Social Media and E-commerce: A Strategic Perspective

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ABSTRACT

Today, businesses find that continuous growth and success of their enterprise is synonymous with the use of Social media. Social media has become an essential aspect of business strategies, brand recognition, increased revenue and improved customer satisfaction. While there has been much written on social media and its potential of increasing revenue and brand recognition, there are still many organizations slow to adapt social media into their organization. After all, if social media has been promoted as an essential element of an organization’s business strategy, why then are many organizations still slow to implement this strategy? Much of the research found on the slow integration centers on the problems organizations face while attempting to integrate social media into their business practices. Understanding the impact of social media on businesses is integral to the survival of enterprises in the current global market and e-commerce, therefore important to management. This research paper will rely on an analysis of existing research and questionnaires of various enterprises leading to the conclusion that much of the reasoning lies in the problems and inherent risks associated with trying to implement social media into existing business practices.

Keywords

Social media, social networking, electronic commerce, management and strategic implications

INTRODUCTION

As social networking increasingly eases its way into the average workplaces, companies are finding that it is causing conflict in the workplace. Therefore, many companies are avoiding integrating social media practices into normal processes. This problem of slow or lack of integration is one that deserves further research. Social media as defined by Turban and Volonino, “refers to the online platform and tools that people use to share opinions and experiences including photos, videos, music, insights, an perceptions with each other” (Turban & Volonino, p. 291). We shall use the term ‘Social media’ and ‘Social networking’ interchangeably throughout the paper to mean the same thing.

For enterprises, social media plays a significant role in e-commerce. Many of these enterprises stand to benefit from its use, from increased brand awareness, increased advertising, improved customer service
relations, and ultimately increased revenue. Meghan Kothari, the director at McCollins Media, a firm that specializes in the area of social media, examines ways that it can actually become a benefit to companies. Her analysis emphasizes that the whole point of social media is to “engage communication on a personal level” (Kothari, 2011). This aspect can help coworkers move beyond on the surface level of relationship and grow into a more trusting and open relationship. Beyond building relationships, social media can be used to push an organization’s key messages to the public. Marketing and public relations professionals find that web sites like Facebook, Twitter, and LinkedIn are useful in building an organization’s relationship with the public. Another research report written by Charlene Li, in conjunction with Wetpaint and Altimeter, looked at 100 different brands and its use of social media drawing a final conclusion of a relationship between social media and enterprises. Companies with more Social media presence “on average grew 18% in revenues over the last 12 months, compared to the least engaged companies who on average saw a decline of 6% in revenue during the same period.” (Li, 2009). Clearly the statement implies a supporting correlation between social media use and financial performance. This new phenomenon of virtual networking has become the new networking platform among consumers, that it would be impossible to sift its presence out of work environments. Considering this, companies have no choice but to find ways to utilize it effectively. Instead of shutting social media out of the workplace, ushering it into a monitored environment can make for greater productivity and a more cohesive team.

The theoretical concept for this paper was from an article by Hinchcliff on the ‘Ten Top Issues in Adopting Enterprise Social Computing’. The paper however will only focus on four of what is believed to be the prevailing issues cited: The deadlock between the IT departments and Business Managers, security concerns, the engagement of CEOs, and finally understanding the differences in its use in certain industries. This paper will not include any individually conducted surveys or studies, but will rely on papers, interviews, and research studies conducted by other independent research firms, organizations, and the opinions of others with experience in this field. Unfortunately much of the research studies cited are a few years old however they still provide useful reference to draw on. However, as our analysis will detail, while these four issues still play a significant role in the enterprise’s adoption of social media, there are critical management implications that are vital to their survival in the new e-commerce environment forcing social computing integration into the forefront of many organizations.
LITERATURE REVIEW AND SYNTHESIS

Since a positive correlation was found between social media engagement and corporate financial performance, there has been a stronger push for enterprises to be more engaged in social media whether it is videos, blogs, or networking sites. With the social media culture expanding, new barriers and issues have appeared. The issues focused in this paper include the deadlock between IT departments and business managers, security concerns, engaging CEOs, and understanding the differences of social media in certain industries. For each barrier, a thorough review of literature was done.

In the barrier of engaging CEOs in social media, the key words and phrases used included: CEO and social media, C-level executives and social media, CEO and social networking, barriers to social networking, CEO and Facebook, CEO and Twitter, CEO and LinkedIn. Various databases were used in searching literature including Business Source Complete, the Wall Street Journal, LexisNexis, Emerald Management Xtra, and Regional Business News. Also used were the general search engines such as Google and Yahoo.

In the issue of security concerns, key words and phrases included: social media, security, security risks, social networking and risks, viruses, malware, data leakage, data theft, network vulnerability, network utilization, and targeted threats in social media. The EBSCOhost database was used as well in the search for security concerns in social media. Online periodicals and media including Business Week and the BBC were searched.

Key words used to research the deadlock between IT departments and business managers comprised of social network, social media, IT-business alignment, and lack of communication in IT and business managers. Dictionary.com was utilized for defining bandwidth. The online Business News Daily was also included in the literary search.

While searching for literature on the issues of understanding the differences of social media in certain industries, key words used consisted of effective social media, industry, social media and the pharmaceutical industry, small business and social media, social media, and social network. A general online search engine of Yahoo and Google were also utilized in extracting more literature pertaining to social media in certain industries.
DEADLOCK BETWEEN IT DEPARTMENTS AND BUSINESS MANAGERS

Every IT department would like to be able to report that their organization is using the best technology available. Likewise, every manager would like to report that their organization is applying the best business practices for its industry. Unfortunately, managers and IT professionals are experiencing resistance from each other in meeting these goals when it comes to social media. IT professionals are responsible for ensuring that the network is both protected from malware and not in danger of crashing. Business managers on the other hand use available resources, including those provided by IT, as part of the process to produce the organization’s products or services. Both parties are thus interrelated. The conflict comes in because there is little to no alignment or communication between the two and there needs to be to guarantee success.

Many IT managers are leery about social computing because of the resources that it so easily consumes. A network’s bandwidth is “the speed of data transfer” (Bandwidth). It is believed that more than “60% of network resources “are being used by social computing sites (Zimmerman, 2011). Usually it is not the social networking site itself, but the content within the site, like videos, that use a great about of bandwidth to function and therefore cause IT managers’ problems.

IT professionals are simply not communicating to other managers the importance of using social computing applications only when needed. The Society of Corporate Compliance and Ethics (SCCE) conducted a survey and found that only 10% of the companies that were included in the survey had policies specifically addressing social networks (Holland, 2011). The survey also indicated that more than 50% of companies do not consistently monitor the use of social sites (Holland, 2011). This means that while more than two-thirds of employees are using these sites, only a small portion are even being censored. Since IT professionals know best the problems and conflicts that social computing applications can cause, developing policies that other employees can easily understand and abide by would likely alleviate the amount of unnecessary usage. Limiting what team members can access and for how long can greatly improve the bandwidth availability.
The use of social media will only continue to evolve. As this happens it will inevitably gain a permanent role in every workplace. Embracing this fact and taking on a more cooperative style of conflict resolution can better help supervisors handle and combat the disadvantages it creates.

**SECURITY CONCERNS**

Social media has become a dominant force in communication technology for businesses to interact with customers and business partners with far reaching consequences for the enterprise. There is a business value in the use of technology in businesses today. “Within three to five years, social media will have a greater impact on organizations than the move to e-business” according to Gartner analyst Carol Rozwell (Computer Weekly, July 2011). “More than half of Fortune Global 100 companies have active Twitter accounts and Facebook fan pages” (Security Director’s Report, Implementing Solutions to Social Media’s Security Risks). The drive to integrate social media into business strategies is being driven within the organizations and from consumers who are increasingly expecting businesses to be able to respond to queries through social media (Computer Weekly, July 2011).

Much of the current research has focused on the security concerns as one of the reasons for the slow integration by many organizations. Many of the research stems from interviews and surveys of CIOs and security professionals of both small and large size firms both within the United States and globally. The focus of many of the research reports has been on the use of social media, social media policies and security issues within the organizations. A research reported in Innovations (2006), states “74 percent of all CIOs surveyed said that Web 2.0 applications will significantly increase their security risk over the next three years,” (Turban & Volonino, p. 313). Another research paper by the Information Systems Audit and Control Association (ISACA), reported that the use of “social media does have inherent risks that could negatively impact enterprise security.” The main security concerns include the risks associated with viruses and malware, data leakage/theft, network vulnerability, network utilization issues and targeted attacks.

**Viruses and Malware**

Social media sites provide a good forum for viruses and malware such as Trogans and Spyware, which can affect the network of the organization leading to down time and in some cases financial costs to cure.
Many of the technology available until recently is over 15 years old and was created at a time when the Internet was just used for web browsing and emailing (BBC News, April 27, 2011). Nir Zuk, the co-founder and Chief technical office of Palo Alto Networks, believes that many of the infrastructures cannot adequately support many of the social media applications (BBC News, April 27, 2011). Many of the existing data security technologies were created to thwart desktop computer viruses and are not keeping up with the modern Internet (Information Week, June 22 2011).

Data Leakage/Theft

Social media sites have enormous databases that can be accessed by many individuals thus increasing the risk of leakage or theft of company information. According to Hongwen Zhang, “If you are using social media websites for business, it provides a back door for information to be leaked out-intentionally or unintentionally” (Information Week, June 22 2011).

Network Vulnerability

Social media sites are still being developed hence many of them are still subject to flaws and bugs that can expose the vulnerability of the organization’s network. Since people rather than organizations create and control the use of them, one wrong click can create a network nightmare for the organization.

Network Utilization

Issues from prolonged use by the user creates an increased exposure to data corruption and security threats, which can take root in the organization’s networks.

Targeted Threats

Otherwise insignificant pieces of information on social media sites such as employee contact details, size, location address and more can be used together to make targeted attacks on the enterprise. These types of targeted security threats pose a major concern for many organizations particularly those that collect customer personal data and customer financial information. According to a recent article by Marcus Chan, a recent survey of 4,640 organizations conducted by Ponemon Institute, more than half reported an increase in attacks with more than a quarter reporting an increase of more than 50% (Business Week, Sept 11, 2011).
IMPLICATIONS FOR MANAGEMENT

Social media is still evolving in its implications and its use particularly as it is increasingly used as a tool in business strategies. nCircle conducted a survey of 257 information security professionals regarding social media and discovered the following:

- Only 32% of respondents said that their organization ban the use of social media, a decrease from 39% in 2010
- 68% of companies have social media policies, an increase from 58% in 2010
- Only 44% employees comply with social media policies compared 48% in 2010
- 59% of companies are monitoring employee social media use in the office, a decrease from 71% in 2010 (nCircle.com).

The current research highlights the security risks associated with social media, however many of the research results show that many of the firms in their research either did not have a social media policy or in many cases the ones that did they were not effective. Security Directors Report (SDR), conducted a survey of 300 security executives of which only about half had a social media policy. (SDR, March 2010).

Consequently current research is limited because none focus solely on enterprises with enforced social media policies as such a research may show different results regarding the IT security issues associated with social media use.

The benefits of social media for business has been documented in increased revenue, brand recognition and improved customer relations however organizations yet to implement social media as part of their business strategy cannot rely solely on the current research. In a recent report titled “Global Survey on Social Media Risks” of the 4640 organizations surveyed, 67% stated that social media is very important in meeting their business objectives. (Business Week, Sept, 29 2011). Management’s approach to social media particularly as it relates to technology and security issues should be the same as the implementation of any other new technology within the organization as many of the risks reported are no different from other security risks associated with the use of technology nor are the risks new or particularly unique (Security Director’s Report). However more research is needed specifically narrowing organizations using social media with enforced social media polices in place and the resulting security incidents or risks. As with any other new
technology lack of proper implementation can expose an organization’s network infrastructure to security risks much of which can be mitigated with proper processes in place.

ENGAGING CEOS IN SOCIAL MEDIA

Social media is characterized by interactivity in which participants freely send, receive, and process content for use by others (Aula, 2010). Social media services include social networking, content producing, the distribution of services and websites that are collectively constructed by users, video and photo sharing services, virtual worlds, and diary-type websites (Aula, 2010). Many businesses have turned to social media as an advertising outlet to create and maintain brand awareness, communicate and receive feedback from consumers, and to have access in spreading information rapidly. With the popularity of social media between millions of participants a day, it is an inexpensive and fast way to reach consumers. By not embracing these technologies, companies are at a tremendous competitive disadvantage and unmitigated, unnecessary risk (“The CEO guide,” 2011).

So why is there a lack of participation in social media among CEOs? There are few CEOs versed in social media even among technology companies (Dybwad & Colony, 2010). CEOs are supposed to be leaders and visionaries, but many have not adopted nor adapted to social media. A possible barrier for CEOs not using social media could be because of age. Older CEOs grew up in the era of typewriters not computers and therefore are slower to adapt to the changing technology today. Another constraint is if the business is a public company, there are regulatory constraints. The Federal Communications Commission states that every time a CEO speaks, any current or potential investor must be able to hear it, which is called Regulation Full Disclosure (Dybwad & Colony, 2010). The FCC has yet to define whether certain social media outlets are acceptable under Regulation Full Disclosure. Even though an advantage to social media is branding, the risk of reputation and offending others is also a concern, not to mention litigation. Many companies have their own official Twitter accounts and/or Facebook pages for their brand, but CEOs do not contribute their own ideas or thoughts to these sites. It’s unfortunate that CEOs do not contribute to these social networking sites as it is a way to market their brand, but the real reason is that many CEOs may
not have the time to blog or tweet. The key to using social media is interaction in which consumers expect frequent updates and CEOs do not have the time to routinely check and post new messages.

**IMPLICATIONS FOR RESEARCH**

Social media technology enables enterprises to collaborate and communicate in more effective and efficient ways than ever before, so the idea of CEOs incorporating and implementing social media into their company can start from within the company itself (“The CEO guide,” 2011). Instead of solely using an external social media website such as Facebook or Twitter, the company can opt for internal communication. In internal communication, employees can use chat applications to communicate quickly among each other with having to pick up the phone or send emails (“The CEO guide,” 2011). Private social networks are set up similar to Facebook in which employees can view each other’s profile and status update while also being able to exchange files. Communication in a private social network is more efficient and collaboration with projects and files are easily exchanged. Using social media is an easy way to improve and maintain customer service. The speed and expansive network of social media makes communication quick and easy to consumers who have complaints. By using Twitter, you can see all the places where customers mention your company and allows them to message you directly to solve their problems (“The CEO guide,” 2011). Using social media to quickly resolve customer related issues could keep brand loyalty and save the company’s reputation. Press releases and distributed content are costly, time consuming, and often ineffective (“The CEO guide,” 2011). With the use of social media, promoting the company brand is less expensive and reaches millions of people quickly. CEOs can use social media to increase their company’s reputation and industry expertise by highlighting relevant industry news and updates to show that they are on top of any changes in their industry (“The CEO guide,” 2011). Social media can also be used with public relations due to the distinct and powerful channel it provides for direct interactions with individuals and not just passive ones (“The CEO guide,” 2011).

CEOs who may be more apprehensive in using social media can start off by following other prominent leaders, such as Jack Welch and Bill Gates, on Twitter to see their advice, insight, and links. Business knowledge from the links and videos can be gained from these iconic leaders. Also, if a CEO took a couple
hours out of their day contributing to social networking sites, they appear more accessible, authentic, and engaging, which attracts more consumers and strengthens their brand. Further research is needed into Federal guidelines and regulations that inhibit CEOs from using social media to its fullest extent. With more research, perhaps new guidelines and regulations will be created to guide CEOs through the red tape of social media.

Social media is a rapidly progressive technology and form of communication that is here to stay and CEOs must adapt to it in order to stay competitive with other companies. CEOs that do not participate in social media are missing a great opportunity to interact and communicate on a more personal level with their customers and/or employees. If CEOs are hesitant about using social media, exploring may be the first step to incorporating social media.

SOCIAL MEDIA IN CERTAIN INDUSTRIES

In this day and age, social media has become a huge part of daily business operations. Many organizations have incorporated social media into their daily lives so that they can be more successful. They do this in hopes that having a presence on the Internet will allow them to be more successful because it allows them to reach a broader audience. Although it seems almost obvious that all companies should do so, there is still some resistance from certain industries to at least have some sort of presence in social computing. People have grown to adopt and use social media as a part of their daily routine, but some businesses have fallen short of catching on to the trend. Some industries have yet to jump on the bandwagon because they feel that they don’t need social media to be successful, or just don’t know how to go about it (Hinchcliffe, 2009). Although this may be the case, using social media could help them grow their business profits even more.

Companies with low competition have fallen short of adopting social computing. This is due to the fact that they already have most of the market share and there aren’t many other companies for consumers to choose from. For example, pharmaceutical companies are highly specialized in the products that they offer and there is not always a lot of competition. Because of this, they believe that they don’t have the need to have a presence in social media. They are also extremely regulated by the government, which limits the type of information they can make public. Not to mention, they are extremely protective of their intellectual property because it’s what sets them apart from the competition (Siddle, 2009). Although they may not
need to advertise on social media, it may help them to still have a presence. For example, they could create forums that ask for feedback from consumers about their product. This may prompt other consumers who aren’t currently using their products to actually give them a shot. Not only that, it would also show that they are taking an active role in the interests of their customers.

Organizations that engage in business-to-business (B2B) operations, such as manufacturers, users, and buyers of industrial products have yet to take advantage of social computing. The idea behind their lack of use is because they are not selling to the ultimate consumer; rather another business (B2B). They have taken traditional approaches to attracting business such as direct contact and other push strategies instead of taking to social computing (Mitra, 2011). Although their goal is not to reach the ultimate consumer, they should still consider the use of social media and realize that it could be used to their advantage. Not only could they reach other businesses through social media, they could also create a strong brand image for their company. For example, seeing an organization’s name on social media sites would make it more recognizable to the public, whether business or consumer, rather than not being on there at all.

Lastly, one of the largest groups who have yet to take part in social computing is small business. A study of over 300 small business owners participated in a survey that asked them why they did not engage in the use of social media. Almost fifty percent of them answered that it was because they didn’t have enough time, or simply didn’t understand how to use it. They mentioned that the type of advertising they used the most was word-of-mouth (Barone, 2011). With over 800 million users on a variety of different social media sites, it is pertinent that small businesses begin to use social media. After all, social computing use is a form of word-of-mouth! Whether it is to promote, give advice, or receive feedback, they must have an online presence in order to attract more business. Companies must realize that the consumers who buy their products are using social media, so what better way to approach them (Barone, 2011)? Marketing and advertising is extremely expensive, so using social media as a form of advertisement could really benefit small businesses in a huge way. They should make time to incorporate it into their daily business activities, as well as their daily lives. Not only that, but if they are unsure how to use social computing sites, they should seek help to do so. Consumers are starting to do everything online, and it is crucial for business to start doing so as well.
The point is that regardless of what type of industry, size, or location, companies should learn and incorporate social media into their business operations. Not only may they be able to attract more business, but they can also give and receive feedback, promote, and build a stronger brand by having a presence online. It also helps companies by creating communities, relationships with consumers, and also serves as a form of entertainment for consumers.

In fact, businesses are considered at risk if they do not engage in some form of social computing.

According to 750 American consumers, consumers want to be able to communicate with businesses online but they can’t because of the fact that they have no way to do so. In a survey, they stated that they look for ways to find information and communicate with their favorite businesses on social networks, when in many cases they are not there. Businesses are, in a sense, not satisfying their customers because they are not doing what consumers are asking them to do, which is to be on social media sites. The consumers also stated that they use social media sites at least once a day, which could provide a lot of exposure for different companies (Gaudin, 2010). Imagine all these companies having a presence on social media sites, but one of them doesn’t. Consumers may be more apt to choose to do business with the company that is online, rather than the one that they know nothing about.

CONCLUSION

There have been many reasons cited why some enterprises have yet to incorporate social media into their business plans and daily operations. The reasons discussed include the deadlock that exists between IT Departments and Business Managers, Security concerns, less engaging CEOs and complications arising from different industries. Whatever the reason, it is crucial that businesses begin to use social computing in the workplace. Research has shown that organizations who incorporate social media have and will be more successful, and those who have yet to do so not as successful. Social media is the new communication platform; it is where most consumers do their research, browse, comment, and shop. Those organizations that fail to catch on to the trend will not be as successful as those who have.
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