

# THE IMPACT OF SOCIAL NETWORKS ON BUSINESS ENVIRONMENT

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## **Abstract:**

*We live in a very shifting world. Fifty years ago, no one could anticipate the path that technology would have reached today, except, perhaps, for SF authors such as Isaac Asimov or, even earlier, Jules Verne. From the nascence of the internet, all information circulates at a very high level. We can find on the internet any information we need, from universal history to recipes, we can watch TV shows, e-mail, “surf the web” or just social-network with other persons. The number of internet users has increased considerably over the last decade due to its availability, improved connectivity and development of new technologies.*

**Keywords:** network, environment, business, social

## **JEL Classification:**

### **1. Introduction**

According to the Internet World Stats<sup>2</sup>, on June 30, 2016, the number of internet users was 3,035,749,340, which is almost 50% of the whole planet's population. In 1995, it slouched at 1%, and between 1999 and 2015 the number of people who are connected to the internet has increased tenfold. This unprecedented evolution has been driven especially by the development and implementation of the capitalist philosophy, which is based on the private property of the means of production. The world became, as Thomas L. Friedman pointed out in his book, flat.

Given these, it has created a favorable framework for the apparition of the online communication platforms that are nowadays widely used for both personal and business purposes. They have radically changed the way people are communicating, connecting them across countries and regions. At the business level, many companies (SME firms, corporations) are currently moving from traditional media channels to social network sites, taking advantage of the opportunities they present and trying to understand how social media can bring value to businesses (they have even created special departments which investigate issues related to company's image in the social-media field), thus being much closer to customers and knowing much better their needs and preferences. For the first time, the companies put the ball in the customers' hands: they now understand that, in order to survive in this field of competition which is specific to market economy, they have to adapt to needs of their customers, not vice-versa. This proper digital era can easily be called the “customer revolution”.

Albeit the launch of many such social-networking platforms, at worldwide level only few sites are widely used, attracting people from around the world: Facebook, Twitter, LinkedIn and Google+.

### **2. Social networks and social media – some definitions**

Encyclopedia of Information Science and Technology<sup>3</sup> defines the *social network* as a small-world network, consisting of a set of individuals (persons, groups, organizations) connected by personal, work and trust relationships. They are usually modeled as graphs, where nodes correspond to social network members, whereas edges denote the relationships existing between them. Social-networking is then a quite broad

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<sup>2</sup> www.internetworldstats.com

<sup>3</sup> *Encyclopedia of Information Science and Technology*, 2<sup>nd</sup> edition, Mehdi Khosrow-Pour, Information Resources Management Association, USA, Volume VII, R-S, 2010

and generic notion, which in the web context might be applied to any kind of virtual community. For instance, users registered to any Web service, such as Web mail, online journals, or newspapers requiring subscription, can be considered a social network.

For Kenneth C. Laudon and Jane P. Laudon<sup>1</sup> social-networking is the practice of expanding the number of one's business or social contact by making connections with individuals. Social networking sites link people through their mutual business or personal connections, enabling them to mine their friends (and their friend's friends) for sales leads, job-hunting tips, or new friends. MySpace, Facebook, and Friendster appeal to people who are primarily interested in increasing their friendships, while LinkedIn.com focuses on job networking.

Members of social networking sites spend hours surfing pages, checking out other members, and exchanging messages, revealing a great deal of information about themselves. Businesses harvest this information to create carefully targeted promotions that far surpass the typical text and display ads found on the Web. They also use the sites to interact with potential customers.

In a nutshell, a social network represents a network of persons with mutual purposes and on these networks people around the world "meet" to communicate with each other quickly, to share various content, activities, states of mind, or to connect with diverse groups at the same time, to see and even to hear.

In order to have a better outlook on the social media context and to be more aware of the real impact it had in our lives, we will present in the below table a short history about how social media evolved, from a rudimentary tool to a very complex and exhaustive one:

**Table no. 1**

**A short history of social media**

<b>Year</b>	<b>Event</b>
1971	E-mail starts through dial-up
1978	Bulletin boards starts with BBS (Bulletin Board Systems)
1978	Web browsers start through Usenet
1994	Apparition of Geocities, one of the first social media applications; bought by Yahoo! in 1999
1994	theglobe.com is founded, allowing users to personalize their online experience
1997	The birth of AOL
1997	sixdegrees.com is launched, allowing profile creation
1999	Blogger is launched; bought by Google in 2003
2002	Friendster is launched
2003	MySpace is launched
2003	LinkedIn is launched
2004	Facebook is launched by a Harvard undergraduate, allowing connection only to other students from within the University [only to other interns]
2006	Twitter is launched
2008	Yahoo! gets offered 1 billion USD to purchase Facebook; offer declined
2010	Facebook beats MySpace in terms of the number of unique visitors/month
2013	Facebook beats Google in terms of web-traffic/week
2014	Twitter celebrated five years and 350 million of tweets/day
2015	Facebook holds its IPO, with a peak market capitalization of 104 billion USD

Source: Reiman, C., *Social media growth and global change*, Chandos Publishing Social Media Series, 2015, pages 1-23

<sup>1</sup> Kenneth C. Laudon, Jane P. Laudon, *Management Information Systems. Managing the digital firm*, 11<sup>th</sup> edition, Pearson Education, 2011

### 3. Social networks – some facts and statistics

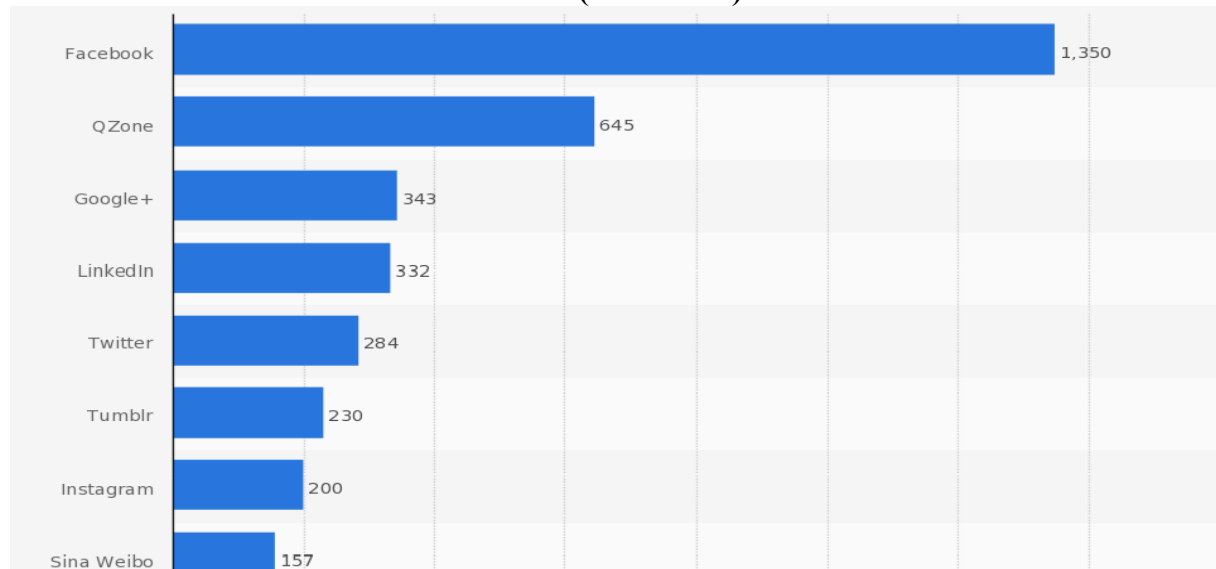
As of November 2015, the social-networking application Facebook – a complex tool by which relationships are built on friendship - the market leader - registered 1.350 billion active accounts, over 200 millions of them being “mobile only” and it is the first social network to surpass 1 billion registered accounts. This number is almost the population of China which ranks as first in the world on the list of most populated countries and is over fourfold the population of the United States. 47% of Americans said that Facebook is their number 1 influencer of purchases, a fact which constitutes a great opportunity for marketers -- 93% of them are using this tool to gain new customers<sup>1</sup>.

QZone is a Chinese social network created in 2005, and is second only to Facebook, with a number of active accounts reaching 645 million.

Google+, ranking third in the classification by active accounts, is the social network which launched by Google in 2013 as a challenger for Facebook. Even though there are 343 million active accounts, the number of total users is over 1.6 billion. A recent study brought to light that Google+ is growing at a 33% per annum, and it will overtake Facebook’s social sharing by 2016<sup>2</sup>.

**Figure no. 1**

**Leading social networks worldwide as of November 2015, ranked by number of active accounts (in millions)**



*Source:* www.statista.com

LinkedIn is the world’s largest professional network, allowing members to build career-orientated relationships, and has a number of 332 million active users as of November 2015 and over 300 million of total users. 41% of LinkedIn visits are via mobile and it has reached a total of 200 countries and territories geographically.

Twitter, which is a relatively simple micro-blogging service in which interactions are normally based on mutual fitting, being the most immediate of the big social networks, had in November 284 millions of active accounts with a number of over 1 billion of total users. According to statistics released by Twitter, 500 million of tweets are sent per day, being the equivalent of a 20 million-page book. However, 44 percent of users have never sent a tweet.

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<sup>1</sup> www.jeffbullas.com

<sup>2</sup> www.marketingland.com

Tumblr, a micro-blogging platform and a social network held by Yahoo! was founded in 2007, having up till now about 230 million active users, and hosting over 213 million blogs and more than 97 billion posts in total.

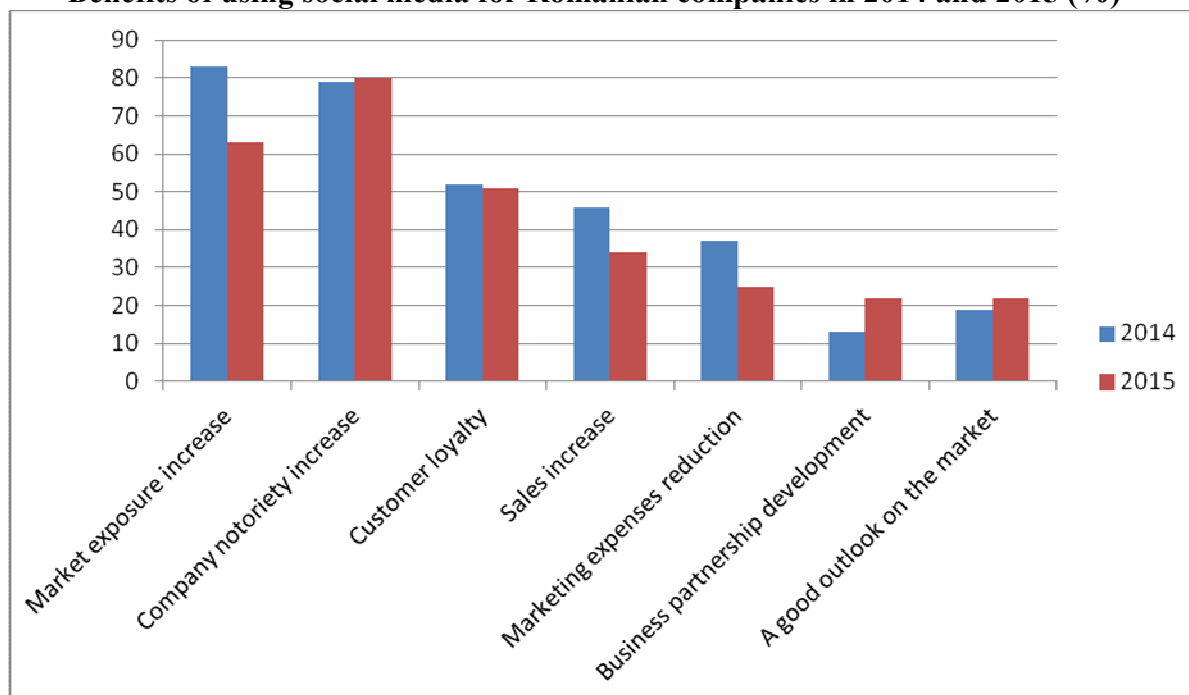
#### 4. Social networks and business environment

Company environment has dramatically changed in the last ten years, now possessing diminished control over services, products or brands, as the customers' power and wisdom to dictate the rules of selling, management strategy, and thus the organization's reputation itself, increased considerably. Consumers are no longer passive observers in the business landscape. Using social networks, people can discuss freely and assert their opinions and experiences concerning different products or services; they can express their dissatisfaction, ask for advices or figure the ideal product they would like to have. Nowadays, the other customers' opinions have become the main benchmark in terms of propensity and intention to buy something, overcoming all the expensive advertising the companies pay for. Hence, firms can take advantages of this by monitoring all the ideas and knowledge-exchanges now available from customer profiles and activities, as well as by trying to improve the products and services they provide and to deliver customized products, according to the customers' needs. Practically, they can avail onself of an opportunity to have a market research absolutely free.

A recent study carried out by the EY România on 209 Romanian companies within different industries revealed that in 2015 only 58% of the respondents are using social networks to promote their company and that they are also going to use them in the future, a percentage which decreased from 2014 (78%). The most utilized social networks in this respect are Facebook (93%), LinkedIn (61%) and Google+ with 31%, respectively. The main benefits of using social media the respondents identified can be seen in the following figure:

**Figure no. 3**

**Benefits of using social media for Romanian companies in 2014 and 2015 (%)**



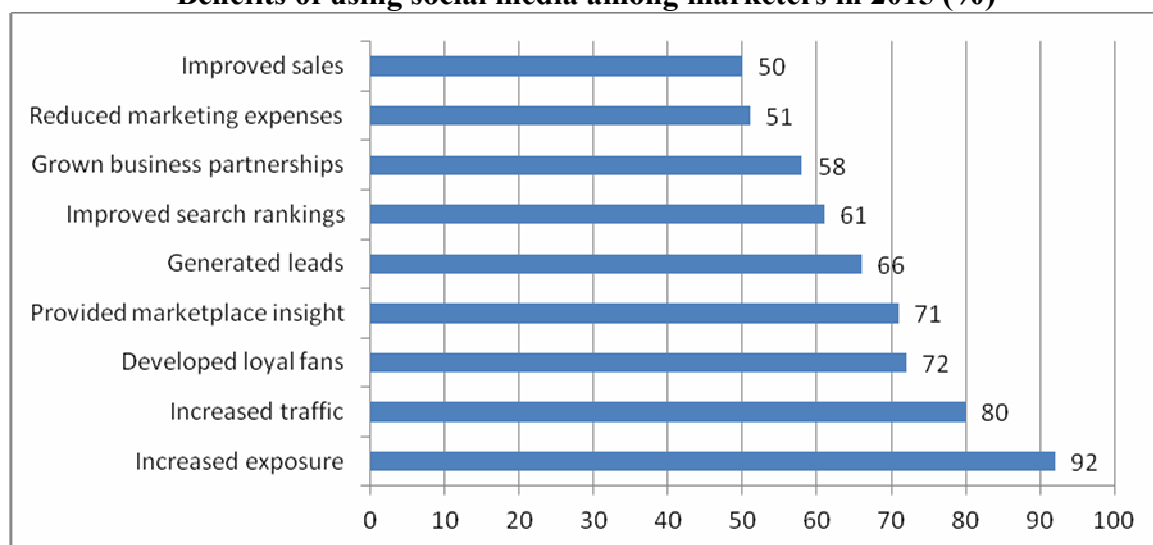
*Source: Social media și mediul de afaceri românesc, 2015, [www.eyromania.ro](http://www.eyromania.ro)*

As noted above, the main advantages of using social media for Romanian companies have increased the presence on the market (83% in 2014 and 80% in 2015, respectively), the company's notoriety (79% in 2014 and 63% in 2015, respectively), and customer loyalty (52% in 2014 and 51% in 2015, respectively). Other important benefits are the increase of customer traffic on their web-sites (52% in 2014) and new sales opportunities (54% in 2015). It is worth noting that 42% of Romanian companies invested less than 1,000 EUR for social network promotion and that for only 8% of them the amount was greater than 10,000 EUR. Also, 54% of Romanian companies have spent between 1 and 5 hours in 2015 on company promotion through social networks, and only for 3% of them the amount of time was greater than 40 hours.

Another study – *2015 Social Media Marketing Industry Report – How Marketers Are Using Social Media to Grow Their Businesses* – surveyed over 2,800 worldwide marketers aiming to discover how they are using social media to promote their companies. A major percentage of respondents (92%) answered that they place very high value on social media concerning their businesses, an increase with 6% from the previous year. The most used social platforms among marketers are Facebook (94%), Twitter (83%) and LinkedIn (71%). Google+ is used by 55% of marketers, but 65% of them want to learn more about it and 61% of them intend to use Google's platform more in 2016. This confirms the trend revealed above concerning Google+, that in 2016 the number of social sharing using Google+ will exceed that of Facebook. In terms of the benefits of using social media, the survey identified the following:

**Figure no. 4**

**Benefits of using social media among marketers in 2015 (%)**



*Source: 2015 Social Media Marketing Industry Report, [www.socialmediaexaminer.com](http://www.socialmediaexaminer.com)*

As we can see, a major percentage, of 92 of marketers, said that their efforts through social media have generated an increased exposure for their business. Concerning developing loyal fans, 72% of respondents considered this an important objective for them, but while 77% of B2C marketers were likely to develop a loyal fan base via social media, only 64% of B2B marketers considered the same.

Social networks may be useful for management to gain faster contact with subordinates. "Classical" tools to send messages nowadays might be an obstacle when there are important decisions to be made, so that social networks provide an appropriate way to better communication between employees and managers, cutting down the time.

Concerning use of social networks for company-specific purposes by employees, there are also some worries for the managers, regarding:

- perceived loss in staff productivity;
- data leakage;
- worsening of company reputation;
- open access to company information, due to employees' negligence toward passwords.

## 5. Conclusions

Social media has become an integral part in the mechanism of a company. Practically, each firm which are concerning on its image and want to develop a better relationship with its clients has an account on a social network, being preoccupied with what they want, need and desire. This could be a win-win situation for both company and customers. But there is also a reverse side of a coin: some customers' dissatisfactions could influence others in process of buying a product or service. Therefore, social media is a two edged sword for a company. To sum up, social networks are not using today very widely by companies to increase their business performance, but for they which are using, Facebook, Twitter or LinkedIn have changed their environment, connecting more closely to customers, knowing much better their preferences and thus gaining competitive advantages.

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