Social Media, Networking, and Marketing Performance:
A Study of Social Enterprises in Hong Kong

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ABSTRACT

Over the past few years, the number of social enterprises has been increasing in Hong Kong. The marketing performance of these social enterprises, however, are found to be problematic. Although some studies have investigated the ways for improving marketing performance of social enterprises through launching various marketing activities, this is surprising that the roles of social media and networking are lacking attention in the literature. In this conceptual paper, we aim at investigating how the implementation of these cost-effective marketing activities, namely (i) social media and (ii) networking, may improve the marketing performance of social enterprises in Hong Kong.

Keywords Social enterprise; Social media; networking, Facebook
1. INTRODUCTION

Apart from the goal of profit maximization, there are some businesses that stress the objective of enhancing social well-being and maintaining ethical standards as being equal or more important than achieving financial goals. The number of these businesses, categorized as social enterprises, have been increasing in Hong Kong. According to the Power of Good (2013), the number of operating social enterprises is steadily increasing over the years, with the numbers being increased from 222 in 2008 to 406 in 2013. The business models, apart from the non-governmental organization, are self-sufficient since they operate without the long-term financing of government. In the first two to three years, social enterprises are allowed to apply for a government funding that is up to HK$3,000,000 for operational use (Home Affairs Department, 2014).

Despite the rising trend of social enterprise, their marketing and business performance was not as ideal. Twenty-four out of fifty-six social enterprises which announced their financial records in 2011 reported a deficit (Social Enterprise Insights, 2013). Additionally, 50% of social enterprises suffered a loss or closed down at the fourth year of operation (Fullness Social Enterprises Society, 2015). For the social enterprises that did not receive government funding, their business conditions were even worse. The increasing number in social enterprise operations is mainly due to the increasing numbers of new social entrepreneurs. The average sustainability of social enterprises in Hong Kong is relatively low compared to some other countries. For example, 1061 social enterprises in Britain generated £11,300,000,000 with an average growth rate of 84% in 2013 (Social Enterprise Insights, 2013). Although 43% of these social enterprises in Britain experienced a lower growth rate compared to the previous year, business sustainability was not a problem to them. Social enterprises in Britain, unlike those in Hong Kong, have the ability to grow even when 68% of
small businesses in Britain (including both traditional business and social enterprise) were experiencing a slip down in their financial performance (Social Enterprise Insights, 2012).

Given these poor business performance figures, there is an urgent need for social enterprises to improve their marketing performance, such as attracting more consumers by creating and maximizing brand awareness. This is, however, difficult for social enterprises to do so due to their limited marketing budget, which determines how well they may communicate their messages to their target customers. The effectiveness of communication can be reflected by the perception of consumers towards a brand (Till et al. 2011). One characteristic that most social enterprises share is a comparatively high price of the products they sell. For example, Divine Chocolate, a fair trade chocolate company, sells their chocolate bars at a price that is about 15-20 percent higher than the “mainstream” chocolate bars in the market (Thompson, 2008). If the target customers do not know which community a social enterprise is helping, how the improvements in the community may be felt, or what social impact could be made, this is difficult, if not impossible, for them to pay a higher price for the same product or service provided by a social enterprises.

From a marketing perspective, social media marketing is a cost effective tool for small businesses (Tariq and Wahid, 2011). This is a relatively low-cost medium for increasing brand exposure, connecting with potential customers, and maintaining brand loyalty from existing customers. In exchange of the benefits, the financial cost and working hours needed to create and maintain the social media projects are minimal (Nuria, 2011). On the other hand, social enterprises in Hong Kong are provided with networking platforms, such as the Fullness Social Enterprise Society, Social Enterprise Summit, and The Hong Kong Council of Social Service. All these networks proactively create marketing platforms and opportunities for
social enterprises to explore for business opportunities.

The two comparatively low cost marketing means, namely, social media and networking, are addressed in this research. This study aims at exploring how these factors affect the marketing performance of social enterprises. Specifically, the following two research questions are addressed in this study. First, how social media improves the marketing performance of social enterprises in Hong Kong? Second, how networking improves the marketing performance of social enterprises in Hong Kong.

2. LITERATURE REVIEW

2.1 Defining Social Enterprises

The concept of social enterprise started in the early to mid-1990s, which emerged from the ideas of social entrepreneur and social entrepreneurship (Defourny and Shin-Yang, 2011). A social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviors to deliver a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable (Abu-Saifan, 2012). Social entrepreneurship is an approach to earn income with the essential element of social mission (Galera and Borzaga, 2009). Social enterprise strive to promote the economic environment, social environment and environmental well-being (Cornelius and Wallance, 2013).

Social enterprise consists of five different aspects including, (i) worker and/or community ownership of the enterprise that offering certain degree of workers ownership; (ii) social and commercial aims that are bound to provide benefits to community with self-sufficient financial sustainability; (iii) co-operative management that empowers workers as a democratic management structure; (iv) social, environmental and financial benefits that create social
wealth with profits generated; and (v) the subordination of capital to the interests of labor that
capital ownership not being the major influencer in the decision making process (Ridley-Duff
and Southcombe, 2012). Social enterprise can also be defined as a business with primarily
social objectives whose surpluses are principally reinvested for that purpose (Ridley-Duff,
2008). Reinvestment is not only restricted to monetary form like a donation or a salary
increase of the staff. Reinvestment includes strengthening the business model and marketing
investment to achieve a sustainable business structure, which can generate higher potential
social benefit in the long-term. However, the less attention paid on profit maximization
sometimes lead to an undesirable business performance. A simple logic is that one longer
operated social enterprise has a higher possibility to generate more awareness in long-term
and have more social impact to the community it is contributing to.

2.2 Social Enterprise Performance
Social enterprises in the United Kingdom make an increasingly important and significant
contribution to UK communities and economies (Mason et al. 2007). There are four common
themes relevant to social enterprises in the aspect of entrepreneurial marketing identified from
interviewees in 80 UK social enterprises: (i) opportunity recognition; (ii) entrepreneurial
effort; (iii) entrepreneurial organizational culture and (iv) networks and networking (Shaw,
2004). Social enterprise in Europe, albeit different among regions, are making significant
breakthroughs with rising public attention. Social enterprises in East Asian countries,
compared with European countries, have been developing late and receiving more regulating
policy and associated funds by the state power. (Defourny and Nyssens, 2008). In United
States, social enterprises normally have a more profit-driven pattern to be self-sufficient that
they can also have a broad range of nonprofit activities with innovative approaches (Kerlin,
2006). In South Korea, the political and legal context, along with the Social Enterprise
Promotion Act, brings a significantly positive influence to social enterprise (Bidet and Hyung-Sik, 2011). Despite the continuous success of social enterprise in other regions, the business performance of social enterprises in Hong Kong, albeit improving, is not as sustainable as them. In the first ten years of social enterprises operating in Hong Kong, 55% of them ceased operation (Fullness Social Enterprises Society, 2015). Given that social enterprises not only focus on profit maximization, their financial records should not be the only indicator for their successfulness. Marketing performance, such as the level of public awareness, should also be an important factor in measuring the successfulness of a social enterprise (Diochon and Anderson, 2009). A social enterprise that can generate more public awareness is more likely to achieve better business performance, so to survive longer in the business. While business performance can be affected by many uncontrollable environmental factors (e.g., the overall economic environment, competitors’ marketing activities, etc.), this is critical for social enterprises to find ways to improve their marketing performance by launching cost-effective marketing campaigns.

2.3 Social Media as a Marketing Tool
Social media is a media for social interaction using the web-based mobile technologies (Bhanot, 2012). It becomes mandatory because of the increased power that has been acquired by consumers as a whole (Smedescu, 2013). Social media helps social enterprises to govern communication, collaboration and knowledge management (Hoyt, 2012). There is a pressing need for different kinds of firms to utilize social media to improve the quality of their customer relationship management (CRM) program (Peltier et al. 2013). Social media is also a great channel for spreading e-word-of-mouth (eWOM) (Wolny and Mueller, 2013). As a current trend, advertisements are now having a tendency to go virtual to acquire media exposure (Jin, 2013). It can be a means of self-definition and self-expression (Minton et al.
2012). However, it is noted that consumers who “liked” a brand on Facebook, a social media channel, do not necessarily imply that they really appreciated or liked the brand (Naylor et al. 2012). Social media, as a tool increasingly used by corporations, can become a time wasting activity if it is misused (Sirichanaroen, 2012). For instance, Carolyn and Parasnis (2011) suggested that the perception gap between what consumers seek via social media and what companies offer is large. So, this signals a significant challenge for social enterprises to use social media in a cost-effective way to promote their business, so to improve their marketing performance.

2.4 Social Enterprise Networking

Networking refers to the activities of engaging in networking behaviors. Attempting to develop and maintain relationships with others who have the potential to provide work or career assistance, is considered to be an important networking management strategy (Forret and Dougherty, 2004). Networking competencies on developing a range of alliances and collaborative partnerships can be considered as a competitive advantage to firms (Freeman, 2006), while strategic networking can strengthen the infrastructure of social enterprises (Mawson, 2010). For instance, a strong channel networking capability was found to have a positive relationship with firm innovations (Boso et al. 2013).

Marketing networking in small-and-medium-sized enterprise (SME) is defined as the network processes that are undertaken by SME owner-managers in managing their marketing activities (Carson et al. 2004). For example, in the marketing network of fair trade, social enterprises joining this network are offered with opportunities to expand into foreign markets for selling their fair trade products (Alexander and Nicholls, 2006). Another type of networking is called social network, which allows cross-company, regional and functional sharing of market
knowledge among organizations (Day, 2011). The internet era had led to the rise of internet social networking. Internet social networking can be done through a small group of founders of social networking sites, who sends out invitation to recruit new members and to conduct joint-member activities (Trusov et al. 2009). The success of internet social networking can be assessed based on the number of users and their respective activeness. The more the number of users and their activeness on the social networking sites, the more success of such internet social marketing activities.

In Hong Kong, one of the networks available for the social enterprises to join is called the Social Enterprise Summit. This is a networking platform for social enterprise leaders to gather up and share their ideas about maximizing their impacts in the society (Shah, 2009). This is a networking channel, an information sharing platform, and a window of opportunity for social enterprises to develop potential partnership with each other. Another networking platform available to social enterprises in Hong Kong is the Ethical Consumption Month. This is a joint-social enterprise promotion campaign, providing both promotion platform and internet networking opportunities to its social enterprise members.

3. PROPOSITION DEVELOPMENT

3.1 Social Media and Marketing Performance

A browse in Facebook, a social media channel, shows numerous advertisements of various social enterprises in Hong Kong. Another social media channel that reaches many youngsters in Hong Kong, namely Instagram, is also commonly used as a promotion channel for many social enterprises. Although a number of studies suggested that there is a risk of misusing social media, leading to a potential waste of time or human resource effort in managing the social media channels (e.g., Carolyn and Parasnis 2011; Naylor et al. 2012; Sirichanaroen,
2012), using social media to promote a social enterprise is inevitably a low-cost way of promotion. Comparing to placing advertising on television, radio, or magazines (i.e., the traditional marketing channels), the cost of posting an advertising on a company’s Facebook page or on some other social-media platforms (e.g., discussion forums of the specific business operations) still appears to be much more affordable.

Given that social media channels such as Facebook and Instagram are so popular in Hong Kong, promoting a social enterprise using such social media platforms will possibly create a high level of public awareness and expanding the reach to their target customers. Social enterprise itself is already a symbol of positive social value in the perception of consumers. Compared with improving their likability, increasing public awareness seems to be more important to them. Furthermore, social media weakens the geographic boundaries of information sharing. The marketing messages of social enterprises can be delivered to other regions.

Social enterprises, different from ordinary companies, have their own social objectives of contributing to the community. The bigger social impact a social enterprise creates to the society, the higher level of public awareness (i.e., better marketing performance). So, marketing activities with positive social value being promoted on social media can potentially draw more attention and admiration from target customers. Hence, we propose that:

**Proposition 1:** The use of social media is positively related to the marketing performance of social enterprises in Hong Kong.
3.2 Networking and Marketing Performance

A review in the networking literature suggests that networking has positive impacts on a firm’s ability to get assistance from its network (or, alliances) (Forret and Dougherty, 2004), and would strengthen the infrastructure of a social enterprise (Mawson, 2010). It is also found that a strong networking capability was positively related to a firm’s innovation level (Boso et al. 2013). Day (2011), furthermore, stated that network partners with strong marketing capability shall improve the adaptive capability of a firm, which is beneficial to its ability to respond to the changing market environment. Having said that, however, the distrust within the social enterprise network could become a barrier during the co-operation among social enterprises (Seanor and Meaton, 2008). This signals a need to investigate the networks available to the social enterprises in Hong Kong, not only in terms of how many networks available to them, but also in terms of the quality of these networks. How the networks work for the social enterprises? What are the potential effects of networking on the marketing performance of social enterprises in Hong Kong?

Marketing performance, as discussed, is related to how well a company gets customer’s attention (e.g., in terms of public awareness) and satisfying customers. This is likely that a firm with innovative ability will have a higher ability in catching customer attention (i.e., increasing public awareness), and giving prompt response to the changing customer needs and wants. While networking was found to improve a firm’s innovative ability (Boso et al. 2013), networking shall possibly improve the marketing performance of a social enterprise as well. Networking between social enterprises can potentially generate a higher level of synergy than the networking between ordinary companies. Since the missions of social enterprises, albeit different in details, are creating positive value to the society. Theoretically, they are more compatible to build a mutually beneficial business relationship with each other.
In the context of Hong Kong, there are a number of quality networks available to the social enterprises, such as the Social Enterprise Summit, Fullness Social Enterprise Society, and The Hong Kong Council of Social Service. These networks provide gathering opportunities for social enterprise leaders to share their ideas on running their businesses, hence, enhancing their ability to get support from their alliances. This is critical to improving marketing performance because social enterprises joining such networks shall receive latest information on their potential customer and the market. They may even get support from their alliances in terms of the troubles that they are facing. Another kind of network, namely, the Ethical Consumption Month, provides a joint-promotional platforms and internet networking opportunities to the social enterprise members. Such joint-promotional platforms are likely to generate much more attention from the public than any individual promotional activity run by a social enterprise, increasing the effectiveness of promotion. Considering the fact that many social enterprises in Hong Kong reported that they are lacking marketing expertise, networking therefore appears to be one of the important factor in improving marketing performance. Therefore, we propose that:

**Proposition 2:** Networking is positively related to marketing performance for social enterprises in Hong Kong.

**4. CONTRIBUTIONS**

In terms of theoretical contributions, this research examined how social enterprises in Hong Kong use social media and networking as their marketing activities. Based on the observations, the current study proposed two propositions about the positive relationships between social media, networking, and marketing performance. This shed light on possible future research directions, future studies may conduct interviews with social entrepreneurs in Hong Kong, to discuss with their views and actual experience with using social media and
joining different marketing networks to improve their marketing performance. As for practical contributions, social enterprise managers may take our suggestions to use social media to promote their business, paying particular attention to customer preferences and their changing needs and wants, so to better attract target customers. Social entrepreneurs shall also join different marketing networks, increasing the likelihood to receive latest marketing information and receive support from their alliance.

5. CONCLUSIONS

To increase public awareness and enhance marketing performance, social media and networking appears to be the cost-effective ways to achieve these purposes. Launching effective social media activities requires social enterprise managers to pay attention to the market, and respond to the changing customer taste promptly. It explores potential markets by increasing public awareness in a viral channel. To achieve this, joining marketing networks seems to be one of the best ways to help the social entrepreneurs to tap into such market knowledge source. By joining different marketing networks, social entrepreneurs are connected with business partners with similar objectives (i.e., enhancing social well-being through running their social enterprises), and they are given opportunities to share ideas and get support from each other. It allows them to create a mutually beneficial relationship. So, social enterprises in Hong Kong are recommended to use these two methods to improve their marketing performance, which are likely to enhance their marketing performance in long term.
6. REFERENCES


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