

*Full Length Research Paper*

# **Social networking and business performance: The case of selected entrepreneurs in Ota, Nigeria**

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**This research study examined the nature of relationship between social networking and business performance using selected entrepreneurs in Ota, Nigeria as respondents. The specific objectives of the study are; (i) to ascertain the extent to which social media networks are used by entrepreneurs (ii) to find out the purpose for which those sites were visited (iii) to determine the effect of electronic networking on sales turnover and (iv) to identify the effect of physical networking on business efficiency. The study used survey research method with structured questionnaire that was distributed among the sampled respondents. The findings of the study revealed that Facebook and twitter were the mostly visited social network by the entrepreneurs for business purposes. The result further revealed that electronic social network has significant effect on sales turnover. Physical social network such as trade associations was also found having a significant effect on business efficiency. Based on these findings, conclusion was drawn and relevant recommendations were made.**

**Key words:** Facebook, networking, twitter, entrepreneurs, social network

## **INTRODUCTION**

The term entrepreneurship may cover the creation of new enterprises, innovation and even the management of new enterprises (Shane and Venkataraman, 2000). Thus entrepreneurship can be viewed in its essence to be individuals or teams creating works, such as products or services, for other people in the market place (Evans and Leighton, 1989). Entrepreneurs require information, capital, skills, and labour to start business activities. While they hold some of these resources themselves, they often complement their resources by accessing their contacts (Cooper *et al.*, 1995; Hansen, 1995). Entrepreneurs are often confronted by problems associated with obtaining credit and financing the business, as well as with having the requisite managerial and technical experience that facilitates success.

Entrepreneurship is an important vocational option. Individual work preferences are increasingly favoring self reliance and self-direction (Shane and Venkataraman, 2000). On the macro-level, econometric research shows

that new and small businesses contribute significantly to job creation, innovation and economic growth (Cooper *et al.*, 1995). Entrepreneurship is a concept that has been defined in various ways (Evans and Leighton, 1989), ranging from narrow meanings such as starting one's own business, to broad conceptualizations such as a work attitude that emphasizes self-reliance, initiative, innovativeness, and risk-taking.

The success of a business can be attributed to a number of factors, but the greatest determinant of a business's success is the entrepreneur him/herself. People who start up and run businesses need to know their own strengths and weaknesses because "entrepreneurship involves the ability to build a 'founding team' with complementary skills and talents", Social networks are becoming increasingly important to business owners as they provide firms with access to markets, ideas, information, advice, business opportunities, and other resources (Fang *et al.*, 2010; Farr-Wharton and Brunetto, 2007; Gulati *et al.*, 2000; Hoang and Antoncic, 2003; Lee and Jones, 2008; Shaw, 2006; Taylor and Thorpe, 2004). Entrepreneurs are, to some extent, dependent on their networks of personal relationships, especially informal

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networks, when making decisions and solving problems (Shaw, 2006; Taylor and Thorpe, 2004).

One result of networking is the development of social capital, which essentially consists of the "resources individuals obtain from knowing others, being part of a network with them, or merely being known to them and having a good reputation" (Nahapiet and Ghoshal, 1998, p. 107). The end result is that networks are related to the survival and growth of new firms (Bruderl and Preisendorfer, 1998). According to Anderson and Park (2007, p. 265), "it could even be argued that it is through social relations, social interaction and social networks that entrepreneurship is actually carried out".

The network perspective has been challenged by researchers arguing that entrepreneurs value their independence and are reluctant to engage in behavior that may lead to dependency (Bruderl and Preisendorfer, 1998). However, Johannisson (1988) points out that networking does not create dependency but a generic dependency/independence paradox. Also, there are many studies that show a positive statistical association between networking and entrepreneurship/small business performance (Jenssen, 2001)

Strategic alliances, business collaborations and networks are becoming popular among the SMEs due to the competitive advantage and ability to share resources and capabilities with other firms by gaining economies of scale through joint purchase, bundling of lot size to serve large customers, joint market activities, joint product development and help in research, reduced lead time for deliver, built joint information system and reduced stocks. Entrepreneurs need information, resources, and competence to run the business. The essence of entrepreneurship is combining resources in novel ways (Burt, 1992). To do this, they acquire support, knowledge, complementary resources, and access to distribution channels through social networks.

However, it has been observed that many of social networks suffer from redundancy. Redundancy is a network property indicating the degree of overlap between entrepreneurs' contacts. People who are connected to each other tend to possess the same information and, therefore, may be redundant. In networks with high redundancy most of the contacts know each other. If few of the direct contacts of an entrepreneur know each other, network redundancy is low and the information content from each relationship is higher (Burt, 1992).

Numbers of studies (Lechner *et al.*, 2005, Nohria and Eccles, 1992) have given evidence to the importance of social networking and SME success. Many of such research were done in developed countries; little attention had been given to it in developing countries. Therefore, it is necessary to understand the role of social networking in developing countries.

Based on all these contradicting positions about the relevance of social network to entrepreneurial success in

business, this study intends to bridge this gap by analysing the following objectives;

- (i) To ascertain the extent to which social media networks such as Facebook, Twitter, LinkedIn and MySpace are used by entrepreneurs;
- (ii) To find out the purpose for which those sites were visited;
- (iii) To determine the effect of electronic networking on sales turnover and
- (iv) To identify the effect of physical networking on business efficiency.

To achieve these objectives, the study raised two propositions which were stated in the form of null hypotheses. These are;

**H<sub>0</sub>:** Electronic networking does not have significant effect on sales turnover)

**H<sub>0</sub>:** Physical networking does not have any effect on business efficiency)

## LITERATURE REVIEW

The term "network" is generally used for the structure of ties among the actors in a social system (Nohria and Eccles, 1992). These actors could be roles, individual persons, organizations, industries, or even nation states. Their ties may be based on conversation, affection, friendship, kinship, authority, economic exchange, information exchange, or anything else that forms the basis of a relationship. "Networking" emphasizes relationship initiation, often between strangers. While networking is possible on social media sites, it is not the primary practice on many of them, nor is it what differentiates them from other forms of computer-mediated communication (CMC).

### Physical networking

This Social networks are nodes of individuals, groups, organizations, and related systems that tie in one or more types of interdependencies: these include shared values, visions, and ideas; social contacts; kinship; conflict; financial exchanges; trade; joint membership in organizations; and group participation in events, among numerous other aspects of human relationships. Networks could be religious, political, financial, technical or business. Religious networks are found in religious organizations to bring people together. The main objective of religious networks is to ensure that church religious group members come together to achieve a particular religious objectives. Business network could be in form of trade associations or club associations that provide platform for entrepreneurs to meet and discuss

business issues, even though in a relaxed mood.

### Electronic social networking

Social network sites are web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system. The nature and nomenclature of these connections may vary from site to site.

The social networks utilized are Facebook, WordPress (blog), YouTube and Twitter. Each of them has a different role in their strategic plans. Through Facebook, company's try to spread their message about their free service (Ellison *et al.*, 2007). Companies consider that Facebook is a gateway to checkmyhead.net. This online social network is viewed by companies as a "very quick tool where the customers can see who they are, what they say and what is done". The blogs 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" whether on Facebook or Twitter, the company would try to offer added value in order to differentiate itself from other companies, for example, a particular company uses YouTube as a channel to provide video tutorials to explain simple repairs and maintenance of computer. It also use YouTube video spots and campaigns to launch the company's message through a much more visual and entertaining way.

The company uses Twitter in two very different forms: a) Monitoring what people say about the company in social networks; b) Promoting all the other social tools, the company, the campaigns and the blog. "Twitter is especially based on the conversation. It has been observed that although there is Facebook, Twitter conversation is much more dynamic and especially viral. Twitter is a great conversation where everyone can participate. People do not need to accept you as a friend first if they want to participate.

### Link between social network and business performance

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 continuously develop and be acceptable to societies. Numerous researchers found that networking provided many benefits and encourages success of an enterprise. Hite and 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 to

these companies.

In another study by Lechner *et al.* (2005) networking is strongly needed to develop entrepreneurial capabilities since networking enhances learning. Besides learning, the entrepreneurs should also be able to open or to have internal networking within their enterprises or external networking with other parties including individuals and existing firms. They argue that networking with others is carried out because the entrepreneur mostly depends on the information, raw materials, technology or knowledge, in order to make their enterprises continuously develop and be acceptable to societies.

The economic literature emphasizes the benefits of social networks such as the reduction of transaction costs, the reinforcement of collective action, or the generation of learning spinoffs (Fafchamps, 1996, 2002). Numerous examples illustrate the important related role that social networks, in particular the (extended) family, can play in supporting entrepreneurship. Uses and gratification theory provided a good framework for explaining why an entrepreneur would decide to join a particular social network for its gratification, that is, for the benefits of his business

### Uses and gratifications theory

Uses and gratifications (U and G) theory is the study of the gratifications or benefits that attract and hold audiences to various types of media and the types of content that satisfy their social and psychological needs (Ancu and Cozma, 2009). Whilst researchers traditionally tended to emphasis the effects of media exposure on audiences, U and G theory espouses the need to consider what people do with media (LaRose and Eastin, 2004; Ruggiero, 2000). This theory has been applied to a variety of mass media and media content, with the selection of media type evolving to match the dominant or emerging media of the day.

As such, the internet constitutes newer media formats, with their own defining characteristics, which are ripe for examination under the theoretical lens of U and G theory (Park *et al.*, 2009).

### RESEARCH METHODOLOGY

Questionnaire technique was adopted to elicit relevant information to this study from entrepreneurs that is, SME owners. The special emphasis is on the impact of social networking on business performance. The questionnaire was divided into two main sections. Section A was designed to obtain information on the respondents' demography and general information about the work environment while section B focuses on the issues central to this study topic. The questions in the questionnaire were close-ended questions. They were

**Table 1.** Extent to which social networks are visited by entrepreneurs.

Variable	Facebook		Twitter		LinkedIn		MySpace	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Never	16	15.2	17	16.2	21	20.0	85	81.0
Occasionally	30	28.6	32	30.5	31	29.5	13	12.4
Monthly	2	1.9	3	2.9	7	6.7	3	2.9
Weekly	4	3.8	8	7.6	13	12.4	2	1.9
Daily	53	50.5	45	42.9	33	31.4	2	1.9
Total	105	100.0	105	100.0	105	100.0	105	100.0

Source: Field survey, 2012

**Table 2.** Reasons for visiting electronic social network sites

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	keeping in touch with friends	28	26.7	26.7	26.7
	Business	53	50.5	50.5	77.1
	making new friends	4	3.8	3.8	81.0
	local events information	20	19.0	19.0	100.0
	Total	105	100.0	100.0	

Source: Field survey, 2012

administered personally to the respondents.

However, for the purpose of this research work, survey research design, precisely exploratory design was used. Purposive sampling technique was used to identify personal business owners, in Ota, Ogun State, with workforce between 5 and 50 in their organizations. These persons are mostly starters. 120 was considered appropriate following the recommendation of Tabachnick and Fidell (1996) that suggested that 5 cases for each item is adequate in most cases. Since all the respondents in the area cannot be ascertained, 19 items were in the questionnaire there were 5 respondents to 19 items which was 95 as a sample size, and for the purpose of any faults, 120 copies of questionnaire were distributed and in the process 105 questionnaires were returned.

## RESULTS AND DISCUSSION

This study, as earlier indicated, centered around four major issues:

- To ascertain the extent to which social media networks such as Facebook, Twitter, LinkedIn and MySpace are used by entrepreneurs
- To find out the purpose for which those sites were visited
- To determine the effect of electronic networking on sales turnover
- To identify the effect of physical networking on

business efficiency Results and their associated discussions along these four main issues will now be presented.

Table 1 shows the descriptive statistics of how entrepreneurs visit social networks websites. The first part of Table 1 classifies the opinion of respondent on whether the entrepreneur frequently uses Facebook. It shows 50.0% daily, 3.8% weekly, 1.9% monthly, 28.6% occasionally and 15.2% never. This implies that respondents mostly visit Facebooks daily.

The twitter aspect of the table shows 42.9% daily, 7.6% weekly, 2.9% monthly, 30.5% occasionally, 16.2% never. Here we see that the respondents frequently log on to twitter. LinkedIn is another popular electronic social network. It shows 31.4% daily, 12.4% weekly, 6.7% monthly, 29.5% occasionally, 20.0% never. It is deduced that respondents are always on the LinkedIn site.

Table 1 further provided information about how often the respondents visit MySpace site. It shows 1.9% daily, 1.9% weekly, 2.9% monthly, 12.5% occasionally, 80.8% never. This means that respondents hardly visit or use the MySpace site. It can therefore be inferred.

Table 2 classifies the responses of the respondents on what they use these sites for. It shows 20(19.0%) respondents used it for local events, 4 (3.8%) used it for making new friends, 53 (50.5%) visited the sites for business purposes and (26.7%) used it for keeping in touch with friends. This implies that these sites are mostly used by the entrepreneurs for business purposes.

**Table 3** Effect of Electronic Social Networking on Sales Turnover.**Table 3a.** Model summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.354 <sup>a</sup>	.126	.100	.74544

**Table 3b.** ANOVA.

	model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.066	3	2.689	4.839	.003 <sup>a</sup>
	Residual	56.124	101	.556		
	Total	64.190	104			

a. Predictors: (Constant), Electronic social networking

b. Dependent Variable: sales turnover

**Table 4a.** Model summary.

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.139 <sup>a</sup>	.019	.000	.60243

**Table 4b.** ANOVA

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.720	2	.360	.992	.374 <sup>a</sup>
	Residual	36.655	101	.363		
	Total	37.375	103			

a. predictors: (Constant), Physical social networking

b. Dependent Variable: business Efficiency

## Hypothesis

**H<sub>0</sub>:** Electronic networking has a significant impact on sales turnover.

**H<sub>1</sub>:** Electronic networking does not have any significant impact on sales turnover.

The results from the Tables 3a and 3b revealed that the extent to which the variance in sales turnover can be explained by electronic networking is 12.6% that is, (R square =.126) at .003 significance. This implies that electronic networking has a significant effect on sales turnover. Thus, the decision would be to reject the null hypothesis (H<sub>0</sub>), and accept the alternative hypothesis (H<sub>1</sub>).

## Hypothesis:

**H<sub>0</sub>:** Social networking has no significant impact on the efficiency of business operations.

**H<sub>1</sub>:** Social networking has significant impact on the efficiency of business operations

The results from the Tables 4 revealed that the extent to which the variance in efficiency of business operations can be explained by social networking is 1.9% that is (R square =.019) at .374 significance level. This implies that social networking has a significant effect on efficiency of business operations. Thus, the decision would be to reject the null hypothesis (H<sub>0</sub>), and accept the alternative hypothesis (H<sub>1</sub>). Table 4a and 4b

## CONCLUSION AND POLICY IMPLICATION

The study has been able to validate, empirically, the fact that entrepreneurs in a developing country like Nigeria have been taking advantage of ICT for their business networking. It has been further established that there is a positive impact of physical networking and electronic

networking on sales turnover, efficiency and business success at large.

The findings of the work show that network-based system can bring the success every entrepreneur craves in business. Owners of businesses should be involved in social networking which will enhance their business and the right social media should be used to get current information relevant for the business which will increase business success. It can be concluded that social media networking has become a viable tool in the hand of any modern entrepreneur for business differentiation and success because the business world is becoming more competitive in the emerging global village. Based on the findings of this study, some recommendations and suggestions are meaningful, which may help and ensure the impact of social networking on entrepreneurial networking, the recommendations are summarized as:

- i. Entrepreneurs should not lag behind in joining social networks that will help them to get current and relevant information from far and wide to run their businesses.
- ii. It is recommended that entrepreneurs should adopt networking in their businesses in order to enhance business efficiency thereby creating more demands and new market.
- iii. Government should help in providing adequate infrastructural facilities that will enhance ICT growth in Nigeria.
- iv. Entrepreneurs should endeavour to learn and adopt electronic social network in order to fit into the business world at large since the world is becoming a global village.
- v. Investment should be made on ICT and particularly on the right social media that will enhance the efficiency of their operations to be of high quality, reliable and effective.

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