WHY FIRMS USE SOCIAL MEDIA: AN ABSORPTIVE CAPACITY PERSPECTIVE

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Abstract

The use of social media has significant impact on various areas of society. In the past few years, firms have systematically embraced social media as a major means of communication, collaboration, as well as exploration and exploitation of knowledge. In the practice literature, many claim that social media use increases the competitive advantage and performance of firms. However, evidence of these claims is often anecdotal and has not been linked to theories of competitive advantage and firm performance. Based on a field study of 20 firms, this paper aims to substantiate such claims empirically and theoretically. Firstly, we develop a classification of different social media use types. This is because, as we point out, social media use should not be conceptualized and theorized as a single construct. Secondly, we develop a set of theoretical propositions assessing how such social media use types relate to the firms’ absorptive capacity, their ability to recognize, assimilate and exploit new external knowledge. We find that particular social media use types—not social media use in general—increase firms’ absorptive capacity and, ultimately, their competitive advantage and performance.

Keywords: Knowledge management, social media, absorptive capacity, qualitative research.