

THE IMPACT OF THE INTERNET AND SOCIAL MEDIA ON MANAGEMENT OF INNOVATION ACTIVITIES IN SMALL – SIZED BUSINESSES

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Abstract: This article explores the impact of the internet and social media on innovation management in Small and Medium-sized Businesses (SMBs) in Azerbaijan. It highlights how online media creates favorable opportunities for customer relations, market research, and rapid innovation. While challenges like digital literacy and infrastructure deficiencies exist, the article notes the significant growth potential of digital adoption. Training, infrastructure investments, and public-private partnerships are recommended for further development.

Keywords: Small-Sized businesses (SSBs), digital transformation, e-commerce, digital literacy, public-private partnerships

Introduction

Internet and social media are crucial means of innovation management and development in the current business world, particularly in small-sized businesses [1, p 253]. The digital platforms offer cheap, accessible, and scalable avenues for entrepreneurs to engage with customers, monitor market trends, and develop innovative solutions based on evolving needs. While globalization and digital transformation continue to influence how business is done, small firms are more than ever leveraging web-based tools for not just communication and marketing but also for streamlining their innovation processes

The speedy adoption of digital platforms has revolutionized the traditional innovation management paradigms by leaps and bounds. Unlike large business, which often comes to rely on extensive research and development operations, small business trusts in real-time feedback, one-on-one customer contact, and quick adaptability. The internet and social media offer a wonderful platform for such businesses to try out new concepts, try out products at little capital expenditure, and include the feedback instantly into their activities. This is an interactive process through which they can keep competing notwithstanding limitations of resources.

The digital evolution has also been fueled by broader socio-economic influences. The pandemic of COVID-19, for instance, highlighted the vulnerabilities of traditional business models and underscored the value of digital resilience [7, p 70]. During this time, many small enterprises took their activities online and made use of social media like Instagram, Facebook, and WhatsApp to maintain business and customer interactions. Therefore, digital transformation became not only an option for strategic choice but an imperative of survival.

Moreover, the changing tastes of customers, particularly younger generations, have made digital interaction a necessity. Today's consumers expect brands to be socially present, respond quickly to questions, and customize their products [6, p 802]. Social media allows businesses to deal with these expectations effectively by providing direct communication channels, behavioral data, and creative content sharing. This transformation has influenced the manner in which businesses innovate, forcing them to adopt more adaptable and customer-centric strategies.

This trend is particularly visible in emerging economies such as Azerbaijan. Through its investment in internet infrastructure and entrepreneurial development, small businesses are increasingly finding means to integrate internet and social media tools into their business models. The shift is not, however, without its problems. Digital literacy, patchy coverage of the internet, and limited strategic use of digital tools are some of the issues that are still inhibiting the full potential of innovation through online channels [4] .

This article tries to examine the impact of social media and the internet on innovation management among small-sized businesses in Azerbaijan. Based on literature review, examination of ongoing activities within the region, and formulation of future plans, the study tries to give a general overview of how online platforms influence the process of innovation and how their performance can be enhanced. The discussion is especially relevant to policymakers, entrepreneurs, and researchers interested in advancing innovation and competitiveness in small firms through online means.

Problem statement

Despite the recognized benefits of electronic means, SSBs tend not to be able to integrate the internet and social media into their innovation management practices efficiently. While large corporations are willing to invest in advanced technology and digital competence, SSBs tend to possess tight budgets, limited technical capabilities, and reduced institutional backing. This imbalance is most evident in developing economies like Azerbaijan, where digital literacy and infrastructure vary greatly across regions.

The underlying problem is the disparity between the potential and actual use of digital resources by SSBs. Although a majority of SSBs maintain social media presence, their usage is superficial in nature—focused on pure promotional activities and not properly utilized for innovation, market research, or strategy development [2, p 5]. Therefore, the potential for such tools to drive change lies dormant. Small business owners in most cases are unaware or unable

to utilize advanced digital capabilities such as customer analytics, online commerce integration, or automated customer relationship management (CRM) platforms [3, p 431].

This is further compounded by poor digital learning and specialist professional education for small firms. In Azerbaijan, for example, while business use of the internet has increased considerably in recent years, strategic leverage of these instruments for innovation is not yet common. The majority of SSBs struggle to identify the best platforms, compute return on investment (ROI), and translate web activity into tangible business outcomes. Additionally, security concerns and fear of data misuse further discourage companies from adopting advanced digital solutions.

Socio-economic and regional disparities create another level of complexity. Cities like Baku and Ganja have relatively more access to digital services, infrastructure, and capacity-building opportunities for SSBs. In contrast, rural businesses do not have access to secure internet connectivity, awareness of digital tools, and institutional facilities. This regional inequality creates unequal opportunities and hinders inclusive economic development, thereby growing the digital divide in the small business sector.

Government initiatives like the Digital Trade Hub and efforts by the Small and Medium Business Development Agency (SMBDA) have eased somewhat, offering tools and platforms to enable digital transformation. But such efforts are not well localized or tailored to micro and small business conditions. In the absence of targeted policies, the broader potential of digital transformation can remain out of reach for much of Azerbaijan's entrepreneurial economy.

In brief, the main problem addressed in this article is the under-performance of the internet and social media as innovation management tools by small-sized businesses in Azerbaijan. Although digital platforms possess a wide range of strategic advantages—like enhanced market access, real-time customer engagement, and business efficiency—SSBs are not always equipped with the necessary knowledge, infrastructure, and support systems to exploit these opportunities to the maximum. This contrast between technology potential and genuine application serves to illustrate the need for more coherent strategies in support of digital uptake among the community of small firms.

Social media activities in Azerbaijan

In the last couple of years, Azerbaijan has experienced high digital connectivity and social media usage, which have significantly influenced how small-sized businesses (SSBs) interact with consumers and manage their businesses. State-led campaigns, increased smartphone penetration, and increased internet penetration across the country have been fueling this digital

revolution. Internet penetration in Azerbaijan in 2024 was above 80%, and social media penetration was above 60% of the population [4]. All these have provided fertile ground for the development of online business activities, especially by small and medium enterprises seeking cost-effective tools to reach out to additional markets and promote innovation.

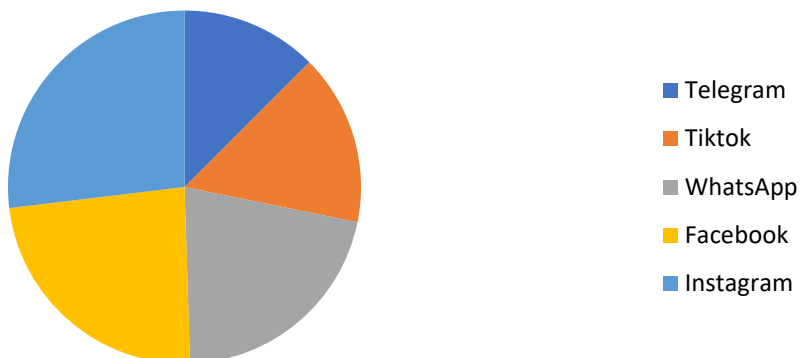
These social networks comprise Facebook, Instagram, WhatsApp, YouTube, and TikTok that are widespread in the Azerbaijani cyber space. These sites, such as Facebook and Instagram, are highly prevalent for usage by companies. These sites are utilized by small businesses to display items, interact with consumers, collect reviews, and promote services in real time. In most cases, business pages on these platforms act as the primary access point among businesses and their clients without the need to invest in expensive websites or stores.

Azerbaijani SMEs have also begun to leverage social media business opportunity through the utilisation of influencer promotion and pay-per-click advertising. Local influencers and bloggers with consistent audiences are now powerful marketing partners for SSBs, creating publicity and credibility. Small businesses also increasingly utilise social media's inbuilt analytic capabilities in an effort to understand customer patterns, interest rates, and campaign performance—albeit its application remains primitive compared to more advanced global standards.

Platform	Usage Rate Among SSBs	(%)
Instagram		58%
Facebook		51%
WhatsApp		46%
TikTok		34%
Telegram		27%

Table 3: Social Media Platform Popularity Among Azerbaijani SSBs – 2023

SOCIAL MEDIA USAGE BY AZERBAIJANI SSABs (2023)



Sector	2020	2021	2022	2023	2024 (Est.)
Retail & Trade	42,000	45,500	48,300	52,000	54,500
Services	29,000	31,000	33,200	35,500	37,000
Agriculture	20,000	21,500	22,800	24,300	25,000
Construction	11,000	11,800	12,400	13,000	13,500
Manufacturing	8,500	9,100	9,600	10,200	10,500

Table 1: Number of Small Businesses in Azerbaijan by Sector (2020–2024)

Online shopping integration with social media platforms is on the rise. The majority of Azerbaijani businesses now sell products directly from Instagram and Facebook Shops, allowing customers to browse catalogs, ask questions, and make purchases through messaging apps. WhatsApp is widely used in the execution of transactions, negotiation of product details, and coordinating deliveries. All these have become very common in urban areas like Baku and Sumgait, where convenience and quick service are highly sought after.

However, this digital shift is not even throughout the country. Rural areas continue to have significant barriers to achieve full digital participation, including low quality internet, reduced training opportunities, and lower digital literacy rates. As a result, while many businesses have established a social media presence, they are not necessarily leveraging the platforms strategically for innovation or long-term development. For example, they may post sporadically without tracking performance or customer feedback, missing opportunities for deeper customer engagement or market insights.

Government programs are beginning to address these issues. The Ministry of Digital Development and Transport and organizations like SMBDA have set up programs to educate small business managers in digital tools and social media marketing. Moreover, sites like the Digital Trade Hub offer online business registration and electronic signatures, simplifying the legalization and automation of small businesses' online procedures.

Overall, social media usage by Azerbaijani SSBs has increased dramatically, offering visibility and easy marketing capability. However, the potential of these sites as tools for managing innovation and business strategy is yet to be exploited. Additional investment in infrastructure, training, and tailored digital services will be essential to facilitate the use of social media by small businesses across all regions not just for promotion, but as a growth and innovation strategic resource.

Future suggestions for Azerbaijani sectors

In order to leverage the full potential of internet and social media for innovation management in small-sized businesses (SSBs), Azerbaijan needs to apply focused and inclusive policies across all sectors of the economy. While there has been some progress in digital adoption, particularly in cities, there are still some gaps—especially in rural areas and traditional sectors. In the future, a collective effort by government, private sector, and institutions of education is needed to bring about sustainable digital transformation and growth through innovation.

First of all, there is a need to enhance digital literacy and industry-specific training programs. The majority of small business owners are not cognizant of how to use digital tools strategically beyond the scope of elementary promotional activities. These training programs must be industry-specific based on the unique requirements of industries like agriculture, retail, tourism, education, and healthcare. For example, in agriculture, entrepreneurs must be aware of e-commerce platforms for agricultural produce or about social media to market agritourism. In tourism, businessmen can be trained to create web content, manage online reservations, and respond in a timely manner to consumer feedback. Government agencies such as SMBDA can collaborate with hi-tech companies as well as universities to design modular training packages in Azerbaijani and local languages, both online as well as offline.

Secondly, rural digital infrastructure requires investment. The majority of rural small businesses are left behind by digital opportunity due to weak connectivity and lack of access to high-speed internet. Connecting the nation through an expanded fiber-optic network and ensuring 4G/5G coverage for all underserved communities would make the digital ecosystem

more inclusive. This would not only make SSBs access essential tools but also support online sales, virtual collaboration, and innovation management on par with their city-based peers.

Third, localized e-commerce platforms built specifically for Azerbaijani small businesses can be a game-changer. While global platforms like Amazon and Alibaba offer enormous reach, domestic platforms can reduce transaction costs, support Azerbaijani-language interfaces, and feature domestic logistics partnerships. Promoting Azerbaijani-made goods on domestic internet marketplaces would stimulate the local economy and increase local companies' brand awareness. Such platforms must provide secure payment systems, simple content management systems, and targeted advertising tools to support micro-enterprises.

Fourth, public-private partnerships (PPPs) should be reinforced to support innovation ecosystems. Local technology firms, universities, and government agencies can collectively offer mentorship, technical support, and seed financing to help small businesses adopt and implement digital tools. Establishing innovation hubs in cities like Ganja, Lankaran, and Shaki could encourage entrepreneurship beyond the center. The hubs can be used to host startup incubators, digital laboratories, and training centers, facilitating interaction between small firms and technology providers [1, p 259].

Fifth, fiscal incentives and financial assistance must be ramped up. Subsidies for small businesses, grants, and tax relief to invest in CRM systems, e-commerce systems, or online marketing campaigns would drive digital uptake. Banks, too, could be incentivized to issue micro-loans specifically designed for digitalization, allowing businesses to fund their transformation without taking on undue risk.

Finally, specific support to women and youth in digital entrepreneurship is required. They are reservoirs of untapped talent for Azerbaijan's SME sector. Training schemes, mentorship programs, and seed funding can prepare them to be leaders of digitally led industries such as education technology, content creation, and eco-tourism. Inclusive policies serve not just innovation but also gender equality and youth employment.

In short, the future of innovation for Azerbaijan's small and medium-sized business sector revolves around building an enabling environment by merging infrastructure development, education, finance, and institutional support. Making national policy match the evolving demands of SSBs and maximizing inclusive growth will ensure that digital transformation achieves long-term economic resilience and competitiveness in the international market.

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KİÇİKÖLÇÜLÜ BİZNESLƏRDƏ İNNOVASIYA FƏALİYYƏTLƏRİNİN İDARƏ OLUNMASINA İNTERNET VƏ SOSIAL MƏDİALARIN TƏSİRİ

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Xülasə. Bu məqalə Azərbaycanda internet və sosial medianın KOB-larda innovasiya idarəçiliyinə təsirini araşdırır. Onlayn medianın müştəri əlaqələri, bazar araşdırması və sürətli innovasiyalar üçün əlverişli imkanlar yaratdığı vurğulanır. Rəqəmsal savadlılıq və infrastruktur çatışmazlıqları problemlər yaratsa da, məqalə rəqəmsal qəbulun böyümə potensialını qeyd edir. Təlim, infrastruktur investisiyaları və dövlət-özəl tərəfdaşlıqlar tövsiyə olunur..

Açar sözlər: Kiçik biznes (SSB), rəqəmsal transformasiya, elektron ticarət, rəqəmsal savadlılıq, dövlət-özəl tərəfdaşlıq