatest agreement (and the least disagreement) about the potential benefits of social media: internal benefits, external benefits with customers or external benefits with providers.
Figure 9: Internal benefits, according to users with and without a social media strategy.

Internal benefits (users)

<table>
<thead>
<tr>
<th>% of firms</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>SM Strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No SM Strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

0 10 20 30 40 50 60 70

Disagree Neutral Agree
Figure 10: External benefits (with customers), according to users with and without a social media strategy.

Figure 11: External benefits (with partners), according to users with and without a social media strategy.
To sum up, those who use social media are more convinced of its benefits, and those who have a planned strategy are the most convinced of all. This would stand to reason, as committing to a planned strategy requires the conviction that it has benefits. But it does raise the possibility that promoting the use of social media, and in particular promoting the strategic use of social media, might lead to increased benefits among European SMEs.

Behavioural analyses were undertaken to explore this issue further. The aim was to better understand the direction of causality: do SMEs perceive the benefits once they start using social media? Or does a priori belief in the benefits of social media lead SMEs to use them? A combined TAM-TPB (Technology Acceptance Model – Theory of Planned Behaviour) analysis suggests that the 'perceived usefulness of using social media', measured in the survey through a construct of items, does not affect the intention to use social media in the case of the non-users. In other words, the reason why non-users don't use social media is not because they perceive social media to be useless. Rather, non-users' intention to use social media is affected by 'social norms' (perceptions of what others think should be done) (standardized coefficient = .84) and by their 'perceived control' (the degree to which people think behaviour is under their control) over social media use (standardized coefficient = .11).

In the case of users, the evidence is less clear-cut. Perceived usefulness does not directly affect intention to continue using social media. Rather, what affects intention are 'social norms' (standardized coefficient = .69) and 'attitudes' (positive evaluations of behavior) towards social media (standardized coefficient = .16). However, these attitudes are affected by perceived usefulness (standardized coefficient = .16). In other words, perceived usefulness has an indirect effect of intention, mediated by attitudes. So while familiarity with social media use might increase the perception of their benefits, there is some indication that the inverse might also hold.

To sum up, and from a policy perspective: highlighting the benefits of social media clearly to non-users is not likely to increase their uptake, though it might nudge users towards continuing their social media use. However, the evidence does suggest that nudging SMEs to take up social media use (by e.g. increasing the availability of skills or by reducing perceived information risks, see scenarios section) will probably make them more aware of their benefits. And, once these SMEs are social media users and have an increased awareness of the benefits of social media, they will probably continue to use social media.

### 3.4 Barriers to the uptake of social media

Despite the potential benefits of using social media, only 61% of SMEs are formally using them. This leaves a clear margin for greater uptake. But what is it that stands in the way of SMEs? The literature review, in-depth interviews and stakeholder animation revealed a number of potential barriers to uptake.

Firstly, an organisation may simply not see any need to embrace social media. If there is no business case, there simply will be no reason to take up social media.

Another issue may be the cost. Indeed many social media exist under a freemium business model, where initial access is free but can be upgraded at a cost. However, some SMEs may not be aware of this, so the perceived cost might be higher. Also, once an organisation has committed itself to a social media strategy, it must invest time and effort in using the different social media channels effectively in a coherent communications strategy. It must also work to maintain social networks active and interested, which is costly in terms of human resources.

Organisations are often structured hierarchically. Social media platforms may clash with these organisational structures or lead to greater complications. Once a decision to adopt
social media is made, organisations will have to address the governance issues that accompany the platforms: who is allowed to participate, what are the usage rules, what new company policies need to be developed, etc. Also, there may also be clashes between new social technologies and the norms of behaviour and levels of accountability and control inside the company.

There are continued fears that employees in organisations will become distracted by social media, and as a result be less productive at work. While social media are designed to be intuitive and easy to use, this may be a double-edged sword. While it eases user adoption and use, it also lends itself to negative interpretations about social software being a potential time-waster. Similarly, employers may be worried about their employees posting hateful, inappropriate or critical material on a public-facing social network.

There are serious concerns regarding the loss of commercially sensitive and private data on these systems, as well as data ownership (in the case of companies using platforms that are owned by third-parties, which are very often not based in Europe). According to in-depth interviewees, the future of social software is in the cloud as a software-as-a-service model. It is cheaper, easier for organisations to maintain and more flexible. From a technology provider perspective, cloud-based software has the advantage of being able to learn from user interactions with it (unlike older software models). However, challenges for organisations can arise from this.

The survey asked SMEs to what degree they agreed or disagreed with a number of potential barriers to the use of social media. They are presented in order of importance, according to non-users and users in Figure 12.

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**Figure 12: Barriers to using social media**

![Barriers to using social media chart]

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28 See SEA-SoNS Deliverable 2 Annex D (forthcoming) for more details.
The data suggest that the main reason why non-users do not use social media is simply because they see no reason for it. Around 54% agreed that 'no strong business case' represented the reason why their organisation had not taken up social media; and 53% agreed with the statement 'insufficient customer demand/need' (see Figure 12). The concern about employees getting distracted, on the other hand, is an important consideration both for users and non-users (48% and 45%, respectively, agreeing with this statement as a barrier), as are concerns about privacy and loss of data (44% and 42%).

Interestingly, 'lack of financing' was not considered a significant barrier to adopting social media by 48% of users and 61% of non-users. Among users, the bigger the firm (in terms of number of employees), the less likely it is to consider lack of financing an obstacle to adopting social media. This is to be expected, as a larger firm will generally have greater access to financing.

**Figure 13: Lack of financing as a barrier for users according to their size**

![Lack of financing as a barrier (users)](chart)

Among non-users, the belief that lack of financing is not a barrier is more equally distributed among the difference size groups, unlike users. In other words, for non-users it is not the case that the bigger the SME, the less it is likely to believe that lack of financing is an issue.
When looking at the data country-by-country, in countries where the uptake of social media by SMEs is large (e.g. the UK and the Netherlands), the level of disagreement with the statement that 'lack of financing can be a barrier' is greatest. Almost 91% of the Dutch SMEs did not think lack of financing was a barrier, and 80% of the UK SMEs thought the same. In other words, it appears that the more familiar SMEs are with the use of social media for business purposes, the less they feel that lack of financing is a barrier.
3.5 Policy options to increase the uptake of social media by SMEs

While it is not feasible to carry out robust quantitative measurement of the economic benefits to SMEs of social media, the evidence at hand does suggest that SMEs that use social media are in a better financial situation than those who don't. Even if this evidence is not conclusive, there is little risk of harm in advocating a policy that supports the planned and strategic use of social media tools by SMEs. But what would be the most effective mechanism? From the point of view of SMEs, what policy intervention is required?

In-depth interviewees were sceptical about the value of public intervention – they feared that new laws would be imposed on their businesses. This highlights the importance of focussing policy intervention only in those areas where it is warranted.

For example, in-depth interviewees claimed that, while getting started on social media was easy, maintaining a successful social media campaign could be quite complex, especially when combining different channels of external communication. These interviewees felt they needed more skills and resources in this respect. Participants in the validation workshop agreed that – from a policy perspective – the use of social media could be incentivised in the short term. However, stabilising and maintaining that use was the real challenge.

In the survey, a number of selected policy options, arrived at during the first phase of in-depth interviews and the stakeholder animation activity, were presented to SMEs (see Figure 16). Although all policy options were favourably received, policy initiatives aimed at increasing skills and expertise in social media were ranked as most important by users and non-users. This further confirmed the importance to SMEs of having the right skills and resources for maintaining a social media presence.

One of the least helpful options, especially among non-users of social media, is 'government funding to SMEs' for making formal use of social media. This is in line with the finding that the lack of financial resources is not a barrier of adopting social media. Non-users are the least convinced that these policy options can be useful.
Figure 16: Perceived helpfulness of selected policy options (rated 1-to-5)

With one exception, there seems to be no correlation between the perception of the financial situation of surveyed SMEs in the last three years and the policy options that were selected as important. The exception is the opinion of non-users on the policy option 'government-sponsored programme to place young, tech-savvy graduates in SMEs for a limited time to help them with their formal use of social media'. SMEs that did not use social media and claimed their financial situation had worsened or remained stable were much more positive towards this policy option (63% and 60%, respectively, rated it 4 or 5) than non-users who had improved their financial situation (44% gave it a 4 or a 5). In other words, those SMEs that are facing tough times, and who most need support, are significantly more in favour of this option, aimed at providing them with necessary skills and experience for social media.
4. Future scenarios

The validation workshop held towards the end of the SEA-SoNS project aimed initially to arrive at policy scenarios for the future. However, participants warned that this could be a futile exercise. Everything changes so fast on the Internet that nobody could really say what the landscape would look like over the next 5 years. In fact, during the course of this study, the PRISM scandal broke, which changed parameters unexpectedly.\(^{29}\) The only fact that could be agreed upon by participants was that in the next 5 to 10 years there will be social media, and businesses will be using it.

Instead, participants proposed the development of scenarios which could be influenced by policy.\(^{30}\) In other words, the scenarios would not be illustrations of how trends might develop in the future, and which would need to be addressed by policy. Rather, they would illustrate what the possible outcome could be if policy efforts went in one direction or another. As is the case generally, these scenarios present exaggerated outcomes in order to drive a point home. They do not provide realistic descriptions of what will happen, but rather illustrations of what – if taken to the limit – could happen.

There was agreement among participants that the two main challenges for the use of social media by SMEs were **availability of skills** and **perceived information risks**. Therefore, scenarios should be built around these two axes.

- **Availability of skills** refers specifically to social media know-how. While starting a social media presence can be easy and cheap (since most social media providers adopt a *freemium* model), maintaining this presence over time and on different channels is the big challenge.\(^{31}\)

  If the relevant skills are widely available, SMEs will be able to adopt, use, and run social media, even if the technology supporting it becomes more sophisticated and diversified. On the other hand, if these skills are scarce, this will not be possible for a great number of SMEs, who will have to either rely on a limited number of platforms and applications that are easy to use, or else abandon a social media strategy altogether.

- **Perceived information risks** covers ‘concerns about privacy’, which was mentioned in the in-depth interviews and the survey, but is a bigger concept. It applies to companies as well as people, and refers to their concerns about issues of confidentiality, copyright, IP and cloud regulations. The recent PRISM scandal has brought this issue to the fore.

  If perceived information risks are low, the trend towards using social media will continue to grow. SMEs will trust the online environment and the possibilities for using social media to promote their business goals will be practically limitless. If these risks are seen as high, the public will trust social media less and less, and the trend towards using social media will slow down or even stop altogether. SMEs will be more careful about what they reveal online, and many will opt for eliminating their social media presence altogether.

Taking into account these parameters, the following scenarios can be envisaged:

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\(^{29}\) The PRISM scandal refers to the consequences of Edward Snowden's revelations in early 2013 that the US National Security Agency (NSA) tapped into social media databases to obtain information about potential terrorism suspects.

\(^{30}\) Magda David Hercheui was the main promoter of this idea.

\(^{31}\) As claimed by validation workshop participants and in-depth interviewees, and confirmed by the survey results.
SCENARIO A: HETEROGENEITY. Social media use is haphazard and heterogeneous (skills are highly available and the perception of information risks is also high)

In this scenario, social media will only be used by some companies. There will be high perceived information risks, so the general trend towards greater use of social media among organisations and the public will slow down. SMEs, in particular, will not feel confident relying on social media for growing their business. While many people may still use social media, a great number will be disappointed or overloaded, and may go back to more traditional channels of communication (like email). However, since skills will be highly available, developing and maintaining a social media strategy will be a feasible option. Some SMEs, therefore, may decide to have a presence anyway, perhaps without much of a strategy in mind. The use of social media across the marketplace will be haphazard and heterogeneous, and will depend entirely on concerns about privacy, security, IP and the cloud.

SCENARIO B: LIMITED and SPECIFIC. Only some SMEs can justify the investment in social media (skills are scarce + information risks are perceived as high)

In this scenario, only SMEs which have a specific strategy, know how to use social media and incorporate them into their activities, and which have identified a clear business case for social media, will use them. The scarcity of skills (and therefore the high cost of sustaining a social media strategy) will act as a barrier for many SMEs. Moreover, the perception that information risks are high would act as an additional disincentive. Many of the benefits to SMEs, and the economy in general, of social media use will not be reaped, leading to a suboptimal point of equilibrium. There will be significant differentiation across sectors of economic activity. The service sector, for example, which relies on communication with clients and customers
(especially the B2C sector), will probably use social media more. Other sectors may not have the necessary incentives to invest in the necessary skills.

SCENARIO C: INEQUALITY. Social media fits within current structures of inequality among businesses (scarcity of skills + information risks perceived as low)

All SMEs in this scenario will consider adopting a social media strategy given the existing trend towards social media uptake. Information risks will be perceived as low, so the use of social media by organisations and the general public will continue to grow rapidly. However, it will be resource-intensive to maintain and coordinate a coherent social media strategy because of the scarcity of skills and expertise. In this scenario, some SMEs will be able to access and benefit from social media, while others will remain on the sidelines. Smaller and more resource-constrained SMEs, in particular, will find it hard to reach out to the public and make their case through social media. In this scenario, social media act as a barrier to accessing the marketplace, and a level playing field is not guaranteed.

SCENARIO D: PLATFORM FOR ALL. Social media lowers barriers to entering the marketplace (skills widely available+ information risks perceived as low)

In this scenario, the benefits of social media will be spread across SMEs. They will not be considered a competitive advantage since everyone will be able to use them easily and inexpensively. They can be used by companies of all sizes, but smaller companies will benefit more since social media will allow them to reach customers in ways that would not otherwise be possible. Social media will become the standard way to communicate externally, mainly with clients but also with providers. All this experience and exposure in communicating with the external 'environment' through social media will lead to internal changes in how employees collaborate (internally and externally) in organisations. The non-adoption of social media will have a negative effect on companies, since they will fall off the radar, much like companies that do not have a web presence today.

Policy options

Policy can have an impact on availability of skills and perceived information risks, and so influence the scenario at which we arrive in the future. With regard to the availability of skills, policy can:

- **Set up a system of internships for young, social-media savvy people** who would be recruited to help develop social media strategies for SMEs. The benefits would be reciprocal: SMEs would learn technological know-how, and young interns would learn about the business environment and how to effectively apply their technological know-how. Given the high rate of youth unemployment in Europe, this initiative would be complementary to other EU efforts to increase youth employment.

- **Support the inclusion of social media in schools**, promoting a set of skills that would allow young people to integrate social media into SMEs. However, rather than having a targeted curriculum for social media, it should be embedded throughout all subjects.

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32 A typical ad for such an intern might follow this example by TechCrunch: http://techcrunch.com/2013/08/28/help-wanted-social-media-intern-for-techcrunch-disrupt-sf/

33 See the Huffington Post for further support for this initiative: http://www.huffingtonpost.com/kim-garst/4-reasons-why-social-medi_b_3327957.html
- **Create online courses on developing social media strategies** and online crowdsourcing communities to keep their content up-to-date and relevant.\(^ {34}\) The risk is that these courses could become obsolete very rapidly. Therefore, they would need to evolve rapidly, in tandem with social media, and continually refer to the latest examples of social media use on the web.

- **Provide a 'quality mark' for specialized social media training programmes**, since – according to the validation workshop participants – many existing programmes currently on the market are no good.

In addition, with regard to perceived information risks, policy can:

- Implement effective **regulation to ensure transparency** among existing social media providers and generate trust among the population.\(^ {35}\)

- **Support the creation of PRISM-resistant, secure web services.**\(^ {36}\) This should include exploring the legal consequences of having physical servers on EU soil, and whether the application of EU data protection law would help reduce concerns about privacy and security.

- **Provide better information to SMEs on the risks of social media.**\(^ {37}\) In order for such a campaign to be effective, it should rely on behavioural insights to ensure the information is well received and properly understood.

- **Address, from a regulatory standpoint,** **concerns over intellectual property rights and data management on the cloud.**\(^ {38}\) SMEs need clear guidelines on who owns what information on social media, and what can be done in cases of dispute.

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\(^ {34}\) Panorama provides a good example of this can be done: [http://www.pamorama.net/](http://www.pamorama.net/)

\(^ {35}\) See Facebook’s ([https://www.facebook.com/about/government_requests](https://www.facebook.com/about/government_requests)) and Twitter’s recent efforts to increase transparency ([https://transparency.twitter.com/](https://transparency.twitter.com/)).

\(^ {36}\) This issue is gaining media visibility recently, see e.g. the *Financial Times* ([http://www.ivir.nl/publications/arnbak/Snowden_saga_FT.pdf](http://www.ivir.nl/publications/arnbak/Snowden_saga_FT.pdf)).

\(^ {37}\) See, for example, the efforts of the Minnesota State Government: [http://www.gmplaw.com/uploadedFiles/Resources/Related_Information/A%20Legal%20Guide%20To%20The%20Use%20Of%20Social%20Media%20in%20the%20Workplace.pdf](http://www.gmplaw.com/uploadedFiles/Resources/Related_Information/A%20Legal%20Guide%20To%20The%20Use%20Of%20Social%20Media%20in%20the%20Workplace.pdf)
