The business value of social media: A dynamic managerial capabilities perspective

Research in Progress

Siddharth Gaurav Majhi
Indian Institute of Management Ranchi
Ranchi, India
Email: siddharth.majhi16fpm@iimranchi.ac.in

Arindam Mukherjee
Indian Institute of Management Ranchi
Ranchi, India
Email: arindam.m@iimranchi.ac.in

Ambuj Anand
Indian Institute of Management Ranchi
Ranchi, India
Email: ambuj@iimranchi.ac.in

Abstract

In the last decade and a half, social media usage has become ubiquitous in the workplace. Prior research has noted both the benefits as well as the potential pitfalls of allowing employees to use social media during work hours. In this research-in-progress paper, we propose a conceptual model that shows how the use of social media may help in the enablement of dynamic managerial capabilities by enhancing the managerial social capital. Thus, this paper adds to the literature on the business value of social media. This paper also shows how two distinct types of social media (i.e., public social media and enterprise social media) play complementary roles in the enhancement of managerial social capital, and consequently, in the enablement of dynamic managerial capabilities. Managerial implications are also discussed.

Keywords Dynamic managerial capability, Social capital, Social media, Business value of IT, Dynamic capability

1 INTRODUCTION

Social media is defined as "a group of internet-based applications that build on the ideological and technological foundations of Web 2.0" which, due to its social and interactive nature, enables the creation and exchange of user-generated content (Kaplan and Haenlein 2010: 61), allows two-way information exchange between individuals or groups (Fusi and Feeney 2018), and supports interpersonal communication and collaboration (Kane et al. 2014). Firms use social media for communication with customers and suppliers, the building of relationships and trust, identification of prospective trading partners, promotion of brands, and creation of brand communities (Kaplan 2012; Wang et al. 2016). Prior studies have established various benefits of social media (Huang et al. 2015; Tajudeen et al. 2018). However, some studies have also noted the negative impact of social media on employees, due to misuse of resources and time, and violation of the standard operating procedures of the organization (Kühnel et al. 2017). Such apprehensions have led many firms to ban social media applications from the workplace (Ali-Hassan et al. 2015). Hence, there is an ongoing debate about the role of social media usage in the workplace in adding business value to a firm. In this paper, we add to this discussion by conceptualizing the role of social media usage in enabling dynamic managerial capabilities (managerial sensing and seizing capabilities). Thus, the first research question addressed in this study is:

- How does the usage of social media in the workplace enable dynamic managerial capabilities?

Some researchers have noted that "most of the studies of the organizational uses of social media have primarily focused on a single social technology, often in isolation" (Jarrahi and Sawyer 2013: 112). This paper addresses this research gap by investigating the complementary roles played by two distinct types of social media (i.e., public social media and enterprise social media) in enhancing managerial social capital, and in turn, the dynamic capabilities of managers. Thus, the second research question addressed in this study is:

- What are the roles played by public social media and enterprise social media in enabling dynamic managerial capabilities?

We have organized the remainder of this research-in-progress paper as follows. First, we review the extant literature in order to hypothesize relationships between social media usage, managerial social capital, and dynamic managerial capabilities. Then, we provide the proposed conceptual framework, before noting the research methodology and the unfinished work, and finally concluding the paper.

2 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

In the section, we briefly describe the concepts of public social media, enterprise social media, managerial social capital, managerial sensing capability, and managerial seizing capability. Then, we proceed to hypothesize the relationships between these constructs.

2.1 Dynamic Managerial Capabilities

Extant research has identified the critical role of managers in the dynamic capabilities framework (Augier and Teece 2009). Dynamic managerial capabilities are defined as "the capabilities with which managers build, integrate, and reconfigure organizational resources and competences" (Adner and Helfat 2003: 1012) and as "the capacity of managers to create, extend, or modify the resource base of the organization" (Helfat et al. 2007: 3). Prior research has identified managerial cognition (Huff 1990), managerial social capital (Burt 1992), and managerial human capital (Becker 1964) as the managerial processes which underpin dynamic managerial capabilities. Following the popular conceptualization of Teece (2007), recent research has conceptualized dynamic managerial capabilities in terms of managerial sensing capability, managerial seizing capability, and managerial reconfiguring capability (Kurtmollaiev et al. 2018).

2.2 Social Capital

Social capital is a result of social relationships and has the potential to grant or enhance influence, control, and power, and thus may also help in transferring resources and information from one setting to another (Adler and Kwon 2002). In the *intra-organizational context*, social capital is defined as "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit" (Nahapiet and Ghoshal 1998: 243). Social capital comprises valuable resources used within a social context, such as *social interaction ties*,

trusting relationships, and *value systems*, which are crucial in various fields for facilitating certain activities conducted within a social context (Tsai and Ghoshal 1998).

Social capital exhibits a duality at the group and individual levels (Wasko and Faraj 2005). At the group level, it reflects the affective nature and quality of relationships, while on the individual level, it facilitates an actor's actions and reflects their access to network resources (Putnam 2000). In this paper, we differentiate between *intra-organizational managerial social capital* and *extra-organizational managerial social capital*, depending on the context lying inside or outside the boundary of the firm, respectively.

2.3   Public Social Media and Managerial Social Capital

Public social media use enhances managerial social capital by enhancing trust (Cao et al. 2012), positively changing external interactions of managers (Ke et al. 2017), and improving the accessibility and mobilization of resources embedded in the social network of a manager (Pena-López and Sánchez-Santos 2017). Also, public social media allows managers to connect with people beyond their immediate social networks (Jarrahi and Sawyer 2013). Public social media use increases both the expressive and the instrumental social ties of managers, thus enhancing their structural social capital (Ali-Hassan et al. 2015). Social media use enables the development of relational social capital by generating trusting relationships (Gulati 1995), allowing repeated interactions and social exchange (Blau 1964), supporting the development of familiarity and bonds (Hsu et al. 2007), and the leveraging of relational social capital by virtue of common ties (Levin and Cross 2004).

Thus, public social media usage has an impact on a manager's social capital both within and outside the organization. Hence, we hypothesize:

> **H1a:** Public social media usage enhances intra-organizational managerial social capital

> **H1b:** Public social media usage enhances extra-organizational managerial social capital

2.4   Enterprise Social Media and Managerial Social Capital

Apart from how public social media enhances managerial social capital, other ways are specific to enterprise social media. For example, the use of enterprise social network sites (ESNs) leads to "identity warranting" by the exposure of co-workers' social network, and this is found to signal credibility and build trust (Ellison et al. 2015). Online communication reinforces the positive effect that close ties in the workplace have on job performance (Zhang and Venkatesh 2013). Using social media such as internal blogs, managers can leverage the shared knowledge distributed across the organization, which can enable them to react adequately to emerging business opportunities or changing environmental conditions (Guo et al. 2017). Social media usage in the organization can enhance knowledge management by facilitating sharing of tacit knowledge, facilitating sharing in bottom-up processes, facilitating sharing among geographically distributed teams, assisting in the building of organizational memory, easing the capture of knowledge in working contexts, increasing the faith of people that they will find the knowledge they are looking for, and increasing intra-organizational trust (Levy 2013).

Enterprise social media is used within the organization and hence, does not affect the extra-organizational social capital. Hence, we hypothesize:

> **H2:** Enterprise social media usage enhances the intra-organizational managerial social capital

2.5   Managerial Social Capital and Dynamic Managerial Capabilities

Extra-organizational managerial social capital represented in the form of *weak social ties* (Granovetter 1973) and *friends of friends* (Boissevain 1974) helps provide access to non-redundant knowledge (Nahapiet and Ghoshal 1998) and more diverse information (Burt 1992). This may help in environmental scanning and the subsequent identification of new opportunities ahead of the competition and thus enhance the managerial sensing capability (Adner and Helfat 2003; Helfat and Martin 2015). Also, extra-organizational social capital helps in active patrolling of user-generated content and trends (Berinato 2010), enabling access to marketplace information (Schweidel and Moe 2014), and allowing more effective communication between businesses (Michaelidou et al. 2011). Once opportunities are identified, extra-organizational social capital (i.e., social ties outside the organization) may aid in the managerial process of locating relevant resources (such as financing and skilled personnel) that lie outside the organization's boundaries but are essential in seizing the identified opportunity (Helfat and Martin 2015). Hence, based on the dynamic managerial capabilities perspective, we hypothesize:

> **H3a:** Extra-organizational social capital enhances the managerial sensing capability

H3b: Extra-organizational social capital enhances the managerial seizing capability

Formal and informal work relations fostered due to intra-organizational social capital creates a network for managers to access information and other resources within the organization (Adner and Helfat 2003). Also, this facilitates knowledge inflows within the organization, and prior research has identified the role of such inflows (mainly bottom-up) in allowing managers to sense new opportunities (Mom et al. 2007). Intra-organizational social capital also helps in seizing the sensed opportunities by aiding in *expert locating* (i.e., finding a person with the relevant expertise) and *expertise locating* (i.e., finding a relevant piece of information). Advantageous positions in internal social networks help in gaining power and influence that help in seizing of opportunities through alterations in structure, personnel, and physical assets (Helfat and Martin 2015). Hence, we hypothesize:

H4a: Intra-organizational social capital enhances the managerial sensing capability

H4b: Intra-organizational social capital enhances the managerial seizing capability

Also, for managers to be able to seize new opportunities, these opportunities must first be identified and sensed. Hence, we hypothesize:

H5: Managerial sensing capability is positively associated with the managerial seizing capability

Based on the hypotheses developed above, we propose a conceptual framework (see Figure 1) that will be validated empirically.
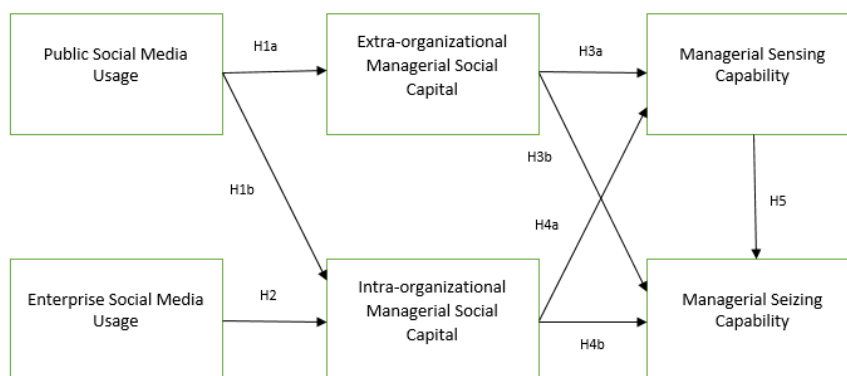

Figure 1: Proposed Conceptual Framework

3 METHODOLOGY

We use a quantitative survey-based approach to test the relationships hypothesized in this study. To create the survey questionnaire, we adapted existing scaled from academic literature. To ensure content validity, five academics and two practitioners were asked to evaluate the adapted survey instrument, and the changes suggested by them were incorporated. Table 1 lists the constructs, number of items for each construct, and the sources from which these items were adapted. Due to the paucity of space, the item-level details of each scale are not included in this paper. They are available from the authors on request.

The proposed sample for this study consists of experienced managers (experience > 15 years) who use social media for work-related purposes and are responsible for strategic decision-making in their organization. We control for age, gender, highest education level, industry, and total work experience. PLS-SEM will be used to test the proposed model. To test the validity and reliability of the adapted scales, we collected data from an initial sample of 94 respondents drawn from the sampling frame. The results are reported in Table 1. All scales are valid and reliable. Discriminant validity was also confirmed using the Fornell-Larcker criterion and HTMT (heterotrait-to-monotrait) ratio.

Construct	# items	Source(s)	CR	AVE
Public Social Media Usage	6	Ali-Hassan et al. (2015); Cao and Yu (2019); Cui et al. (2018)	0.847	0.523
Enterprise Social Media Usage	6	Cai et al. (2018); Ou and Davison (2011)	0.885	0.570
Intra-Organizational Social Capital	6	Chiu et al. (2006); Ali-Hassan et al. (2015); Yu et al. (2013)	0.888	0.573

Construct	# items	Source(s)	CR	AVE
Extra-Organizational Social Capital	6	Ellison et al. (2007); Williams (2006); Karikari et al. (2017)	0.880	0.553
Managerial Sensing Capability	5	Kurtmollaiev et al. (2018)	0.861	0.555
Managerial Seizing Capability	3	Kurtmollaiev et al. (2018)	0.829	0.619

Table 1. Construct details, reliability, and validity

4 CONCLUSION

The main objective of this study is to investigate the role of social media usage (both public as well as enterprise) in enabling dynamic managerial capabilities (managerial sensing and managerial seizing capabilities). This study will contribute to academic literature in several ways. First, it adds to the literature on the business value of a specific type of IT, i.e., social media. Thus, it provides evidence of the strategic impact of social media. Second, this study offers a perspective on the complementary roles played by public social media use and enterprise social media use in enabling managerial social capital, and consequently, dynamic managerial capabilities. Finally, this study adds to the scant literature that investigates the role of IT in the enablement of dynamic capabilities at the managerial level, in contrast to the large number of studies investigating this phenomenon at the level of firms (Mikalef and Pateli 2017) or a particular process such as new product development (Pavlou and El Sawy 2006).

This study is also relevant to managers. By showing the benefits of social media, this study allays fears concerning the loss of employee productivity due to social media use. Thus, this study argues against the banning of social media tools in the workplace, which has become a common practice in the recent past (Ali-Hassan et al. 2015).

5 REFERENCES

Adler, P. S., and Kwon, S.-W. 2002. "Social Capital: Prospects for a New Concept," *Academy of Management Review* (27:1), pp. 17–40.

Adner, R., and Helfat, C. E. 2003. "Corporate Effects and Dynamic Managerial Capabilities," *Strategic Management Journal* (24:10), pp. 1011–1025.

Ali-Hassan, H., Nevo, D., and Wade, M. 2015. "Linking Dimensions of Social Media Use to Job Performance: The Role of Social Capital," *The Journal of Strategic Information Systems* (24:2), pp. 65–89.

Augier, M., and Teece, D. J. 2009. "Dynamic Capabilities and the Role of Managers in Business Strategy and Economic Performance," *Organization Science* (20:2), pp. 410–421.

Becker, G. 1964. *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, New York: Columbia University Press.

Berinato, S. 2010. "Six Ways to Find Value in Twitter's Noise," *Harvard Business Review* (88:6), pp. 34–35.

Blau, P. 1964. *Exchange and Power in Social Life*, New York, NY: John Wiley & Sons.

Boissevain, J. 1974. *Friends of Friends*, Oxford: Basil Blackwell.

Burt, R. S. 1992. *Structural Holes: The Social Structure of Competition*, Cambridge, MA: Harvard University Press.

Cai, Z., Huang, Q., Liu, H., and Wang, X. 2018. "Improving the Agility of Employees through Enterprise Social Media: The Mediating Role of Psychological Conditions," *International Journal of Information Management* (38:1), pp. 52–63.

Cao, X., Vogel, D. R., Guo, X., Liu, H., and Gu, J. 2012. "Understanding the Influence of Social Media in the Workplace: An Integration of Media Synchronicity and Social Capital Theories," in *45th Hawaii International Conference on System Sciences. Hawaii*, pp. 3938–3947.

Cao, X., and Yu, L. 2019. "Exploring the Influence of Excessive Social Media Use at Work: A Three-Dimension Usage Perspective," *International Journal of Information Management* (46), pp. 83–92.

Chiu, C.-M., Hsu, M.-H., and Wang, E. T. G. 2006. "Understanding Knowledge Sharing in Virtual Communities: An Integration of Social Capital and Social Cognitive Theories," *Decision Support Systems* (42:3), pp. 1872–1888.

Cui, X., Yang, X., Liu, L., Cun, X., and Hu, D. 2018. "The Role of Social Media Usage in Enhancing Team Members' Trust and Team Creativity," in *PACIS 2018 Proceedings*, Paper 227.

Ellison, N. B., Gibbs, J. L., and Weber, M. S. 2015. "The Use of Enterprise Social Network Sites for Knowledge Sharing in Distributed Organizations," *American Behavioral Scientist* (59:1), pp. 103–123.

Ellison, N. B., Steinfield, C., and Lampe, C. 2007. "The Benefits of Facebook 'Friends:' Social Capital and College Students' Use of Online Social Network Sites," *Journal of Computer-Mediated Communication* (12:4), pp. 1143–1168.

Fusi, F., and Feeney, M. K. 2018. "Social Media in the Workplace: Information Exchange, Productivity, or Waste?," *The American Review of Public Administration* (48:5), pp. 395–412.

Granovetter, M. S. 1973. "The Strength of Weak Ties," *American Journal of Sociology* (78:6), pp. 1360–1380.

Gulati, R. 1995. "Does Familiarity Breed Trust? The Implications of Repeated Ties for Contractual Choice in Alliances," *Academy of Management Journal* (38:1), pp. 85–112.

Guo, X., Wei, Q., Chen, G., Zhang, J., and Qiao, D. 2017. "Extracting Representative Information on Intra-Organizational Blogging Platforms," *MIS Quarterly* (41:4), pp. 1105–1127.

Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M. A., Singh, H., Teece, D. J., and Winter, S. G. 2007. *Dynamic Capabilities: Understanding Strategic Change in Organizations*, Oxford, U.K.: Blackwell.

Helfat, C. E., and Martin, J. A. 2015. "Dynamic Managerial Capabilities: Review and Assessment of Managerial Impact on Strategic Change," *Journal of Management* (41:5), pp. 1281–1312.

Hsu, M.-H., Ju, T. L., Yen, C.-H., and Chang, C.-M. 2007. "Knowledge Sharing Behavior in Virtual Communities: The Relationship between Trust, Self-Efficacy, and Outcome Expectations," *International Journal of Human-Computer Studies* (65:2), pp. 153–169.

Huang, J., Baptista, J., and Newell, S. 2015. "Communicational Ambidexterity as a New Capability to Manage Social Media Communication within Organizations," *The Journal of Strategic Information Systems* (24:2), pp. 49–64.

Huff, A. S. 1990. *Mapping Strategic Thought*, Chichester, England: Wiley.

Jarrahi, M. H., and Sawyer, S. 2013. "Social Technologies, Informal Knowledge Practices, and the Enterprise," *Journal of Organizational Computing and Electronic Commerce* (23:1–2), pp. 110–137.

Kane, G. C., Alavi, M., Labianca, G. (Joe), and Borgatti, S. P. 2014. "What's Different About Social Media Networks? A Framework and Research Agenda," *MIS Quarterly* (38:1), pp. 275–304.

Kaplan, A. M. 2012. "If You Love Something, Let It Go Mobile: Mobile Marketing and Mobile Social Media 4x4," *Business Horizons* (55:2), pp. 129–139.

Kaplan, A. M., and Haenlein, M. 2010. "Users of the World, Unite! The Challenges and Opportunities of Social Media," *Business Horizons* (53:1), pp. 59–68.

Karikari, S., Osei-Frimpong, K., and Owusu-Frimpong, N. 2017. "Evaluating Individual Level Antecedents and Consequences of Social Media Use in Ghana," *Technological Forecasting and Social Change* (123), pp. 68–79.

Ke, X., He, W., and Du, H. S. 2017. "Developing Individual Dynamic Capabilities by Social Media: A Empirical Investigation," in *DIGIT 2017 Proceedings*.

Kühnel, J., Vahle-Hinz, T., de Bloom, J., and Syrek, C. J. 2017. "Staying in Touch While at Work: Relationships between Personal Social Media Use at Work and Work-Nonwork Balance and Creativity," *The International Journal of Human Resource Management*, pp. 1–27.

Kurtmollaiev, S., Pedersen, P. E., Fjuk, A., and Kvale, K. 2018. "Developing Managerial Dynamic Capabilities: A Quasi-Experimental Field Study of the Effects of Design Thinking Training," *Academy of Management Learning & Education* (17:2), pp. 184–202.

Levin, D. Z., and Cross, R. 2004. "The Strength of Weak Ties You Can Trust: The Mediating Role of Trust in Effective Knowledge Transfer," *Management Science* (50:11), pp. 1477–1490.

Levy, M. 2013. "Stairways to Heaven: Implementing Social Media in Organizations," *Journal of Knowledge Management* (17:5), pp. 741–754.

Michaelidou, N., Siamagka, N. T., and Christodoulides, G. 2011. "Usage, Barriers and Measurement of Social Media Marketing: An Exploratory Investigation of Small and Medium B2B Brands," *Industrial Marketing Management* (40:7), pp. 1153–1159.

Mikalef, P., and Pateli, A. 2017. "Information Technology- Enabled Dynamic Capabilities and Their Indirect Effect on Competitive Performance: Findings from PLS-SEM and FsQCA," *Journal of Business Research* (70), pp. 1–16.

Mom, T. J. M., van den Bosch, F. A. J., and Volberda, H. W. 2007. "Investigating Managers' Exploration and Exploitation Activities: The Influence of Top-Down, Bottom-Up, and Horizontal Knowledge Inflows," *Journal of Management Studies* (44:6), pp. 910–931.

Nahapiet, J., and Ghoshal, S. 1998. "Social Capital, Intellectual Capital, and the Organizational Advantage," *The Academy of Management Review* (23:2), p. 242.

Ou, C. X. J., and Davison, R. M. 2011. "Interactive or Interruptive? Instant Messaging at Work," *Decision Support Systems* (52:1), pp. 61–72.

Pavlou, P. A., and El Sawy, O. A. 2006. "From IT Leveraging Competence to Competitive Advantage in Turbulent Environments: The Case of New Product Development," *Information Systems Research* (17:3), pp. 198–227.

Pena-López, J. A., and Sánchez-Santos, J. M. 2017. "Individual Social Capital: Accessibility and Mobilization of Resources Embedded in Social Networks," *Social Networks* (49), pp. 1–11.

Putnam, R. D. 2000. *No Bowling Alone : The Collapse and Revival of American Community*, New York: Simon & Schuster.

Schweidel, D. A., and Moe, W. W. 2014. "Listening in on Social Media: A Joint Model of Sentiment and Venue Format Choice," *Journal of Marketing Research* (51:4), pp. 387–402.

Tajudeen, F. P., Jaafar, N. I., and Ainin, S. 2018. "Understanding the Impact of Social Media Usage among Organizations," *Information & Management* (55:3), pp. 308–321.

Teece, D. J. 2007. "Explicating Dynamic Capabilities: The Nature and Microfoundations of (Sustainable) Enterprise Performance," *Strategic Management Journal* (28:13), pp. 1319–1350.

Tsai, W., and Ghoshal, S. 1998. "Social Capital and Value Creation: The Role of Intrafirm Networks," *Academy of Management Journal* (41:4), pp. 464–476.

Wang, W. Y. C., Pauleen, D. J., and Zhang, T. 2016. "How Social Media Applications Affect B2B Communication and Improve Business Performance in SMEs," *Industrial Marketing Management* (54), pp. 4–14.

Wasko, M. M., and Faraj, S. 2005. "Why Should I Share? Examining Social Capital and Knowledge Contribution in Electronic Networks of Practice," *MIS Quarterly* (29:1), pp. 35–57.

Williams, D. 2006. "On and Off the 'Net: Scales for Social Capital in an Online Era," *Journal of Computer-Mediated Communication* (11:2), pp. 593–628.

Yu, Y., Hao, J.-X., Dong, X.-Y., and Khalifa, M. 2013. "A Multilevel Model for Effects of Social Capital and Knowledge Sharing in Knowledge-Intensive Work Teams," *International Journal of Information Management* (33:5), pp. 780–790.

Zhang, X., and Venkatesh, V. 2013. "Explaining Employee Job Performance: The Role Of Online And Offline Workplace Communication Networks," *MIS Quarterly* (37:3), pp. 695–722.