

# THE IMPACTS OF FIRM CHARACTERISTICS ON SOCIAL MEDIA USAGE OF SMEs: EVIDENCE FROM THE CZECH REPUBLIC

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## ABSTRACT

Comparing to larger businesses, SMEs face more barriers in their marketing operations since they have a lower amount of financial resources and assets. But the emergence of social media platforms has provided many chances for them to overcome these barriers by enabling them to do marketing and promotion activities. Although these social media channels are easy to access by each of their users, awareness, perceptions, capabilities of SMEs might differ when using these platforms. In this regard, this research aims to analyze and find out whether social media usage differs among SMEs regarding their age and size. In parallel with this purpose, the researchers used an online questionnaire to collect data from 454 Czech SMEs. These SMEs were selected by applying a random sampling method and then an online questionnaire was directed to the respondents who were owners and managers of these enterprises. To analyze the data, the researchers performed an Independent T-test in SPSS statistical program. According to the results, social media usage does not differ between smaller-larger and younger-older SMEs. The reasons for these similarities among SMEs might stem from the industry that they operate, the cost of social media usage, and the age of younger firms' executives. Nonexistence of the differences among analyzed Czech SMEs makes this paper differ from other studies. Some policy implementations are also offered by the researchers to increase awareness, skills, and usage of social media platforms by SMEs.

**KEYWORDS:** social media, age, size, Czech Republic, SMEs, digital marketing

**JEL CLASSIFICATION:** L26, L81, M31

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## INTRODUCTION

Small and medium-sized enterprises (SMEs) have countless benefits for economic development of countries as they have very crucial role in the contribution of labour force, exporting and productions of value added products. Moreover, most of businesses around the globe operate under the segment of SMEs. For instance, the percentages of SMEs among the total number of businesses in Czech Republic and the average of EU-28 are same, 99.8%. Moreover, Czech SMEs create 56% of total value addition

for the economy of this nation while the average percentage for EU-28 is around 56.4%. Concerning to work force, 66.4% of total labour in Czech Republic was created by Czech SMEs, while this percentage for EU-28 was 66.6% (European Commission, SBA fact sheet Czech Republic, 2019).

Even though SMEs have positive influences on economies by contributing to work force and value addition, they still have many issues especially competing with larger enterprises. To be more competitive, SMEs apply various marketing strategies to increase awareness of their customers in the markets that they operate and to increase their sales and demand for their goods and services. Within this context, new social network platforms make firms to introduce and give knowledge about their products, services (Derham et al., 2011; Odoom et al., 2017; Dahnil et al., 2014) and to communicate with their clients (De Vries et al., 2012; Abed et al., 2016; Yaseen et al., 2019; Sangi et al., 2018) by sharing videos and images and sending messages via online networks (Pookulangara & Koesler, 2011; Werdani & Djoko, 2018; Michaelidou et al., 2011).

Moreover, usage of social media does not only provide financial benefits for firms but also enables businesses to receive non-financial advantages, (Ainin et al., 2015; Odoom et al., 2017) **thus**, performance of firms also increases by usage of these online platforms (Ainin et al., 2015; Odoom et al., 2017; Parveen et al., 2016; Olanrewaju et al., 2020). Furthermore, online social media platforms make businesses to apply plenty of innovative strategies regarding firms' brand awareness (Odoom et al., 2017; De Vries et al., 2012; Abed et al., 2016).

According to Kallier (2017), SMEs also face with high failure rates because of their inability to have required competencies regarding marketing and technology, to have financing opportunities and to overcome technological barriers (Van Scheers, 2011). All those disadvantages might influence their usage of online social marketing tools negatively (Cant & Wiid, 2016). Since microenterprises are smaller than small-medium sized firms, these issues might be more crucial for the smallest SMEs and might cause differences in the usage of these social media tools. In this regard, this study aims to find out whether differences exist between SMEs' social media usage depending on their size. In this regard the first research question that this study aims to solve is as follows: Does social media usage differ depending on firm size?

Many studies also confirm the fact that firm age determines social media and ICT usage of SMEs (Parveen et al., 2016; Cirera et al., 2016; Grazzi & Jung, 2015). This is because depending on their length of doing business, knowledge (Cirera et al., 2016), abilities (Grazzi and Junk, 2015), adaption (Perrigot et al., 2012) and perceptions (Gümüő & Kütahyalı, 2017) of SMEs regarding social media platforms can differ. In this regard, another aim of this paper is to investigate if social media usage differs between older and younger SMEs. Thus, second research question might arise as follows: Is there any difference between social media usage of older and younger enterprises?

Other studies also analyse social media usage by considering clients' point of views. Some studies also investigate most widely used social media platforms (Abed et al., 2016; Werdani & Djoko, 2018; Sangi et al., 2018; Gati & Bauer, 2019). Several researchers also compare social media usage of SMEs and larger enterprises (Fosso-Wamba & Carter, 2014; Eggers et al., 2017). Differences in the age and size of SMEs regarding other topics such as entrepreneurial orientation also investigated by some studies (Ključnikov et al., 2019). But, different from these studies, this paper examines social media usage of SMEs in Czech Republic by focusing on the perceptions of firms' executives. Moreover, this research also includes age and size of firms into the analyses to differ from other studies. All these facts might make this study to fulfil some gaps in the literature and make important contributions in this research subject.

The rest of the paper is presented as follows: Theoretical Bases provide information about related studies in social media usage and its differences in size and age of SMEs. Aim and Methodological Bases explain the data and methodological approaches that this paper applies The findings of this research are depicted in Results section with their clarifications. Discussion section gives details about

potential reasons of the results and proposes some solutions for frequent and effective usage of social media platforms. The last section concludes the research by highlighting crucial information.

## 1 THEORETICAL BASES

Since most of SMEs face with many financial obstacles, social media usage can be very vital option for them to not to face with the costs of marketing. Except their usage in marketing activities, social media channels also make businesses to manage their different activities via online platforms (Alalwan et al., 2017; Misirlis & Vlachopoulou, 2018). But their usage as a marketing tool have increased their popularity among SMEs and have drawn entrepreneurs' attention. Social media not only enables firms to have new relationships among them but also make them to communicate with each other (Quinton & Wilson, 2016; Olanrewaju et al., 2020; Parveen et al., 2016) by improving their innovative abilities (Bhimani et al., 2018; Rathore et al., 2016). Social media tools also make businesses to develop their relations with their clients (Guha et al., 2018; Harrigan & Miles, 2014), to improve their brand reputation (Kim & Ko, 2012; Parveen et al., 2016; Ahmad et al., 2018; Ananda et al., 2017; Olanrewaju et al., 2020), brand and to increase their sales, revenues (Qu et al., 2013; Martinez-Nunez & Perez-Aguilar, 2014; Eggers et al., 2017), return on assets (Du & Jiang, 2015; Schniederjans et al., 2013; Yu et al., 2013; Eggers et al., 2017).

Moreover, social media enables firms to make marketing operations by facing with lower expenses and by giving reduced efforts (Parveen et al., 2016). Social media platforms also improve firms' abilities to manage their brands (Ahmad et al., 2018; Ananda et al., 2017; Olanrewaju et al., 2020), the amount of their online transactions (Qu et al., 2013; Eggers et al., 2017), stock performance (Schniederjans et al., 2013; Yu, Duan, & Cao 2013; Eggers et al., 2017), social capital (Parveen et al., 2016). Entrepreneurs become more proactive by seizing opportunities via social media platforms (Fischer & Reuber, 2011; Gustafsson & Khan, 2017; Mack et al., 2017; Olanrewaju et al., 2020) by reducing information asymmetries and providing easier information access to entrepreneurs and firms, these players in the market become more informed about markets, their rivals and their potential customers (Parveen et al., 2015; Parveen et al., 2016).

Concerning to firm size, its impacts on the usage and adoption of IT, (Marion et al., 2016), ICT (Cirera et al., 2016; Gerguri-Rashiti et al., 2015; Grazzi & Jung, 2015; Mwantimwa, 2019), new technology (Michaelidou et al., 2011; Taiminen & Karjaluo, 2015), social media tools and social media usage intensity have been confirmed by some studies in the literature (Parveen et al., 2016; Marion et al., 2016; Fosso-Wamba & Carter, 2014; Eggers et al., 2017; Grazzi & Jung, 2015; Cirera et al., 2016; Gerguri-Rashiti et al., 2015; Grazzi & Jung, 2015). Although some researchers prove the fact that smaller firms' social media usage is higher in comparison with larger businesses (Yellow, 2018; Olanrewaju et al., 2020) many studies oppose to these findings (Becker & Lee, 2019; Fosso-Wamba & Carter, 2014). For instance, the propensity of larger businesses to use new technological and social media tools might be higher than smaller enterprises since they have more and various types of financial resources (Marion et al., 2016; Parveen et al., 2016; Grazzi & Jung, 2015; Taiminen & Karjaluo, 2015). Thus, they can use these resources to encourage their easy adoption of technological tools (Marion et al., 2016). Larger enterprises have also more knowledge about these new phenomenon (Barnes et al., 2012; Taiminen & Karjaluo, 2015). Therefore, larger businesses face with reduced obstacles in financing and might make more investments for usage and training of tools related with information and communication technologies such as social media platforms (Kacker & Perrigot, 2016; Gerguri-Rashiti et al., 2015; Mwantimwa, 2019).

Being more informed about new trends in social media tools makes them to face with less risky situations (Grazzi & Jung, 2015) and this fact makes older firms to have quicker adoptions to use new technologies comparing to smaller enterprises (Papastathopoulou & Avlonitis, 2009; Parveen et al., 2016; Mwantimwa, 2019) while microenterprises' adoptions are the slowest (Bordonaba-Juste et al.,

2012; Taiminen & Karjaluoto, 2015). Mwantimwa (2019) also validates that larger firms use internet services more than smaller businesses. According to Taiminen and Karjaluoto (2015), larger enterprises receive more benefits than smaller benefits when using digital marketing channels.

Smaller businesses' tendencies are lower than larger enterprises when adapting and implementing activities related with Information and Communication Technologies (Mwantimwa, 2019; Grazzi & Jung, 2015; Cirera et al., 2016). Moreover, older firms are more aware of the new trends in new technologies and they are more capable of doing data processing (Perrigot et al., 2012) since they have more workers to take care of these activities (Parveen et al., 2016; Ssewanyama & Busler, 2007; Mwantimwa, 2019). In their study, Becker and Lee (2019) find that larger firms have more social media accounts comparing to their smaller counterparts. Moreover, propensity of social media usage by larger SMEs is higher than smaller enterprises (Fosso-Wamba & Carter, 2014). Similarly, smaller firms are less prone to use social media platforms intensively and actively than larger businesses (Keel & Bernet, 2013; Eggers et al., 2017).

Corresponding to age of SMEs, several studies also contend the fact that firm age is a determinant factor in the usage of technology (Parveen et al., 2016) and ICT (Cirera et al., 2016; Gerguri-Rashiti et al., 2015; Grazzi & Jung, 2015; Mwantimwa, 2019). Perrigot et al. (2012) infer that since awareness and talents of older firms regarding information processing are higher than younger firms, their adoptions of one of social media platforms such as Facebook becomes more likely. Moreover, these older businesses are less risk averse than younger enterprises to make some investments for new technologies and social media networks. They also longer term oriented to make innovative actions (Perrigot et al., 2012). Moreover, some studies also substantiate that older businesses have quicker adaption to ICTs and make more ICTs related activities than younger firms (Grazzi & Jung, 2015; Cirera et al., 2016). According to Gümüş and Kütahyalı (2017), older SMEs perceive the social media usage more positively than their younger counter parts. This is because older firms believe the fact that usage of social media makes them to face with lowered cost and increased sales (Gümüş & Kütahyalı, 2017). Furthermore, older firms have more capabilities to evaluate prons and cons of new technologies (Grazzi & Junk, 2015), and they connect to internet more than younger businesses (Cirera et al., 2016). Parveen et al. (2016) profess the fact that young and old firms use technology differently than each other and this different makes them to have various performance levels.

## **2 AIM AND METHODOLOGICAL BASES**

This paper purposes to explore and indicate whether social media usage of Czech SMEs differ regarding their size or length of doing business or not. To hit this target, the researchers collected data between the dates of September 2019 to March 2020. Moreover, the researchers used random sampling method to choose respondents from a database, namely, Cribis. After that, the researchers sent the online questionnaire by e-mails to the selected respondents who were the managers and owners of SMEs. The researchers sent emails to 8,250 SMEs and 454 of them fulfilled the online questionnaires. Thus, the response rate was around 5.5%.

Four survey questions from the online questionnaire were considered by the researchers to analyse social media usage of the respondents. The questions are as follows: "Thanks to social media, our business can respond more flexibly to market developments", "Social media helps our business quickly share information with customers and partners", "Our business has a clear strategy on how to use social media", "Social media supports the growth of our company performance". The researchers performed Five-point Likert scale to evaluate the responses of the selected questions as follows: 1 – strongly disagree, 2 –disagree, 3 – hold no position, 4 –agree, 5 – strongly agree. The arguments that the researchers have mentioned in theoretical bases section enable the researchers to set the following hypotheses:

H1: A statistically significant difference exists between the mean volumes of social media usage of

larger and smaller SMEs.

H2: There is a statistically significant difference between the mean volumes of social media usage of younger and older SMEs.

The researchers select 5% significance level to support or fail to support alternative or null hypotheses. In case of having p values that are higher than the chosen level of significance, the authors of this paper fail to support alternative hypotheses and then support to null hypotheses. Null hypotheses presume the fact that there is not any statistically significant difference between the mean volumes of social media usage of SMEs regarding their size and length of doing business (age). For analyses purposes, firm size is divided into two different categories such as smaller (microenterprises) and larger enterprises (small and medium sized enterprises. Regarding firm age, SMEs are categorized as older (firms that have been operating for more than 10 years) and younger (firms that have been operating for up to 10 years).

The values from Skewness and Kurtosis measurements are taken into consideration by the authors to evaluate distribution of the dataset. Since the values for Skewness and Kurtosis indicators are -,142 and -,700, respectively and are between +1 and -1, the dataset that is used for this paper has normal distribution. This is because the values of Skewness and Kurtosis measurements that are between +1 and -1 confirm the fact that the data is normally distributed (Hair et al., 2013). This result makes the researchers to use a parametric test namely T test that provides to make comparisons between two various samples. To perform all these analyses, the researchers have used SPSS statistical program.

The analysed sample for this research consists of 454 Czech SMEs. 354 respondents of the online questionnaire are owners, while 100 of them are managers of SMEs. Moreover, 133 SMEs operate in service sector, 91 SMEs in trade, 79 SMEs in manufacturing, 63 SMEs in construction, 11 SMEs in tourism, 11 SMEs in agriculture, 10 in transportation and 56 SMEs in other industries. Regarding size of firms, 290 of them are microenterprises while 164 them are small & medium sized enterprises. Corresponding to firm age, the number of younger enterprises (a business that have been operating up to 10 years) is 119, while others (older SMEs that have been operating more than 10 years).

### 3 RESULTS

As it is mentioned in the Aim and Methodological Bases section, Independent T test was performed to find differences in between characteristics of SMEs and the mean volumes of their social media usage. Table 1 is illustrated below to indicate the results of T-test regarding size of firms and their social media usage. Since significance value from Levene's test is higher than 0.05, the researchers have considered the p values with significance of two-tailed under the conditions of Equal variances are assumed.

*Table 1* The results of T-test regarding size of SMEs and social media usage

Indicator	n		Mean		Levene's Test		T test for Equality of Means		
	micro	small & medium	micro	small & medium	F	Sig.	df	t	Sig.
Social media usage	290	164	2,8267	2,8155	,661	,417	452	,101	,920

(Source: Own processing)

According to Table, p value is more than the selected significance level ( $t(452) = 0.101$ ,  $p = 0.920 > 0.05$ ). For this reason, it can be reported that smaller and larger enterprises were not associated significantly different mean social media usage volumes. In other words, the mean volumes of micro and small-medium sized SMEs do not significantly differ. Thus, this paper fails to support H1

alternative hypothesis that assumes the existence of differences in the mean volumes of social media usage of smaller and larger enterprises.

Table 2 The results of T-test regarding age of SMEs and social media usage

Indicator	n		Mean		Levene's Test		T test for Equality of Means		
	Firm age < 10 years	> 10 years	Firm age < 10 years	> 10 years	F	Sig.	df	t	Sig.
S.media usage	119	335	2,9517	2,7769	,262	,609	452	1,448	,148

(Source: Own processing)

Concerning to firm age and social media usage, the results from T-test have also depicted in Table 2. As already stated, significance value from Levene's test is higher than 0.05, therefore, the researchers have included the p values with significance of two-tailed under the conditions of Equal variances are assumed. The Table demonstrates that p value is higher than the level of significance ( $t(452) = 1,448$ ,  $p = ,148 > 0.05$ ). Hence, it can be expressed that younger and older SMEs were not associated significantly different mean social media usage volumes because their mean volumes are not statistically different. In other words, there are not statistically significant differences between means of social media usage of younger and older SMEs. This fact makes this paper to support null hypothesis that presumes the nonexistence of significant differences between the mean volumes of social media usage of younger and older SMEs. To sum up, as it has already remarked, social media usage does not differ between SMEs regarding their size and age.

#### 4 DISCUSSION

Concerning the social media usage and firm size, the results of this study oppose to the findings of Becker and Lee (2019), Fosso-Wamba and Carter (2014), Eggers et al. (2017), Cirera et al. (2016), Gerguri-Rashiti et al. (2015), Grazzi and Jung (2015), Mwantimwa, (2019), Ssewanyama and Busler (2007), Taiminen and Karjaluo (2015), Barnes et al. (2012), Parveen et al. (2016), Papastathopoulou and Avlonitis (2009), Perrigot et al., (2012) and Kacker and Perrigot (2016). This is because, these studies confirm the positive relationship between firm size and social media usage. Similarly, this paper also objects to the arguments of Yellow (2018) and Olanrewaju et al. (2020) that profess the fact that social media usage is higher in smaller firms comparing to their larger counterparts.

On the other hand, this research finds similar results with Michaelidou et al. (2011), Marion et al. (2016) and Parveen et al. (2016) because these researches also confirm that firm size is not significantly related with social media usage. The reason why microenterprises and small-medium enterprises' usage of social media does not differ might be related with their industry that they operate. This is because several studies substantiate that industry of businesses effect the usage of social media platforms, ICT and new technologies (Fosso-Wamba & Carter, 2014; Eggers et al., 2017; Perrigot et al., 2012; Parveen et al., 2016; Gümüş & Kütahyalı, 2017; Taiminen & Karjaluo, 2015).

Moreover, some studies also bear out the differences between SMEs from different industries regarding the usage of social media platforms (Eggers et al., 2017; Gümüş & Kütahyalı, 2017). According to these studies, SMEs that operate in service sector are more prone to use social media. In this regard, in the research data of this paper the percentage of microenterprises that operate in service industry is around 36% while this percentage for small-medium sized firms is just approximately 18%. Another reason why firms in different size have similar attitudes on social media usage might be related with cost of social media usage. Since IT tools provides less costly solutions for its users, smaller firms might face with reduced obstacles even they have limited resources (Michaelidou et al., 2011; Marion et al., 2016).

Both of these arguments industry that firms operate and low cost when using social media channels might be the reasons of similarities in all size of SMEs when using social media platforms.

Corresponding to age of firm, the results of this paper also contest to the studies of Perrigot et al., (2012), Gümüş and Kütahyalı (2017), Kacker and Perrigot (2016), Grazzi and Jung (2015) and Mwantimwa (2019). This is because these papers corroborate the fact that older firms are prone to use social media tools comparing to younger businesses. The results of this research are also not compatible with the findings of (Haller & Siedschlag, 2011; Grazzi & Jung, 2015) because these researchers champion that younger firms make more activities related with ICT than older SMEs (Grazzi & Jung, 2015).

On the other hand, the findings of this paper are consistent with the results of Bayo-Mariones and Lera-Lopez (2007), Giunta and Trivieri (2007) and Grazzi and Jung (2015). These studies also clarify the fact that firm age is not a determinant factor to demonstrate the different patterns in social media and ICT usage. Similar with size of firm, industry can also be a mounting evidence in the similarities between older and younger SMEs' social media usage. As already stated, SMEs in service industry are more likely to use social media platforms (Eggers et al., 2017; Gümüş & Kütahyalı, 2017). According to the data that this study analyze around 38% of younger SMEs operate in service sector, while this percentage is 26% for their older counterparts.

Furthermore, age of the respondents might be another reason to explain similarities between SMEs in different ages. This is because some studies profess the negative relationship between age of social media users and their usage of social media channels (Fosso-Wamba & Carter, 2014; Rohm et al., 2013; Viehland & Brink, 2006). Concerning this fact, the percentage of younger respondents in younger SMEs (72.2% of total respondents in younger SMEs) is higher than the percentage of younger survey participants in older enterprises (26.5%). Since younger owners or managers might be more prone to use social media platforms than older enterprises, this fact could have made younger SMEs in this research to have similar social media usage with their older counterparts. Thus, both sector and age of the respondents might be the reasons of the similarities among older and younger SMEs regarding social media usage.

Other important factors especially related with owner and managers' abilities are also in existence to reveal similarities and differences between SMEs' social media usage. For instance, abilities of companies' executives regarding usage of social media channels (Mwantimwa, 2019; Grazzi & Jung, 2015; Cirera et al., 2016), executives' marketing communication (Gati & Bauer, 2019) and technical skills (Michaelidou et al., 2011), their knowledge about technological developments (Taiminen & Karjaluoto, 2015; Yaseen et al., 2019), digital literacy (Mwantimwa, 2019) and awareness (Yaseen et al., 2019) carry high importance in the usage of these social media platforms. To expand awareness of SMEs' executives and to increase their usage of these platforms, policy makers and other important players collaborate to implement some effective strategies. For instance, educational courses to improve digital literacy, technological and marketing communication skills and their sufficient usage of new online marketing tools might be provided for owners or managers of SMEs. Since these channels provide less costly solutions, SMEs not only overcome financial issues regarding their marketing activities but also widen their scope to reach more customers. All these facts might stimulate growth and revenues of SMEs and their contributions on job creation, value addition, export and GDP of countries might be achieved in higher extents.

## **CONCLUSIONS**

The emergence of advanced technologies and developments among them have made social media tools to become more popular among SMEs since these tools provide less costly solutions for their marketing activities. As SMEs face with more obstacles in comparison larger enterprises their usage of social media channels might make them to compete with their larger rivals. But the characteristics of

SMEs might influence their usage of these platforms since these characteristics have impacts on their perception, awareness and abilities to use these platforms. In this regard, the aim of this paper to explore the differences between SMEs regarding their size and age.

To reach this target, this paper analyses 454 SMEs that have been operating in the Czech Republic. To collect data, the researchers used Cribis database and chose these SMEs by performing random sampling method. Then chosen respondents, fulfilled a questionnaire survey. To analyse the responses, the researchers run Independent T test in SPSS statistical software. The results of this paper regarding to size of firm prove that there is not any difference between micro and Small-medium sized Czech SMEs regarding social media usage. Sector of firms and lowered costs of social media usage might be strong arguments to explain these results. When it comes to, social media usage by SMEs in different ages, the results of this paper substantiate that no significant differences exist between older and younger SMEs. Age of the owners and managers in younger SMEs and the sector of younger firms might also be potential reasons to clarify the similarities in the social media usage of older and younger SMEs. Since social media platforms provide less costly marketing activities for SMEs, policy makers and other important players can work together to provide some educations for owners and managers of SMEs to expand their awareness, to inform that about working processes of these online channels, and to improve their talents to increase the usage of these platforms.

Although, this paper differs from other studies by confirming the similarities in the usage of social media platforms by SMEs, it has some limitations. For example, this study only analyses Czech SMEs regarding their age and size. For this reason, other studies can include more SMEs and larger enterprises from different nations to make comparisons between them. Other characteristics of businesses such as location, legal structure, and characteristics of respondents such as experience and education level can be considered by further studies to look at social media usage from different perspectives.

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