

The Social Media and Entrepreneurship Growth *(A New Business Communication Paradigm among SMEs in Nairobi)*

Ambrose Jagongo, PhD. MKIM,
Lecturer of Entrepreneurship and Finance
Kenyatta University
Kenya

Catherine Kinyua
Country Representative (Kenya)
Cambridge University Press
South Africa (Pty) Ltd.

Abstract

Social media is a new phenomenon that has changed how the business environment operates. Businesses are able to gain access to resources that were otherwise not available to them. It has also helped businesses to increase their worthiness, cultivate strategic partnerships and increase their contact with customers and suppliers. It has become important for business owners and marketers to understand how social media work as a communication and marketing tool and how they can significantly grow their businesses. The study focused on establishing the effect of social media on the growth of SMEs in Nairobi. This was done by determining the effect of social media on the market access, customer relationship management, innovativeness and pricing of products of SMEs in Nairobi. The study used descriptive research design. Questionnaires were administered on 246 SMEs in Nairobi, with the respondents being either the owners or managers. Cluster sampling was used to divide the population of interest and then simple random probability sampling technique was used to further identify the specific businesses to be used for the study. Both quantitative and qualitative data was collected and then analyzed using SPSS. The results of the study have been presented in tables and figures for easy interpretation. The study established that social media tools offer greater market accessibility and CRM which in turn have a significant impact on the growth of SMEs. On the other hand, the pricing of products and innovativeness aspects offered by social media have had very little impact to cause any growth in the SMEs. It revealed that geographical barriers can be broken down by the use of social media tools. Additionally, social media allows businesses to communicate speedily and cheaply with customers as well as allow them to construct a database that can be used to generate business leads that may translate to increased sales and thus grow the SMEs. The study recommends that policy makers such as the government should be keen on the current trends of technological adoption by SMEs to come up with policies that encourage best practices for the growth of the SME sector. Issues of copyright and privacy should also be addressed, and training of social media and provision of business solutions that would bridge the gap and encourage more SMEs to adopt the use of social media tools which would lead to their growth.

Key words: social media, small and medium enterprises (SMEs), entrepreneurship growth

1.1. Background literature of the Study

New phenomena come and go on a frequent basis. But every now and then something with potential to change the business environment comes to the forefront. The business world is not immune to any impact that may arise. Social media is one such phenomenon. Social media which is sometimes referred to as social networking and Web 2.0 refers to collaboratively produced and shared media content and to network communities. The users of social media have the ability of sharing their views and encounters. This assists in creativity, open communication and sharing of knowledge among users. Facebook, Skype and discussion forums are examples of social media tools (Tapscott and Williams, 2008).

Social networking allows businesses 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 contacts, bring to light where resources and funding are available, promote innovation and help in the cultivation of strategic partnerships (Zontanos and Anderson, 2004). Business owners rarely possess all the skills and knowledge needed to expand their enterprise, and finding people with the necessary skills, and getting them to contribute, is a vital aspect of their networking (Simon, 2012). The sky is the limit with social media. Owing to of the flexibility of social networking tools, businesses 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 favorable pricing practices.

The 21st century has seen a shift in the way businesses market their products and services. Smith and Taylor (2004) reveal that companies are presently experiencing several new unanticipated events and the development of the Internet as a communication channel is almost certainly one of the most influential factors. The internet has brought about several new elements – it has made consumers more accessible, it has emerged with a completely new set of communication tools that make the process of exchanging information much easier and faster, and it has compelled companies to rethink how they are communicating with their customers (Jaokar, Jacobs, Moore and Ahvenainen, 2009). Entrepreneurs, marketers and consumers are witness the appearance of virtual social media. As of January 2012, there were more than 800 million active Facebook users, with over 250 million of them logging in everyday. In addition, the average Facebook user has 130 friends and likes 80 pages but this figure is expected to expand with time. Additionally, over 3.5 billion pieces of contents such as blog posts, web links and news stories are shared on this social network (Digital Buzz, 2012). The Internet and the online social networks allow individuals to connect with one another. It is important for entrepreneurs and marketer to grasp how the Internet functions and the expectations of its users.

Many businesses are now turning to social networks as a worthwhile communication tool and, if used adequately, they can significantly improve their online presence, in the form of effective promotion. To achieve success with the online marketing, the marketers need to have a presence in the environment that their customers inhabit. Mark Zuckerberg, co-founder of Facebook supports this by saying that advertising is fast changing and businesses need to understand the usage of Internet technologies in order to remain relevant (Maymann, 2008). As there are low barriers to the use of social networking technologies, small businesses can make use of social media in the same ways that large corporate can, without the need for extensive resources. Fruhling and Digman (2000) set out 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 or product development. Porter (2001) goes further to say that the relationships formed via the internet can boost sales and generate opportunities to come up with new products and services.

Mangold and Faulds (2009) recognize that social media allows an enterprise to connect with both existing and potential customers, engage with them and reinforce a sense of community around the enterprise's offering(s). Further, an information rich website can help a business to develop relationships with customers by providing more effective marketing, new communication and distribution channels, shorter time to market, customized products, 24hour online technical support and online interactive community. Social networking can be an excellent way to acquire new customers and retain existing ones. The real challenge lies in the way to engage with the audience on a personal level. Social networking sites can build online groups around various companies, where clients and prospective customers can interact with like-minded individuals. These groups provide valuable insights, plus useful feedback that help the marketers improve their products to suit the needs of their customers. This important feedback can assist in advancing their marketing efforts, and the general brand values their company projects. The use of social media as a marketing tool allows companies to mingle with fellow professionals in the field, conduct research, connect with the community and get business opportunities (Smith and Taylor, 2004). Social networking has led to the introduction of social media marketing and presented new ways of communicating to expanse audiences on various Internet platforms. Marketers can no longer rely on mass media channels alone to communicate with their consumers. They must adopt new strategies if they wish to succeed (Kotler and Armstrong, 2011).

Social marketing has taken the idea of price beyond monetary to include psychological, social, geographic and other rewards and punishments for everyday behaviors (Lefebvre and Flora, 1988). Economists and marketers view price not just as costs, but as incentive opportunities as well (Haveman, 2010). There is a general perception that Africa is in the dark when it comes to the Internet. This however is not true considering the continent at large is undergoing a connectivity revolution. There are three leading success stories of independent social media projects taking off in Africa: Afrigator (a South African aggregator of African blogs and news), Zoopy (a YouTube/Flickr like service also out of South Africa) and Ushahidi (an SMS crisis reporting and mapping engine from Kenya) (Gosier, 2008). Developing countries need to adopt Internet technologies especially in small to mid size businesses in order to improve processes, efficiency and to be more competitive. The problem is that many SMEs do not know where to go or they think that they cannot afford it.

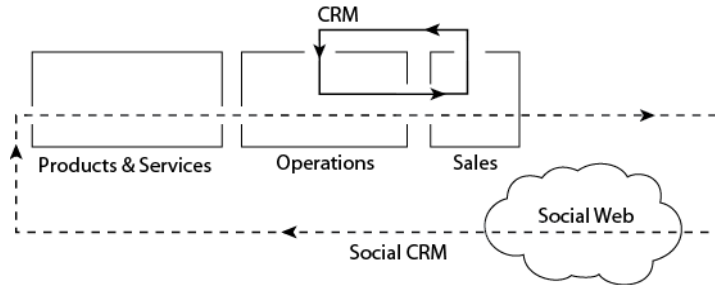
The Kenya Vision 2030 strategy is to undertake reforms in key sectors that form the foundation of society for socio-political and economic growth such as infrastructure, science and technology and innovation (STI) (Kenya Vision 2030, 2011). In Kenya, social media and social networking are still gaining popularity and their understanding as marketing tools is still yet to be embraced. Conservative marketing practices in the country are undergoing a transformation owing to the Internet. For example, consumers no longer look up items in the Yellow pages of the postal directory but instead they search for them on the Internet. SMEs have a significant function in national economies both as employers and by cooperatively contributing an average of 90% of national economic output (Wielicki and Arendt, 2010).

Sarvanan, Gupta and Ghatak (2008) further reveal that SMEs comprise over 90 per cent of African business operations and contribute towards over 50 per cent of African employment and Gross Domestic Product (GDP). Additionally, they constitute 95 per cent of formal manufacturing activity in Nigeria, while in Morocco, 93 per cent of all industrial firms are SMEs and account for 38 per cent of production, 33 percent of investment, 30 percent of exports and 46 per cent of all jobs. 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. The web allows businesses to build on the assets that they already possess, like brand name recognition, operational infrastructure, information and customer relationships in order to develop new markets and distribution channels. Meeting with new network locally and from other countries can be done anytime and anywhere. Goel (2008) further states that the Internet businesses to have access to international markets thereby increasing their market share. Companies can also achieve greater economies of scale.

1.1.1. Customer Relationship Management

In the traditional sales cycle, CRM forms a data driven understructure that powers an overall customer life cycle. Based on historical transactions, the insights into what a customer may need next, or when a particular customer may be ready for an up sell, offers are generated based on past transactional data and the larger purchase or use patterns that exist across the entire customer base (Evans and McKee, 2010). On the social web, where the customer is now becoming an integral part of the sales process, CRM is being adapted to support this new role of the customer. This provides a highly valuable window of insight into what your customers are really thinking, and what they are likely to do next. This has led to the coining of the term Social CRM. Social CRM is an approach to business that formally recognizes the role of the customer as a key in understanding and managing conversations around the brand, product and service (Evans and McKee, 2010). Employees are also agents of change in CRM. Recruiting employees who understand social media is key to a business. They are the drivers of conversations between the organization and the customers. All businesses need to capitalize on having employees can tap into the potential that Internet technologies have to offer (Evans and McKee, 2010). Having access to talented new employees who will improve the productivity and efficiency of the business is important in the adoption of social media tools any business (Simon, 2012)

Figure 1: CRM and Social CRM in a Business Context



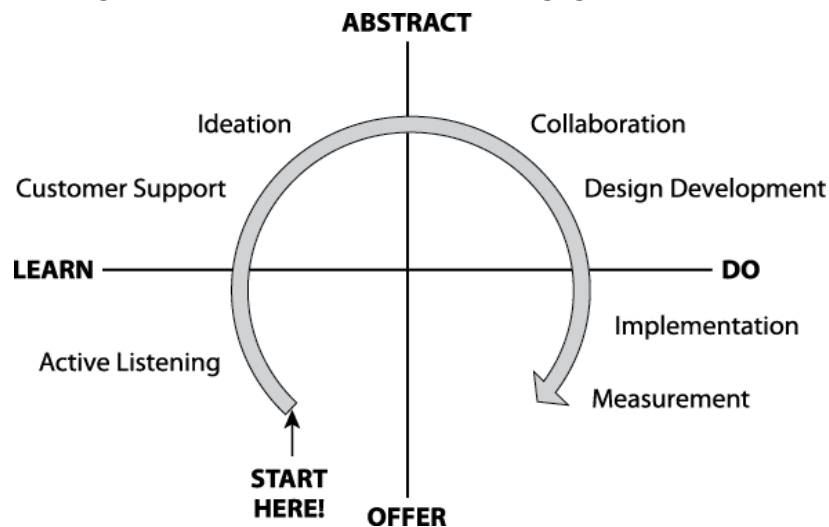
Evans and McKee, 2010, pg. 237

Firms can dialogue with consumers and invite them to download useful data or free demos. They are also able to learn the type of consumers who interact with their brand through their sites. Marketers are able to engage in audience sizing and get to better understand their customers and as such companies can quickly add products and change prices or descriptions (Kotler and Armstrong, 2011).

1.1.2. Innovation

Customer intelligence gathered from social media is important in driving the innovation in a business. The use of social technologies provides insights, thoughts and ideas on how to better serve customers and enables businesses to discover innovative ways to conduct business or new products and services to offer customers (Evans and McKee, 2010). This is illustrated in the figure below.

Figure 2: Innovation and Social Engagement



(Evans and McKee, 2010)

Products and services innovation translates into ideas becoming a reality. This eventually leads to the financial growth of businesses. The growth of social media network platforms on the World Wide Web has brought a remarkable impact on the facilitation of global social interconnections. Social media offers unparalleled constant connectivity for users, allowing them to share, collaborate and establish online communities. Both businesses and consumers are using the media to share information, exchange opinions and recommendations and display certain consumption behavior (Kotler and Armstrong, 2011). As such, social media gives marketers the power to promote their products and services by transforming the communication networks into influence networks.

1.1.3. Social Media

Social media as we know it today can be said to be an evolution traced back to the Internet's roots since it retransforms the World Wide Web to what it was initially created for – a platform to aid information exchange between users (Kaplan and Haenlin, 2010). The origins of social media networking go back to the 1980s BulletinBoard Systems (BBS). These systems allowed users to log in to share software and data as well as send private messages and post to public message boards (Zarella, 2010).

Kaplan and Haenlein, (2010) say that there seems to be confusion among academic researchers and managers as to what exactly should be included under this term and how social media differ from concepts of Web 2.0 and User Generated Content (UGC). They additionally say that a fine line needs to be drawn between these two related concepts. Kaplan and Haenlein (2010) consider Web 2.0 as the platform for the revolution of social media and the representation of the ideological and technological foundation. They say that Web 2.0 is a new way of utilization of the World Wide Web by software developers and end users. Platforms whereby content and applications are no longer created and published by individuals, but instead are continuously modified by all users in a participatory and collaborative fashion. UGC on the other hand is the sum of all ways in which people make use of social media. According to the 2012 social media marketing report, 83% of marketers consider social media as important for businesses (Stelzner, 2012). The same report indicates that the benefits of social media marketing are increased exposure; generate leads, improved sales, developed loyal fans and establishment of business partnerships.

1.2.Statement of the Research Problem

The use of social media by small businesses is an important but under-researched area. With the development and availability of Web 2.0 tools the capacity of small businesses to grow significantly has become a very real possibility. Social Networking, incorporating Web 2.0 technologies has been credited with the ability to increase social contacts, hasten business operations, the betterment of customer relations, facilitation of innovation and favorable pricing, and advantageous recruitment of highly competent staff (Juusola, 2010). The Internet provides leverage for SMEs because it has created mechanisms for attaining sustainable competitive advantage. Social media is one of these mechanisms and there is need for research to understand the effect that it has on the growth of SMEs. The power of social networking cannot be ignored and there is need to research on how its business characteristics impact on SMEs. With the global outpouring of social media usage, many businesses are experiencing tremendous pressure to extend to where their customers are paying attention. In the present day, the heart of customer activity is progressively becoming virtual, situated inside a social media or social networking site (Baird and Parasnis, 2011).

The proper understanding of social media tools has yet to be fully achieved. Business Wire (2012) illustrates this through a survey conducted by Constant Contact® Inc. in the United Kingdom (UK) on 680 SMEs in October 2011. A number of SMEs report that social media has a rapid effect on the growth of sales and employment rate in their enterprises. The study also sought to bridge the gap for SMEs to understand how social media are able to transform and grow them in terms of usage as marketing and communication tools, and how they can tap into the dynamism and potential social media presents. In Kenya there are no definitive laid out practices and policies that relate to the use of social media by organizations. It is against this background that the study hoped to establish the effect of social media on the growth of SMEs in Nairobi.

1.3.Specific Objectives

- i.* To determine the effect of social media on the market access of SMEs in Nairobi.
- ii.* To establish the effect of social media on the customer relationship management of SMEs in Nairobi.
- iii.* To establish the effect of social media on the innovativeness of SMEs in Nairobi.
- iv.* To determine the effect of social media on the pricing of products from SMEs in Nairobi.

1.4.Classification of Social Media

Kaplan and Haenlin (2010) bring forth that media richness theory is based on the supposition that the goal of any communication is the resolution of ambiguity and the reduction of uncertainty. The theory puts forth that media differ in the level of richness they possess – the amount of information they allow to be transmitted in a given interval. As such, some media are more effective than others. Self-presentation theory states that in any type of social interaction, people have the desire to control the impressions other people form of them. This is done with the aim of influencing others so you will get rewarded, as well as a wish to create an image that is consistent with one's individual personality (Kaplan and Haenlein, 2010). Self-disclosure theory deals with the conscious or unconscious revelation of personal information consistent with the image one would like to give.

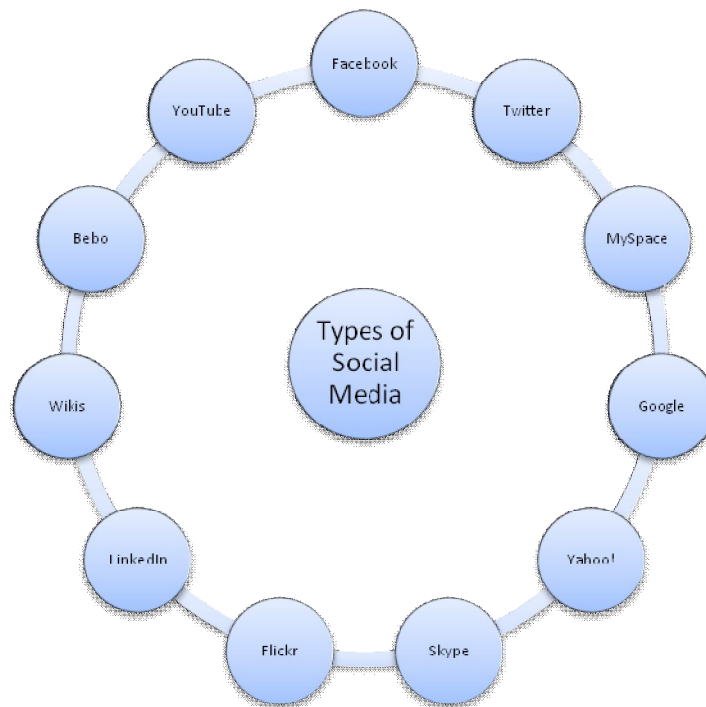
It helps to bring about close relationships (Kaplan and Haenlein, 2010). Combining the theories brings about some classification of social media applications as seen below.

Table 1: Classification of Social Media

	Social presence/Media richness		
	Low	Medium	High
High Self presentation/ Self disclosure	Blogs	Social networking sites (e.g. Facebook)	Virtual social worlds (e.g. Second Life)
	Collaborative projects (e.g. Wikipedia)	Content communities (e.g. YouTube)	Virtual game worlds (e.g. World of Warcraft)
Low			

(Kaplan and Haenlein, 2010)

Figure 3: Types of Social Media



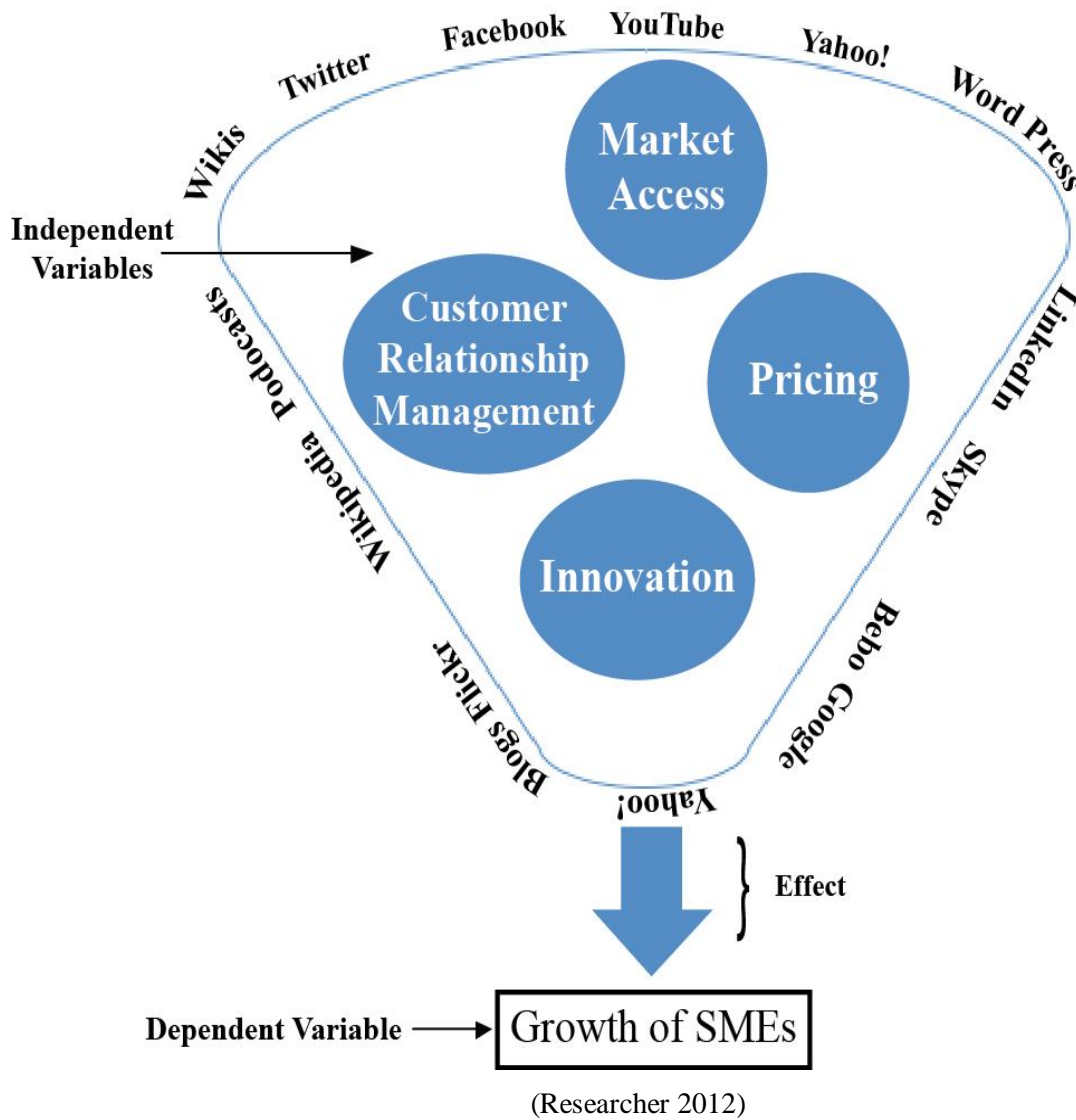
(Kaplan and Haenlein, 2010)

Bughin and Chui (2010) brings forth that social media was originally intended as a tool for friends to connect, communicate and share. It was later on adopted as a business communication tool. At present, scores of businesses have a presence on social networks as a way of supporting their business processes such as customer relationship management and marketing (Harris and Rae, 2009).

1.5. Conceptual Framework

The conceptual framework was constructed to explain the relationship between the different variables in play in this research.

FIGURE 4: The Conceptual Framework



2.0. Research design and Methodology

A research design is a plan and structure of investigating in order to obtain answers to research questions (Kothari, 2009). In order to examine the effect of social media on the growth of SMEs, descriptive research design was used. The target population for this study was SMEs within Nairobi. A list 2,464 enterprises sourced from the City Council of Nairobi (CCN 2012) was used as the sampling frame.

The reasons for sampling in this study included lower costs, greater speed of data collection and availability of population elements. Firms in the population were selected based on their respective district from the small agricultural producer/processor/dealer sector as given in the database of the CCN – Licensing Department register. Cluster sampling was used to divide the entire population of interest. Nairobi County is made up of 9 districts which made up the clusters – Starehe, Dagoretti, Lang’ata, Kamukunji, Makadara, Kasarani, Embakasi, Njiru and Westlands (Mbugua and Kanjoya, 2012). Each district was considered a cluster. Further on, to get equal 10% representation of SMEs from each cluster, simple random sampling was used. After the elements were selected, the specific respondents were identified using simple random probability sampling technique.

This satisfies the law of statistical regularity, which states that if a sample is chosen at random, on average it will have the same characteristics and composition as the population (Kothari, 2009). This ensured that each object had an equal chance of selection and thus avoid biased selection.

Table 2: Sampling Frame

	No. of SMEs	Percentage	Size
Starehe	341	10%	34
Dagoretti	142	10%	14
Lang'ata	180	10%	18
Kamukunji	234	10%	23
Makadara	181	10%	18
Kasarani	361	10%	36
Embakasi	855	10%	86
Njiru	0	10%	0
Westlands	170	10%	17
Total	2,464	10%	246

A structured questionnaire was administered to 246 Managers of the SMEs. The questionnaire comprised of both closed questions to enhance uniformity and open-ended questions to ensure maximum data was collected. The questionnaires were administered on a “drop and pick-later” basis. The research assistant went through the questionnaire with the respondent and left it with them to fill. The respondent then later submitted the completed questionnaire to the assistant at an agreed time.

The data was analyzed using Statistical Package for Social Sciences (SPSS) for the Windows platform version 17.0, where measures of central tendency and correlation analysis were undertaken to establish the degree of relationship between the variables. Qualitative Data Analysis (QDA), using Quick Impressionist Summary, was undertaken for the nonnumeric information gathered. This according to Kombo and Tromp (2006) involves summarizing the key findings then explaining and interpreting the findings. The qualitative data was analyzed manually following a thematic procedure also followed by a quick impressionist summary in order to obtain trends and preliminary indication of the nature of findings.

3.0. Results and Discussion

3.1. Testing for Validity and Reliability of Questionnaire

The questionnaires were tested for reliability using a pilot study to establish the consistency of the instrument using Cronbach's Alpha. The result produced Cronbach's Alpha coefficient of 0.8983, which is above the recommended 0.7 hence research instrument was deemed reliable.

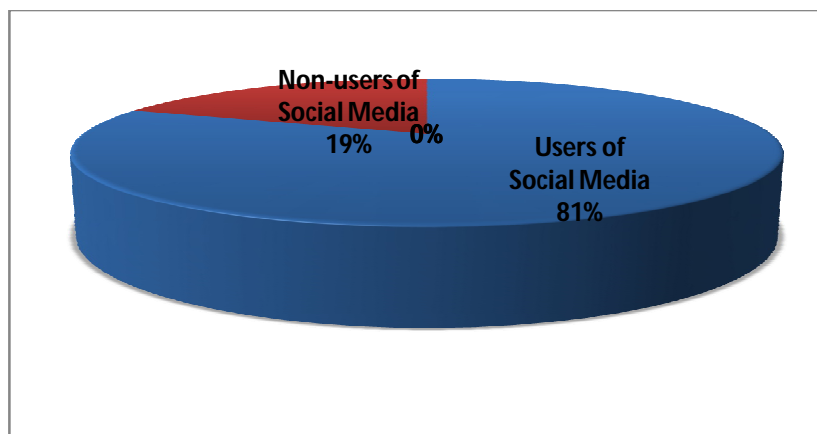
3.2. Response Rate

There were 225 out of a sample of 246 enterprises selected, 225 returned their questionnaires, giving a response rate of 92%.

3.3. Use of Social Media Tools

Figure 7 shows the study findings, which indicate that 81% of respondents use social media tools in their businesses while 19% of respondents do not use social media tools. This question was important in differentiating the users from the non-users of social media so as to thereafter be able to focus on the users in achieving the set objectives of the study.

Figure 7: Percentage of Businesses that Use Social Media Tools



3.4. Reasons for not using Social Media Tools

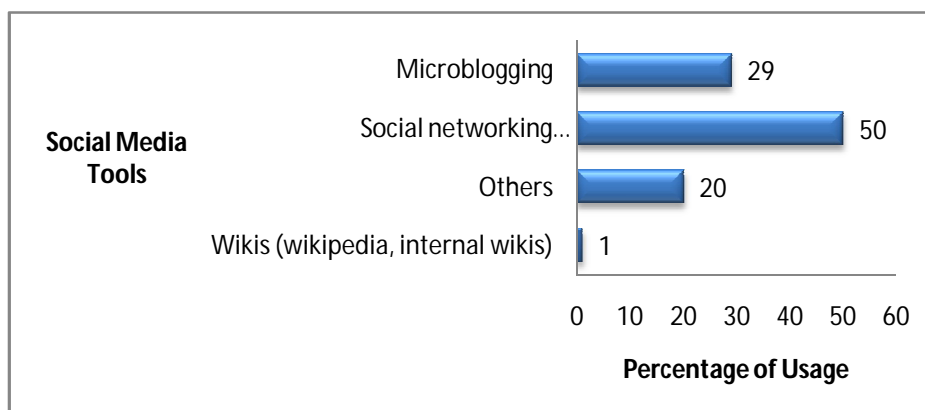
Table 6 presents the responses that were given when respondents were asked why their businesses do not use social media tools. This helped to discover the challenges and perceptions that are carried about social media by businesses and form a point of reference when coming up with recommendations to various beneficiaries of the study.

Table 6: Reasons SMEs do not use Social Media Tools

Reason	Percent
Lack of computer skills	11%
Lack of computer connected to the internet at work	9%
Social media tools are not applicable for their business	42%
Social media tools are only used by young people to chat with friends	18%
Perception that social media is expensive	18%
Lack of a computer in the work place	2%
Total	100%

3.5. Social Media Tools used by SMEs

Figure 8: Social Media Tools



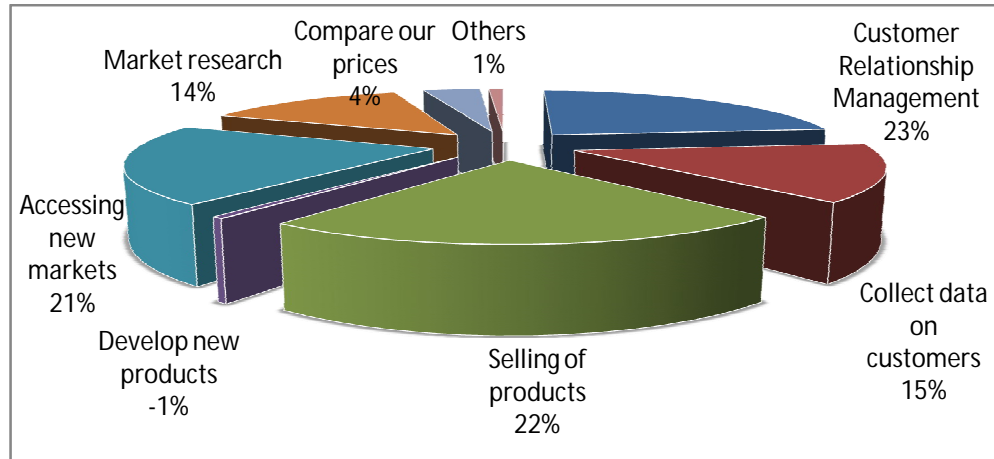
According to Figure8, 50% use social media for social networking, 29% for microblogging, 20% for other social media tools such as dealfish.com, zetu.com and rupu.com, and 1% for wikis. This helped to further indentify the three most preferred social media networks used by SMEs which resulted in Facebook 58%, Twitter 13% and other popular social media networks such as dealfish.com, rupu.com, zetu.com at 29%.

The respondents indicated they preferred these social media networks because of the ability to reach wide range of people, user friendliness and cheaper compared to traditional modes of marketing and advertising. Additionally, there were those who said that their customers are also users of the social media networking sites.

3.6. Reason for Using Social Media Tools

The researcher wanted to know the reason respondents used social media tools, having given them a list of choices to select from. According to Figure 8, the key uses of social media tools were 23% for CRM, 22% to sell their products, 21% to access new markets and 15% to collect data on customers. It is clear from Figure 10 that social media tools play different roles to different SMEs and that the tools could be incorporated into different operational roles in the businesses.

Figure 10: Use of Social Media Tools



The respondents were asked to explain how the impacts they have cited above had resulted from social media. Some respondents said that new customers had grown their sales hence increased their profits. The respondents noted that the customers are able to market products indirectly as they recommend products to their friends. They also review and encourage usage of good products. The respondents also noted that social media have made communication cheaper and convenient both for the business and customers.

3.7. Correlation Analysis between Dependent Variables and Growth of SMEs

The study sought to find out the relationship between market access, CRM, innovation and pricing of products and the growth of SMEs. The results of the correlation analysis are indicated in Table 17.

Table 17: Correlation between Dependent Variables and Growth of SMEs

Dependent Variables		Average sales per month	Increase in profits	Number of employees
Market Access	Pearson Correlation	.716**	.634**	.370**
	Significance (2-tailed)	.004	.011	.003
	N	182	182	182
CRM	Pearson Correlation	.626**	.544**	.344**
	Significance (2-tailed)	.002	.003	.000
	N	182	182	182
Increase in Range of Products	Pearson Correlation	.390**	.645	.272**
	Significance (2-tailed)	.011	.016	.001
	N	182	182	182
Pricing of Products	Pearson Correlation	.386**	.378**	.039
	Significance (2-tailed)	.000	.001	.702
	N	182	182	182

**Correlation is significant at 0.01 level (2-tailed)* Correlation is significant at the 0.05 level (2-tailed)

From Table 17 it can be deduced that there is a strong correlation between market access and the sales per month, ($r = .716$, $n = 182$, $p = .004$) two tailed and hence market access had a significant strong and positive relationship with the sales per month. Also CRM had a strong correlation with sales per month at $r = .626$, $n = 182$, $p = .002$, two tailed and thus, CRM was found to increase sales per month. However, on correlating the pricing of the products and the range of products, both were found to have weak correlations of $r = .386$, $n = 182$, $p = .000$ - two tailed and $r = .390$, $n = 182$, $p = .011$ – two tailed respectively. Hence both variables indicated that they did not significantly affect the sales per month of the SMEs.

Market access was correlated with increase in profits, which resulted in $r = .634$, $n = 182$, $p = .011$ two tailed. As such, market access has a significant positive relationship with increase in profits. Similarly, CRM was correlated with increase in profits ($r = .544$, $n = 182$, $p = .003$) two tailed and there was also found to exist a significant positive relationship. On the other hand, when pricing of products was correlated with increase in profits ($r = .378$, $n = 182$, $p = .001$) two tailed, a weak relationship was noted. From Table 17 it is clear that the dependent variables have a weak relationship with the number of employees in SMEs. For instance, market access and the number of employees resulted in $r = .370$, $n = 182$, $p = .003$ two tailed, CRM and number of employees attained $r = .344$, $n = 182$, $p = .000$ two tailed, and increase in range of products achieved a weak correlation of $r = .272$, $n = 182$, $p = .001$ two tailed.

4.0. Discussion of Findings

4.1. Effect of Market Access on SMEs

From the research, it emerged that 74% of SMEs received customers from Nairobi, 20% from Kenya (excluding Nairobi), 5% from East Africa (excluding Kenya) and 1% from Africa (excluding East Africa). Further, 49% of respondents agreed that they had experienced greater market accessibility for SMEs as a result of social media, while 51% refuted this. Social media had enabled SMEs to acquire customers from outside their zone of operation. By venturing into new markets, they were able to grow their sales and serve a variety of customers. Social media had removed geographical barriers and given the SMEs an opportunity to venture into new markets. This is in line with McGowan, et al., (2001) observations that the internet, and specifically social media, has broken down geographical barriers in terms of the way of doing business and communication.

Accessing new markets is one of the uses of social media. These findings were congruent with Goel's (2008) argument that businesses with online presence have access to international markets and therefore tend to increase their market share. However, SMEs in Nairobi did not seem to have taken full advantage of such an opportunity as few had ventured into different geographical regions. Based on an argument by Gilmore et al., (2007), SMEs in Nairobi should administer a customer base in varied geographic regions through technology such as social media since internationalization process has become easier. Social media has enabled businesses to get customers not only from Nairobi but also nationally in Kenya and in the East African region. It has also enabled businesses to venture into new regions. These findings confirm observations by Simon (2012) who asserted that social media has significantly expanded the global reach of networking, making geographical location far less important than before. In the same vein, Goel (2008) argued that people can do business all over the world as easily as they can from their own neighborhood since social media does not know any national boundary. The study established that greater market accessibility had an effect on the growth of SMEs in Nairobi. The correlation analysis presented ($r = .716$, $n = 182$, $p = .004$ and $r = .634$, $n = 182$, $p = .011$ – two tailed) this relationship as being strong and positive. There was a significant relationship and therefore greater market access via social media helped SMEs to grow in terms of new sources of income from the new markets which then translates to more sales and profits.

4.1. Effect of CRM on SMEs

According to Payne and Frow (2005) CRM is the cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology and applications. Social media as part of information technology and applications becomes an integral aspect of CRM. Research findings indicated that 77% of respondents agreed that CRM within SMEs had improved as a result of social media and had also let to the businesses being able to manage and communicate with their customers more effectively. The study showed that CRM was able to grow SMEs sales and profits ($r = .626$, $n = 182$, $p = .002$ – two tailed).

This showed a significantly positive relationship. The positive effect of social media on the growth of SMEs via CRM may have been enhanced by the cheap and convenient communication for both customers and businesses by social media networks. In the process of this communication, businesses were had been able to collect data on what customers need. Evans and McKee (2010) noted that the insights into what a customer may need next are generated from past transactional data. This data becomes more meaningful when social media provides a platform for timely feedback from the customer and room to express their feeling about certain products and services. Evans and McKee (2010) further state that the customer had become an important part of the sales process and businesses cannot ignore the new role of the customer. They can only adapt their CRM to support this new role. For SMEs in Nairobi, CRM has a weak relationship on the number of employees as an instrument for measuring growth ($r = .370$, $n = 182$, $p = .003$ – two tailed). This is in contrast to Simon (2012) who sees employees offering a solution as change agents in CRM as this can improve the productivity and efficiency of the business by tapping into potential that internet technologies such as social media have to offer.

4.3. Effect of Innovation on SMEs

The study found that 26% of the respondents agreed that little innovation of products had been experienced in their SMEs while 74% saw no effect of social media in increasing the innovative level of SMEs that would lead to growth. This was similar to the correlation results ($r = .386$, $n = 182$, $p .000$) that showed a significantly weak relationship arising from innovation in social media leading to the growth of SMEs. Social media is able to facilitate the gathering of intelligence from customers and use this to come up with innovative products perhaps in terms of new packaging, delivery of produce and payment methods. The findings contrast what Evans and McKee (2010) observe – that the use of social media technologies provides insights and ideas on innovative ways to serve customers better. This could be in the way of conducting business or offering innovative products and services which can also be communicated to customers through the same social media. Product and service innovation are expected to translate into financial growth of the business. SMEs in Nairobi may have an opportunity to come up with innovative ways of sending out message alerts on new products or marketing offers, shopping for products online and exchanging view in blogs in a cheap, convenient and speedy way that the business has provided.

4.4. Effect of Pricing of Products on SMEs

86% of SMEs in Nairobi saw no impact from pricing through social media as having an effect on their growth. This may have been experienced probably because of the nature of the business of the SMEs that were studied. The correlation analysis also indicated that there was a weak relationship meaning growth of SMEs was not attributed by the pricing of the products they offer. This is in contrast to what Kotler and Armstrong (2011) have said. They perceive pricing as the only element in the marketing mix that is most flexible and produces revenue. Therefore, social media can be an important tool to provide information on what details a business could add to its products or services in order to have a competitive edge over its competitors in terms of pricing. SMEs in Nairobi can learn from what Lefebvre (2011) recommends. He says that incentive pricing in the adoption of new products and services by small businesses. Importance of pricing is further emphasized by Brynjolfsson and Smith (2000) who observed that it affects how consumers evaluate a product. Social media provides information and increased choice and therefore businesses need to be price sensitive just like consumers are.

5.0. Conclusions and Recommendations

5.1. Conclusions

The study established that most SMEs in Nairobi had not fully understood and internalized the potential of social media for their businesses. Those who use social media do not optimally utilize social media tools as they use only selected few tools due to limitations emanating from technical capabilities and infrastructure. This means that businesses in Nairobi have not benefited adequately from technology and specifically social media despite its wide usage by potential customers. This is an opportunity that could enhance SMEs growth and gain a competitive edge against large organizations that traditionally have resources and have been in business for a longer time. The study had sought to establish how social media affects the market accessibility of SMEs. It revealed that social media has broken down geographical barriers and heralded new ways of doing business to those who are flexible and keen to adapt to changes in technology and business environment.

This translates into new methods of reaching customers and opening frontiers where small, medium and large organizations compete equally without traditional advantage that was previously enjoyed by large firms. This presents an opportunity for SMEs to target customers and create their niche in the new frontiers to build their market share and consequently increase their sales. This can only be done by flexibility and a positive attitude towards learning how best social media tools can be used to facilitate market access. The study also sought to find out if social media had affected how innovative SMEs were and it found out that SMEs in Nairobi had not been able to use social media to be innovative in their product offerings or operations yet social media networks can enable generation and sharing of insights as well as ideas on new innovative ways of doing business in an effort to serve customers better. The SMEs have an opportunity to develop new products and services that suit customers' needs based on their feedback in social media and also communicate these developments to customers through the same media. This translates into cost saving and financial growth for SMEs which they desperately need as they are characterized by lack of adequate resources.

Determining the effect of social media on the pricing of products availed by SMEs was another objective of the study. The study revealed that pricing as one of the most flexible elements of marketing mix could be affected by social media but in a small significance. This is through gathering of information on the appropriate details that could be added to products and services to enhance their value for money. The study also established that pricing does not necessarily translate into cheap products and services but must provide profits to businesses. The aspect of incentives and behaviors that resonate with people in pricing is also important when it comes to promotion of new products and services. Businesses in Nairobi must be aware that social media networks provide information to customers as well as increased choices. SMEs therefore need to be price sensitive the same way their customers are. The effect of social media on the customer relationship management of SMEs was looked into. Traditionally, customer relationship was largely based on transactional data and context. With social media, the situation has changed where social CRM has assumed significant importance. SMEs in Nairobi may have tapped into this element but there is still much room to further utilize CRM for their growth. CRM brings a magnitude of opportunities for businesses to communicate with customers as well as build databases that are necessary for future growth in terms of accessing new markets that will translate to increased sales.

5.2. Recommendations

This study recommends that the policy makers who include the Kenya government ministries and agencies such as the Ministry of Trade, Ministry of Finance, Ministry of Information and Communication and Communications Commission of Kenya to come up with favorable internet surfing rates and e-business policies to encourage the technological adoption that would grow the SME industry. It is further recommended that the Government of Kenya offer funding to enable SMEs adopt the necessary technology to advance this sector that makes a substantial contribution to the GDP of Kenya annually. SMEs should seek to learn and adopt social media tools that provide an opportunity for growth of the business through increased sales, profits and providing employment for Kenyans. The SMEs therefore have no option but to ensure that their employees are computer literate or can use mobile internet technology and can engage customers in social media platforms for the benefit of the business.

Investors should focus on helping SMEs tap the potential that comes with social media through training and provision of business solutions that bridge the existing gap where many SMEs are not using social media as a result of various limitations. The investors can further help in the adoption of social media by offering funding and technological solutions such as mobile phones and subsidized computers, and also rewarding SMEs that grow as a result of incorporating social media in their operations.

To the marketing practitioners and entrepreneurs, this study recommends a keen evaluation of business needs and environment in choosing the social media tools to adopt. Marketers and entrepreneurs should also note that the customers have become increasingly knowledgeable on social media networks therefore they are more technologically informed or educated consumers.

This study recommends that future scholars should profile the most important aspects of social media that affect SMEs. They should also seek to understand in a comprehensive manner the factors that affect social media adoption by SMEs in Kenya. Further studies should seek to establish whether the effect of social media adoption by SMEs is the same or different across all business sectors.

References

- Bughin, J., and Chui, M. (2010). The Rise of the Networked Enterprise: Web 2.0 Finds its Payday. *McKinsley Quarterly*, 1-9.
- Business Wire. (2012). Four Out of Ten UK SMEs Adopt Social Media Marketing. Retrieved from <http://www.businesswire.com/news/home/20120216005265/en/Ten-UK-SMEs-Adopt-Social-Media-Marketing>
- Chan, J. O. (2005). Toward a unified view of Customer Relationship Management. *Journal of American Academy of Business*, 6(1): 32-38.
- Chua, A. P. H., Deans, K. R., and Parker, C. M. (2009). Exploring the Types of SMEs Which Could use Blogs as a Marketing Tool: a Proposed Future Research Agenda. *Australasian Journal of Information Systems*, 16(1).
- Evans D. and McKee, J. (2010). *Social Media Marketing: The Next Generation of Business Engagement*. Wiley Publishing, Inc., Indiana
- Gilmore, A., Gallagher, D. and Henry, S. (2007). E-marketing and SMEs: Operational lessons for the future. *European Business Review*, 19(3), 234-247.
- Harrigan, P., Ramsey, E. and Ibbotson, P. (2010). Critical Factors Underpinning the e-CRM Activities of SMEs. *Journal of Marketing Management*, 26 (13/14), 1-27.
- Hennig-Thurau, T., Malhotra, E., Frieger, C., Gensler, S., Lobschat, L., Rangaswamy, A. and Skiera, B. (2010). The Impact of New Media on Customer Relationships. *Journal of Service Research* 13(3), 311-330.
- Jitihada. (2010). *Kenya's National Business Plan Competition Report*. Published by KIM and The Ministry of Industrialization.
- Kaplan, A. M. and Haenlein, M. (2010). Users of the world, unite! The challenges and opportunities of Social Media. *Business Horizons* 53: 59-68.
- Kenya Vision 2030. (2011). Retrieved on June 18, 2012 from <http://www.vision2030.go.ke>
- Kombo, D.K and Tromp, D. L. A. (2006). *Proposal and Thesis Writing: An Introduction*. Paulines Publications Africa.
- Kothari, C. R. (2009). *Research Methodology; Methods & Techniques*. New Age International (P) Publishers, New Delhi, India.
- Audretsch, D., M. Keilbach and E. Lehmann. (2006). *Entrepreneurship and Economic Growth*, Oxford University Press, Oxford.
- Barkham, R, Gudgin, G, Hart, M and Hanvey, E. (1996). *The Determinants of Small Firm Growth – An Inter-Regional Study in the United Kingdom 1986-90*. London: Jessica Kingsley.
- Bijmolt, T. H. A., Leeflang, P. S. H., Block, F., Eisenbeiss, M., Hardie, B. G. S., Lemmens, A. and Saffert, P. (2010). Analytics for Customer Engagement. *Journal of Service Research*, 13(3), 341-356.
- Brynjolfsson, E. and Smith, M. (2000). Frictionless Commerce? A Comparison of Internet and Conventional Retailers. *Management Science*. Vol. 46, No.4 p. 563-585.
- Chan, J. O. (2005). Toward a unified view of Customer Relationship Management. *Journal of American Academy of Business*, 6(1): 32-38.
- Chanaron, J. J. (1998). *Managing Innovation in European Small and Medium-Sized*. Cheltenham: Edward Elgar.
- Chua, A. P. H., Deans, K. R., and Parker, C. M. (2009). Exploring the Types of SMEs Which Could use Blogs as a Marketing Tool: a Proposed Future Research Agenda. *Australasian Journal of Information Systems*, 16(1).
- Danes, M., Bonner, K., Hart, M. and Mason C. (2009). *Measuring Business Growth: High-growth Firms and their Contribution to Employment in the UK*. National Endowment for Science, Technology and the Arts.
- Delmar, F. (1997). *A Taxonomy of High-Growth Firms*. Entrepreneurship and Small Business Research Institute (ESBRI), Sweden.
- Delmar, F., Davidson, P. and Gestner, W. B. (2003). Arriving at the High Growth Firm, *Journal of Business Venturing*, Vol. 18, pp. 189-216.
- Evans D. and McKee, J. (2010). *Social Media Marketing: The Next Generation of Business Engagement*. Wiley Publishing, Inc., Indiana
- Fink, M. and Kraus, S. (2009). *The Management of Small and Medium Enterprises*. New York: Routledge

- Gilmore, A., Gallagher, D. and Henry, S. (2007). E-marketing and SMEs: Operational lessons for the future. *European Business Review*, 19(3), 234-247.
- Goel, R. (2008). *E-Commerce*. New Age International Ltd Publishers.
- Gosier, J. (2008). Social Media in Africa, Part 1. ReadWriteWeb. Retrieved from http://www.readwriteweb.com/archives/social_media_in_africa_part_1.php
- Greenberg P. (2009). Social CRM Comes of Age. Retrieved on June 22, 2012 from <http://www.oracle.com/ocom/groups/public/@ocompublic/documents/webcontent/036062.pdf>.
- Harrigan, P., Ramsey, E. and Ibbotson, P. (2010). Critical Factors Underpinning the e-CRM Activities of SMEs. *Journal of Marketing Management*, 26 (13/14), 1-27.
- Harris, L. and Rae, A. (2009). The revenge of the gifted amateur: be afraid, be very afraid. *Journal of Small Business and Enterprise Development*, Vol. 16 No. 4, pp. 694-709.
- Hennig-Thurau, T., Malhotra, E., Frieger, C., Gensler, S., Lobschat, L., Rangaswamy, A. and Skiera, B. (2010). The Impact of New Media on Customer Relationships. *Journal of Service Research* 13(3), 311-330.
- Hintikka, K. (2007). *Web 2.0 – An Introduction to the Internet for New Business Opportunities*. TIEKE Information Society Development Centre's Publication Series.
- Hoffman, K., M. Parejo, J. Bessant, and L. Perren. (1998). Small Firms, R&D. Technology and Innovation in the UK: A Literature Review. *Technovation* 18(1), 39-55.
- Jayachandran, S., Sharma, S., Kaufman, P. and Raman, P. (2005). The Role of Relational Information Processes and Technology Use in Customer Relationship Management. *Journal of Marketing* 69(4), 177-192.
- Jitihada. (2010). *Kenya's National Business Plan Competition Report*. Published by KIM and The Ministry of Industrialization.
- Kaplan, A. M. and Haenlein, M. (2010). Users of the world, unite! The challenges and opportunities of Social Media. *Business Horizons* 53: 59–68.
- Kenya National Bureau of Statistics. (2009). Population and Housing Census. Retrieved on June 14, 2012 from <http://www.knbs.or.ke>
- Kenya Vision 2030. (2011). Retrieved on June 18, 2012 from <http://www.vision2030.go.ke>
- Kombo, D.K and Tromp, D. L. A. (2006). *Proposal and Thesis Writing: An Introduction*. Paulines Publications Africa.
- Kothari, C. R. (2009). *Research Methodology; Methods & Techniques*. New Age International (P) Publishers, New Delhi, India.
- Kotler, P. and Armstrong, G. (14th ed.) (2011). *Principles of Marketing*. Pearson Prentice Hall.
- Lefebvre, R. C. (2011). An Integrative Model for Social Marketing. *Journal of Social Marketing*, 1(1): 54 – 72.
- Lefebvre, R. C. and Flora, J.A. (1988). Social Marketing and Public Health Intervention. *Health Education Quarterly*, 15: 299-315.
- Lehtimäki, A. (1991). Management of the Innovation Process in Small Companies in Finland. *IEEE Transactions on Engineering Management* 36(10), 120-126.
- Mangold, W. G and Faulds, D. J. (2009). Social Media: The New Hybrid Element of the Promotion Mix. *Business Horizons* 52: 357-365.
- Mbugua, N. and Kanjoya, J. (2012). *Comprehensive Social Studies Nairobi County PB 4*. Nairobi: Longhorn Publishers.
- Orodho, A. J. and Kombo, D. K. (2002). *Research Methods*. Nairobi: Kenyatta University, Institute of Open Learning.
- Parasnis, G. and Baird, C. H. (2011). From Social Media to Social Customer Relationship Management. *Strategy & Leadership*, 39(5): 30 – 37.
- Payne, A. and Frow, P. (2005). A Strategic Framework for Customer Relationship Management. *Journal of Marketing*, 69 (4), 167–176.
- Safko, L. and Brake, D. K. (2009). *The Social Media Bible. Tactics, Tools and Strategies for Business Success*. John Wiley and Sons. Hoboken, NJ, USA.
- Saravanan, A., Gupta, P. and Ghatak, S. (2008). *SME Scenario Around the World*. Retrieved June 20, 2012 from <http://eindia2007.blogspot.com/2008/07/sme-scenario-around-world.html>.
- Smallbone, D. and Wyer, P. (Eds). (2000). Growth and development in the small firm, in Carter, S. and Jones-Evans, D. *Enterprise and Small Business*, Haelow, Pearson Education, Financial Times, Prentice Hall, Englewood Cliffs, NJ.
- Smith, P. and Taylor, J. (2004). *Marketing Communications: An Integrated Approach*. London: Kogan Page Limited.
- Wielicki, T and Arendt, L. (2010). A Knowledge-Driven Shift in Perception of ICT implementation barriers: Comparative study of US and European SMEs. *Journal of Information Science*. 36:162 pp 162-174.
- Zarella, D. (2010). *The social media marketing book*, O'Reilly Media Inc., Canada.