


Effect of reputation and social media on the financial performance of SMEs – a comparison between selected business sectors

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ABSTRACT

Research background: The growing popularity of social media increased its significance as a tool for enhancing corporate reputation. However, SMEs are less engaged in social media than large companies. For this reason, numerous SMEs miss the benefits they could derive from using the potential of social media and fail to optimize their reputation management strategies. Furthermore, substantial diversity among SMEs in their social media engagement practices is evident. Consequently, it is crucial to investigate this problem and identify SME owners' and managers' perceptions of reputation and social media in specific business sectors.

Purpose of the article: The aim of this study is to examine and quantify the effect of the importance of corporate reputations and social media on financial performance.

Methods: The questionnaire was completed by 864 SMEs engaged in business activities within one of the following sectors: manufacturing, trade, services, and construction. Subjective perceptions of owners and managers of small and medium enterprises (SMEs) were analyzed. Data collection was conducted in the four Central European countries in the years 2022-2023. The statistical hypotheses were verified using correlation analysis and linear regression modelling. Analytical software IBM SPSS Statistics no. 28 was used in the statistical evaluation of the research data set.

Findings & Value added: The corporate reputation of companies is a significant factor, which has a positive effect on the acceptable profit of a company in the business sector of manufacturing, trade, construction, and services. The strongest effect is present in the sector of construction. Social media is an important factor with a positive effect on the perception of a sufficient profit of a company by each business sector except construction. The strongest effect is present in the sector of manufacturing. Corporate reputation was found to be insignificant for the perception of the ability to pay obligations (solvency) in the manufacturing sector. This effect is stronger in the construction sector in comparison to the trade and services sectors.

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INTRODUCTION

Corporate reputation is perceived as an intangible asset created based on public recognition of a company, its capabilities, and its outputs (Pfarrer et al., 2010). It is derived from stakeholders' opinions. Bromley says that it is a distribution of opinions (Bromley, 2001). Post & Grif-

fin (1997) call it a synthesis of opinions, perceptions, and attitudes. Haywood defines it as "perceptions in the minds of those observing the organisation" (Haywood, 2005).

The growing popularity of various social media has made them crucial channels for companies to communicate

and interact with stakeholders. Therefore, they offer the potential to be currently applied as an important tool for enhancing the company's reputation (Ye et al., 2022).

The expansion and evolution of social media transformed the way organisations and their products are evaluated (Etter et al., 2019). There are online reputation systems, either integrated with e-commerce or provided by independent websites, that offer ratings and reviews posted by customers and other shareholders (Wei et al., 2017). Various blogs and discussion forums enabled stakeholders to react to decisions and actions made by firms (Brodie et al., 2013). But nowadays, consumers more intensively seek information within their social media communities.

Besides buyers and platforms, also sellers can engage in social media which may serve as a marketing tool (Hervet & Guitart, 2022; Secundo et al., 2021), a consumer service channel (Guo et al., 2020), an instrument enhancing networking and entrepreneurial ecosystems (Secundo et al., 2021) and finally as a corporate reputation management tool (Becker & Lee, 2019; Saurabh et al., 2022). In fact, all these activities undertaken by a company result in the overall perception and opinion of stakeholders, i.e., in corporate reputation. For example, previous studies show that the more social media channels used by a company for customer service, the better the corporate reputation score (Guo et al., 2020).

Still, not all companies engage in social media, especially when it comes to small and medium-sized enterprises (SMEs) (Meier & Peters, 2023). For instance, the study of EU-27 SMEs revealed that in 2019 the usage of social media was declared by 47.6% of small enterprises, 61.2% of medium enterprises, and 76.9% of large enterprises (European Commission, 2021). There are several reasons for this diversity. In the case of SMEs, it strongly depends on owners' and managers' awareness of the overall social media potential as well as its applicability and usefulness in creating corporate reputation (Al-Shubiri et al., 2012; Syed & Butt, 2017; Ahmad et al., 2019; Abed, 2020).

Furthermore, differences in social media usage arise from characteristics specific to the business sectors in which a company operates, such as the trading partner pressure in the environmental context (Abed, 2020), the whole industry ecosystem structure (Meier & Peters, 2023) and finally, the business model applied (López-López & Giusti, 2020; Iankova et al., 2019). Companies focused on the business-to-consumer (B2C) model are more prone to introduce their digital strategies and use more socially oriented platforms. Companies that follow the business-to-business (B2B) model tend to adopt social media at a slower pace and prefer to use professionally oriented platforms (López-López & Giusti, 2020). One of the reasons for this situation is that according to perceptions of employees working in marketing functions in B2B, social media is less effective and important for relationship-building than other channels (Iankova et al., 2019). Still, studies based on the B2B model revealed a

crucial role of leadership in bridging the social media usage gap in SMEs (Brink, 2017).

The literature study shows that the importance of social media engagement is analysed mostly in the service sector (Stoldt et al., 2019; Tajvidi & Karami, 2021; Golmohammadi et al., 2023), manufacturing sector (Singh et al., 2016; Chirumalla et al., 2018; Bednarz & Orelly, 2020; Hassani & Mosconi, 2022; Bruce et al., 2023), and finally, in trade sector (Zhan et al., 2021). In some types of services, e.g. hotel industry, social media are currently a popular tool for networking and marketing, significantly affecting branding and innovation capabilities (Tajvidi & Karami, 2021). Manufacturing sector studies show the role of social media in improving marketing and R&D interface within a B2B model (Chirumalla et al., 2018). Engagement of manufacturing SMEs in social media in developing economies was found to increase their performance and sustainability (Bruce et al., 2023). In the trade sector, social media are used mostly for marketing purposes, in the process of selling and analysing consumer opinions (Zhan et al., 2021). Less is known about the construction sector as social media was adopted quite late by companies from this industry (Stoldt et al., 2019; Malesev & Cherry, 2021).

Although research on social media usage by SMEs is increasing, there is a clear gap in the literature regarding owners' and managers' perceptions of SMEs' reputations in social media in the service, manufacturing, trade, and construction sectors. Furthermore, previous studies on social media consider mainly SMEs in Asian countries. European SMEs' engagement in social media and its role in creating corporate reputation received scant attention.

As a result, the aim of our study is to examine differences in owners' and managers' perceptions of the importance of SMEs' reputations in social media in different business sectors of Central European countries. This study focuses on Czechia, Hungary, Poland, and Slovakia—the members of the Visegrád Group (V4) alliance.

The originality of our study derives from the fact that it provides a more comprehensive picture of SMEs' engagement in social media, focusing on owners' and managers' perceptions and the importance of a sector, to close the existing research gap. We contribute to the literature by analysing SMEs in countries, for which such studies were scarce, i.e., Central European countries.

In this study, the following research questions were defined:

- RQ1: Is the business sector an important factor in evaluating the effect of corporate reputation on the business performance in the SME sector in the Central European countries?
- RQ2: Is the business sector an important factor in evaluating the effect of social media on the business performance in the SME sector in the Central European countries?

The structure of this article is as follows. The theoretical background section presents the analysis of key business sectors in the environment of V4 countries as well as the importance of corporate reputation and social media in the context of business performance. The following section presents the objective, data collection methodology, variables, statistical hypotheses and methods, and structure of respondents. The Results section contains evaluations of findings and addresses statistical hypotheses using tables and tests. The in subsequent section, the results are summarised and discussed in the context of the previous studies' results. In the end, the authors formulated the theoretical and practical implications, limits and future direction of research on this topic.

THEORETICAL BACKGROUND

Business sectors - main sectors in V4 countries

EU classification defines SMEs as companies with fewer than 250 employees and not exceeding 50 m euros in annual turnover and/or not exceeding 43 m euros in their annual balance sheet total (European Commission, 2003).

The SME sector plays a significant role in the economies of all the V4 countries. According to European Commission data for the year 2022, SMEs constituted 99.8% of enterprises in Czechia. As much as 67.4% of Czech employees were hired in SMEs and their contribution to GDP creation (value added) reached about 53.5% (European Commission, 2023). Regarding the value added in 2020 (the latest data available), the total contribution by the Czechian SMEs to the non-financial business economy was generated mainly by services (26.9% of the values added by SMEs), manufacturing (19.7%), and trade (15.6%) (see in Table 1).

In 2022, Hungarian SMEs comprised 99.9% of all enterprises in this country. They employed 70.2% of workers in the business economy, and their contribution to value added was 56.2% (European Commission 2023). In 2020, 28.9% of value added by SMEs to the whole non-financial Hungarian business economy was generated in the services sector, 17.4% in the trade sector, and 14.4% in the manufacturing sector (Tab. 1).

When it comes to Poland, in 2022, SMEs accounted for 99.9% of all enterprises. 66.9% of persons employed in Poland were hired in SMEs and their contribution to GDP creation reached about 50.1% (European Commission 2023). More than half of Polish SMEs (52.9%) operated in the services sector (Skowronska & Tarnawa, 2022). So, in 2020, 24.5% of the value added by SMEs to the whole non-financial Polish business economy was generated mainly by companies operating in services, then in trade (19.2%), and the manufacturing sector (18.2%) (Tab. 1).

Slovakian SMEs accounted for 99.9% of all enterprises, in 2022. Slovak SMEs employed 73.9% of workers in the business economy, and their contribution to value added was 56.0% (European Commission, 2023). Regarding Slovak SMEs, 47.6% of them are operating in the services sector (Slovak Business Agency, 2021). Regarding the value added, the SME sectors that contributed the most to the whole non-financial Slovakian business economy in 2020 were services (28.6%), manufacturing (16.8%) and trade (16.7%) (Tab. 1).

Considering the contribution of selected sectors to the total value added by SMEs to the non-financial business economy in 2020 (Tab. 2), the largest percentage share of value added by SMEs in the services sector is noticeable (from 32.5% in Poland in 2020 to 41.4% estimated for Hungary in 2022). This sector is followed by trade and manufacturing. In the case of SMEs in V4 countries, the percentage share of the construction sector is lower than for EU-27 SMEs, and it is expected to experience a decrease according to estimates for 2022. On the contrary, in the manufacturing, trade, and services sectors, considerable growth in values added between 2020 and 2022 is predicted. Table expansions estimated for these sectors will diminish the significance of other sectors such as mining & quarrying, electricity & gas, and finally water supply, sewerage & waste management (Table 2).

It is worth noticing the specificity of SMEs in V4 countries that distinguishes them from the EU(27) SMEs. In V4 countries, the manufacturing sector contributes more, and the construction sector contributes less to the total value added by SMEs than in the case of the EU(27) SMEs (Table 2).

Table 1: Value added by SMEs to the whole non-financial business economy (by selected sectors, in 2020)

Country	Business sectors							
	Manufacturing		Construction		Trade		Services	
	mil €	%	mil €	%	mil €	%	mil €	%
EU (27)	665 000	14.4%	434 343	9.4%	789 896	17.1%	1 390 697	30.2%
Czechia	16 941	19.7%	6 785	7.9%	13 366	15.6%	23 140	26.9%
Hungary	7 730	14.4%	4 630	8.6%	9 331	17.4%	15 520	28.9%
Poland	33 338	18.2%	19 135	10.4%	35 233	19.2%	45 024	24.5%
Slovakia	5 493	16.8%	2 293	7.0%	5 445	16.7%	9 315	28.6%

Note: Total is the value added by non-financial business economy; sectors based on NACE Rev. 2 classification; Services include the following subgroups: transportation & storage, accommodation & food services, information & communication, real estate, professional, scientific & technical activities, and administrative & support services; The data for the Slovakian services sector in 2020 are estimated based on the previous years' composition as some data for the accommodation & food service activities and real estate activities were unavailable.

Source: own calculations based on Eurostat (2023)

Table 2: Contribution of selected sectors to value added by SMEs (non-financial business economy, in 2020 and 2022)

Country	Business sectors								
	year	Manufacturing		Construction		Trade		Services	
		m. €	%	m. €	%	m. €	%	m. €	%
EU(27)	2020	665 000	19.5%	434 343	12.8%	789 896	23.2%	1 390 697	40.9%
	2022	755 302	19.1%	486 222	12.3%	966 716	24.5%	1 577 097	40.0%
Czechia	2020	16 941	27.0%	6 785	10.8%	13 366	21.3%	23 140	36.9%
	2022	20 111	27.0%	7 297	9.8%	16 131	21.7%	27 603	37.1%
Hungary	2020	7 730	20.3%	4 630	12.1%	9 331	24.5%	15 520	40.7%
	2022	9 476	20.4%	5 248	11.3%	11 638	25.0%	19 255	41.4%
Poland	2020	33 338	24.1%	19 135	13.8%	35 233	25.4%	45 024	32.5%
	2022	38 370	23.6%	18 618	11.5%	39 977	24.6%	56 125	34.6%
Slovakia	2020	5 493	23.6%	2 293	9.8%	5 445	23.4%	9 315	40.0%
	2022	6 178	24.5%	1 758	7.0%	6 541	26.0%	9 913	39.4%

Note: Data for 2022 are estimates as real data are not available yet. Total is the value added by SMEs to non-financial business economy; sectors based on NACE Rev. 2 classification.

Source: own calculations based on Eurostat

The above-mentioned findings highlight the immense impact of small and medium-sized businesses on the country's economy as well as the importance of the selected four SME sectors. Their contribution cannot be ignored, as they continue to drive growth, innovation, and job creation. Supporting these enterprises is not only beneficial for the local economy but also for the overall prosperity of the community.

Corporate reputation

One of the main reasons for firms' engagement in social media is the possibility of managing their corporate reputation (Becker & Lee, 2019). Corporate reputation is a firm's intangible asset (Pfarrer et al., 2010; Fernández-Gómez et al., 2016) that has a positive impact on a company's performance (Smith et al., 2010; Raithe & Schwaiger, 2015; Fernández-Gómez et al., 2016; Blajer-Gołębiowska & Kozłowski, 2016). However, reputational losses can impact a firm's solvency, for instance, by raising firms' future borrowing costs (Deng et al., 2014).

In the cases of companies with high performance, the halo effect appears, and they are perceived as having a better reputation (Black et al., 2000; Raithe & Schwaiger, 2015). The importance of this mechanism is that with proper management of a company's reputation, this mutual conditioning can lead to a spiral of increases in both corporate reputation and its performance. As such, the company's reputation plays a significant role in the company's development.

Social media constitutes an important tool for enhancing corporate reputation (Modi et al., 2015; Qalati et al., 2021; Ye et al., 2022). Using social media to increase corporate reputation, managers should also be aware of the fact that the speed of delivery is crucial for the enhancement of a company's reputation (Wei et al., 2017).

Effect of social media on the business performance

A wide array of recent studies indicates a positive role of social media usage in enhancing companies' performan-

ce (Ahmad et al., 2019; Domma & Errico, 2023; Le & Chakrabarti, 2023; Muna et al., 2023; Bruce et al., 2023). Social media facilitate business opportunities, support stakeholder engagement, and constant communication with the external ecosystem (Secundo et al., 2021). In the case of large firms, positive social media sentiment positively impacts firm value and surprisingly negative social media sentiments do not lead to a decrease in firm value (Benjamin et al., 2022).

When it comes to SMEs, studies in various countries confirmed a positive impact of media engagement on firm performance. For example, Tajvidi & Karami (2021) found a positive relationship for SMEs operating in the hotel industry in the UK (sample size: 384 SMEs). Malesev & Cherry (2021) analysed Australian SMEs from the residential construction industry (23 face-to-face interviews) and concluded that running a successful and diverse marketing campaign online, including social media usage, can significantly enhance SMEs' business performance. Qualati et al. (2022) conducted a study on social media adoption in Pakistani SMEs operating in the service sector and found it to be a positive predictor of firms' performance (sample size: 431 SMEs). Furthermore, in another study, Qualati et al. (2021) proved a significant effect of social media adoption by Pakistani SMEs on their performance in the context of improved company/brand visibility and reputation.

Analysing Indian SMEs, Chatterjee and Kumar Kar confirmed that by using social media they can derive business benefits (sample size: 310) (Chatterjee & Kumar Kar, 2020). Bruce et al. (2023) investigated the usage of social media in SMEs operating in the manufacturing sector in Ghana (sample size: 417). They found a positive effect of social media on manufacturing firms' performance as well as on their sustainability. Muna et al. (2023) focused on craft subsector SMEs in the creative industry in Bali, Indonesia (sample size: 236). They revealed that social media have a positive impact on SMEs' performance and accelerate market entry. An ana-

lysis of SMEs in Vietnam (sample size: 425) conducted by Le & Chakrabarti (2023) revealed the direct and indirect impact of social media on firms' performance enhanced by the mediating roles of business innovation capabilities and firm competitiveness. Dvorský et al. (2023) analysed SMEs from Central European countries and found that owners and managers who understand the concept of sustainable business development believed that the usage of social media enhances companies' performance.

On the contrary, other studies have shown either no relationship or a negative relationship between SMEs' social media engagement and firm performance. Ahmad et al. found no evidence of the impact of social media on the performance of SMEs in UEA (sample size: 144) (Ahmad et al., 2019). Examining Italian SMEs, Domma and Errico found that innovative companies that adopted social media (namely, Twitter) appeared to have lower profitability (sample size: 918) (Domma & Errico, 2023). Furthermore, previous studies found no relationship between perceptions of cost-effectiveness and social media (Tajudeen, Jaafar, & Ainin, 2018).

Even though, the effect of social media on SME performance is not fully recognized in the literature (Chen & Liu 2023), it is worth noticing that most of the studies confirm the positive effect. As a result, it is crucial to examine the mechanism of this relationship. One of the important viewpoints in this context is the owners' and managers' perception of the role that social networks play in their business, helping quickly share information with customers and partners, manage corporate reputation, and finally support the growth of their company's performance.

RESEARCH OBJECTIVE, METHODOLOGY AND DATA

The aim of this study is to examine and quantify the effect of the importance of corporate reputations and social media on financial performance.

Data collection was realized with the help of an external agency. The random method was used for the selection of companies with the support of an internal database of an agency. The criteria for the respondents were: (i) data collection must be representative, (ii) the questionnaire can be fulfilled only by owners or top managers of SMEs (less than 250 employees); (iii) micro-enterprises must be minimum 50% from SMEs. The data set contains 864 SMEs from the Central European countries (Czech Republic, Slovak Republic, Hungary, Poland). Data collection was realized in December 2022 and January 2023 separately in each country of research. The external agency ensured uniformity in data collection procedures across all countries involved.

The questionnaire contains the following demographic questions: (i) on the respondents: nationality, age, the highest level of education, gender, relation between education and area of business, and key motivation; (ii) on the small and medium-sized enterprises: size of enterpri-

se, type of entity, business sector, age of company, locality of company. The next sections of the questionnaire were as follows (statements): reputation and social media, financial performance, sustainability of SMEs, corporate social responsibility or national support and legislative changes. The Likert scale (5 points) was used on the evaluation of perceptions of owners and managers (1 – strongly agree, ..., 5 – strongly disagree). The questionnaire contains more than 30 questions. Also, the security of the questionnaire was verified. It was not possible to automatically fill in the questionnaire on the computer. The questionnaire has been translated into the national language of the respondents to enhance their comprehension of the statements.

To evaluate the aim of the scientific article the following independent and dependent variables were formulated:

Independent variables:

- REP: The company's reputation has a significant role in our business.
- SM1: Social media supports the growth of our company's performance.
- SM2: Social media helps our business quickly share information with customers and partners.
- SM3: Social networks have an important role in our business.

Dependent variables:

- FR1: Our company has a sufficient profit.
- FR2: Our company has no problem with the ability to pay obligations (solvency).

The statistical hypotheses (SHs) were defined:

- SH1: Corporate reputation (REP) is a statistically significant factor, which has a positive effect on the financial performance (FR1, FR2) of SMEs in the business sector: manufacturing (SH1_A), trade (SH1_B), services (SH1_C), construction (SH1_D).
- SH2: Social media statements (SM1, ..., SM3) are statistically significant factors, which have a positive effect on the financial performance (FR1, FR2) of SMEs in the business sector: manufacturing (SH2_A), trade (SH2_B), services (SH2_C), construction (SH2_D).

The statistical hypotheses were verified using descriptive statistics, correlation analysis and linear regression analysis. The descriptive characteristics, such as the mean, variance, standard deviation, skewness, and kurtosis, were evaluated as a first step in the presentation of empirical results according to the business sector. Coefficients of pairwise correlations in the correlation matrices were used on the quantitation relationships between variables. These correlations were verified using the t-test. Linear regression model (LRM) was used to verify the effect of independent variables (corporate reputation, social media statements) on the financial performance according to the business sector. The main aim of the

application of LRM is to find the important factors. Prediction of dependent variables is not a key element of regression analysis in this article.

The structure of respondents (n = 864) is as follows. Characteristics of respondents: (i) nationality of respondents: 230 - Polish, 326 - Czech, 142 - Slovak, 166 - Hungarian; (ii) gender of respondents: 390 - woman, 474 - man; (iii) age of respondents: 301 – up to or equal 35 years, 261 - from 36 to 45 years, 207 - from 46 to 55 years, 95 - more than 55 years; (iv) the highest level of education: 76 - elementary school or comprehensive college, 371 - high school, 136 - bachelor's degree, 265 - master's degree, 16 - doctoral degree (PhD.). Characteristics of enterprise: (i) size of enterprise: 553 - microenterprises (less than or equal to nine employees), 212 - small enterprise (between ten to 49 employees), 99 - medium enterprise (between 50 to 249 employees); (ii) type of enterprise: 459 - sole trader, 330 - limited liability company, 56 - joint-stock company, 19 - another form of business; (iii) business sector: 151 - manufacturing, 235 - trade, 139 - construction, 339 - services; (iv) age of enterprise: 187 - less than or equal to 3 years, 213 - more than 3 and less than or equal to 5 years, 169 - more than 5 and less than or equal to 10 years, 295 - more than 10 years.

RESULTS

The results of descriptive statistics (e.g. mean, standard deviation, skewness, kurtosis) by a business sector are presented in the table 3.

Table 3: Descriptive characteristics of variables

	FR1	FR2	REP	SM1	SM2	SM3
Manufacturing						
DS						
M	2.318	2.007	1.464	2.298	2.159	2.351
SD	1.029	0.976	0.671	1.154	1.078	1.207
Kur.	0.239	0.660	1.766	-0.190	0.295	-0.537
Skew.	0.818	0.988	1.409	0.742	0.844	0.586
Trade						
DS						
M	2.340	1.945	1.681	2.102	2.004	2.111
SD	1.149	1.009	0.865	1.053	1.052	1.060
Kur.	-0.565	1.213	1.813	0.372	0.491	0.377
Skew.	0.601	1.194	1.387	0.945	1.035	0.927
Construction						
DS						
M	2.331	2.043	1.683	2.496	2.446	2.676
SD	1.010	0.875	0.893	1.163	1.118	1.303
Kur.	0.385	0.899	2.470	-0.561	-0.321	-0.964
Skew.	0.751	0.836	1.475	0.457	0.564	0.383
Services						
DS						
M	2.469	1.941	1.584	2.381	2.242	2.490
SD	1.055	0.844	0.693	1.093	1.102	1.220
Kur.	-0.567	0.526	1.428	-0.331	-0.068	-0.775
Skew.	0.492	0.795	1.090	0.581	0.778	0.472

Note: DS – Descriptive statistics, M – Mean, SD – Standard Deviation, Skew. – Skewness, Kur. – Kurtosis, FR – Financial performance, SM – social media, REP – corporate reputation.

Source: own empirical data

Empirical results from descriptive statistics (Table 3) showed that the assumption of normal distribution was confirmed by each variable. Values of skewness and kurtosis are in interval from -2 to 2. The most positive variable (Tab. 3; the highest mean value) is FR1 in each business sector according to the owner’s perceptions. The highest variability is according to the standard deviation on the variable SM3.

The results of correlation analysis using correlation matrices according to the business sector are presented in the table 4.

Table 4: Quantification and verification of correlations between variable

VAR	Manufacturing					
	REP	SM1	SM2	SM3	FR1	FR2
REP	1					
SM1	0.325***	1				
SM2	0.374***	0.737***	1			
SM3	0.299***	0.735***	0.711***	1		
FR1	0.254***	0.266***	0.126**	0.150***	1	
FR2	0.118**	0.010	0.088**	-0.104**	0.258***	1
VAR	Trade					
	REP	SM1	SM2	SM3	FR1	FR2
REP	1					
SM1	0.360***	1				
SM2	0.387***	0.725***	1			
SM3	0.300***	0.713***	0.731***	1		
FR1	0.269***	0.300***	0.229***	0.246***	1	
FR2	0.151**	0.138**	0.137**	0.114**	0.448***	1
VAR	Construction					
	REP	SM1	SM2	SM3	FR1	FR2
REP	1					
SM1	0.369***	1				
SM2	0.295***	0.798***	1			
SM3	0.322***	0.766***	0.752***	1		
FR1	0.334***	0.174**	0.157**	0.192***	1	
FR2	0.416***	0.036*	0.005	0.057*	0.598***	1
VAR	Services					
	REP	SM1	SM2	SM3	FR1	FR2
REP	1					
SM1	0.280***	1				
SM2	0.303***	0.724***	1			
SM3	0.266***	0.710***	0.720***	1		
FR1	0.162**	0.222**	0.162**	0.164**	1	
FR2	0.165**	0.008	0.057*	0.017	0.300***	1

Note: DS – Descriptive statistics, M – Mean, SD – Standard Deviation, Skew. – Skewness, Kur. – Kurtosis, FR – Financial performance, SM – social media, REP – corporate reputation, *α = 0.05; **α = 0.01; ***α = 0.001.

Source: own empirical data

The result from correlation matrixes (Tab. 4) showed that coefficient of pairwise correlation between an independent variable (REP, SM1, ..., SM3) and dependent variables (FR1, FR2) are statistically significant by each business sector without the following relationships: (i) manufacturing: FR2 and SM1 ($r = 0.010$); (ii) construction: FR2 and SM2 ($r = 0.005$) and (iii) services: FR2 and SM1 ($r = 0.008$) as well as FR2 and SM3. The strongest correlation is between REP and FR1/FR2 (the value of the coefficient of pairwise correlation is 0.334/0.416) in the construction sector.

The results of regression analysis using regression characteristics (e.g. MCC – Multiple correlation coefficient, R² – coefficient of determination, Adj. R² – adjusted coefficient of determination, SE – standard errors, Sig. – significance) according to the business sector are presented in the table 5.

Table 5: Quantification and verification of the effect of independent variables on the FR1

Regression characteristics	LRM 1 – Dependent variable – FR1			
	M	T	C	S
MCC	0.358	0.350	0.346	0.246
R ²	0.128	0.122	0.120	0.060
Adj. R ²	0.104	0.107	0.093	0.049
SE	0.973	1.086	0.962	1.029
Nr. of resp.	151	235	139	339
ANOVA – Analysis of Variance				
F- test	5.376	8.005	4.557	5.362
Sig.	0.000***	0.000***	0.002**	0.000***
Regression coefficients' verification with t-test				
Constant	6.888	7.166	6.896	10.482
REP	2.650**	2.815**	3.514*	1.983*
SM1	3.047**	2.254**	-0.202	2.423*
SM2	-1.514	-0.593	0.054	-0.284
SM3	0.543	0.769	0.815	0.087

Note: M – Manufacturing, T – Trade, C – Construction, S – Services, * $\alpha = 0.05$; ** $\alpha = 0.01$; *** $\alpha = 0.001$.

Source: own empirical data

The empirical results of the regression analysis (Tab. 5) showed that LRM for each business sector (M, T, C, S) is statistically significant. The adjusted coefficients of determinants are very low (from T – 10.7% to S – 4.9%). The independent variable REP is a statistically significant factor which has a positive effect on the FR1 in each business sector. The independent variable SM1 is a statistically significant factor which has a positive effect on the FR1 in each business sector except construction. Independent variables SM2 and SM3 were found to be statistically insignificant for FR1. They had no effect on the FR1 in each analysed business sector. Evaluation of the statistical hypotheses for FR1 is as follows: (i) SH1_A, SH1_B, SH1_C and SH1_D were accepted; (ii)

SH2_A, SH2_B, SH2_C and SH2_D were accepted partially.

Quantification and comparison of regression coefficients in LRM1 (dependent variable FR1) between selected business sectors are shown in table 6.

Table 6: Comparison of linear regression function according to business sector

Business sector	LRM1 – dependent variable 1 – FR1
M	$FR1 = 1.546 + 0.340 \times REP + 0.348 \times SM1 - 0.182 \times SM2 - 0.057 \times SM3$
T	$FR1 = 1.368 + 0.253 \times REP + 0.241 \times SM1 - 0.066 \times SM2 + 0.082 \times SM3$
C	$FR1 = 1.566 + 0.347 \times REP - 0.026 \times SM1 + 0.007 \times SM2 + 0.086 \times SM3$
S	$FR1 = 1.771 + 0.169 \times REP + 0.196 \times SM1 - 0.023 \times SM2 + 0.006 \times SM3$

Note: M – Manufacturing, T – Trade, C – Construction, S – Services.

Source: own empirical data

Table 7: Quantification and verification of the effect of independent variables on the FR2

Regression characteristics	LRM 2 – Dependent variable – FR2			
	M	T	C	S
MCC	0.273	0.176	0.440	0.178
R ²	0.074	0.031	0.194	0.032
Adj. R ²	0.049	0.023	0.170	0.020
SE	0.952	0.998	0.798	0.836
Nr. of resp.	151	235	139	339
ANOVA – Analysis of Variance				
F- test	2.932	3.694	8.063	2.742
Sig.	0.023*	0.026*	0.000***	0.029*
Regression coefficients' verification with t-test				
Constant	6.888	7.166	6.896	10.482
REP	8.423	9.016	8.275	12.152
SM1	1.274	1.982*	5.540***	2.996**
SM2	0.232	1.388	-0.632	-0.888
SM3	-2.133*	-	-0.863	1.004

Note: M – Manufacturing, T – Trade, C – Construction, S – Services, * $\alpha = 0.05$; ** $\alpha = 0.01$; *** $\alpha = 0.001$.

Source: own empirical data

These empirical results (table 6) showed that corporate reputation is the strongest factor which has a positive effect on FR1 in each business sector except services. In services the strongest factor with a positive effect on FR1 is SM1. SM2 and SM3 have no significant effects on FR1 in each of the analyzed sectors.

The results of LRM of quantification and verification of independent variables (REP, SM1, ..., SM3) on the de-

pendent variable FR2 according to the business sector are presented in the table 7.

The empirical results from regression analysis (Tab. 7) showed that LRM for each business sector (M, T, C, S) is statistically significant. The adjusted coefficients of determinants are very low (from M – 4.9% to S – 2.0%). The independent variable REP is a statistically significant factor which has a positive effect on the FR2 in sectors such as trade, construction, and services. The independent variables referring to social media, i.e., SM1, SM2, SM3, were found to be insignificant in the model of FR2 in each analyzed business sector. Evaluation of the statistical hypotheses for FR2 is as follows: **(i) SH1_A was rejected; (ii) SH1_B, SH1_C and SH1_D were accepted; (iii) SH2_A was accepted; (iv) SH2_B, SH2_C and SH2_D were rejected.**

Quantification and comparison of regression coefficients in LRM2 (dependent variable FR2) between selected business sectors are shown table 8.

Table 8: Comparison of linear regression function according to business sector

Business sector	LRM2 – dependent variable 2 – FR2
M	$FR2 = 1.849 + 0.160 \times REP + 0.026 \times SM1 - 0.250 \times SM2 - 0.288 \times SM3$
T	$FR2 = 1.523 + 0.136 \times REP + 0.092 \times SM1$
C	$FR2 = 1.558 + 0.454 \times REP - 0.069 \times SM1 - 0.093 \times SM2 + 0.045 \times SM3$
S	$FR2 = 1.667 + 0.207 \times REP - 0.058 \times SM1 + 0.067 \times SM2 - 0.026 \times SM3$

Note: M – Manufacturing, T – Trade, C – Construction, S – Services.

Source: own empirical data

These empirical results (table 8) showed that the independent variable, as is corporate reputation, is the strongest factor which has a positive effect on the FR2 by each business sector without manufacturing. In manufacturing the strongest factor with a positive effect on the FR2 is SM3. SM2 and SM3 have no significant effects on the FR2 by each business sector without manufacturing.

DISCUSSION

The research on the effect of the importance of corporate reputations and social media on financial performance from the perspective of managers and top managers' perceptions led to several noteworthy findings.

First, the corporate reputation is an important factor, which has a positive effect on the perception of the sufficient profit of SMEs in each business sector. This effect is stronger in enterprises in the manufacturing sector (regression coefficient RC = 0.340) and construction (RC = 0.347) in comparison with enterprises from the segment of trade (RC = 0.253) and services (RC = 0.169). These findings support previous findings proving the relationship between corporate reputation and its perfor-

mance (Raithel & Schwaiger 2015; Black et al., 2000; Blajer-Gołębiowska & Kozłowski 2016).

Second, the perception of social media supports the profit growth of manufacturing, trade, and services businesses performance. The strongest positive effect is present in manufacturing SMEs. These results confirm studies on the positive effect of social media on corporate performance for the manufacturing industry in Ghana (Bruce et al. 2023), and for the hotel industry in the UK (Tajvidi & Karami 2021). Our finding that social media's impact on the perception of corporate performance in the construction sector is insignificant is contrary to previous studies by Malesev & Cherry (2021). Nevertheless, in several studies, either no significant relationship or even a negative relationship between social media usage and corporate performance was found (Ahmad et al., 2019; Abu Bakar et al., 2019; Domma & Errico 2023).

Third, the perception of corporate reputation was found to be insignificant for the ability to pay obligations (solvency) of SMEs in the business sector of manufacturing. In other business sectors (trade, construction, services), this factor was found important which confirms previous studies claiming that a worse reputation increases the cost of debt (Deng et al., 2014). This effect is stronger for enterprises in the segment of construction (RC = 0.454) in comparison with enterprises in the segments of trade (RC = 0.136) and services (RC = 0.207).

Finally, the perception of the importance of social media in business was not significant for the firm's ability to pay its obligations (solvency) in SMEs in the trade, construction and services sectors, which supports previous findings (Tajudeen et al., 2018). Only in the case of manufacturing companies, the perception of social networks in business has an important effect on the ability to pay obligations (solvency) of SMEs. This effect is negative.

CONCLUSION

The aim of this study was to examine and quantify the effect of the importance of corporate reputation and social media on financial performance.

Regarding the first imposed research question, corporate reputation was found to be a significant determinant with a positive effect on the business performance in each business sector in the SME in the Central European countries. However, there are important differences between sectors. The owners and managers in the services sector rate the role of corporate reputation in their businesses lower than owners and managers in other sectors (manufacturing, trade, construction). Regarding the second research question, the perception of social media as a factor supporting the growth of a company's performance has an effect on managers' and owners' perceptions of the company's performance as sufficient. In this context, the business sector is also significant, as this relationship was found only in the manufacturing, trade, and services sectors. However, the impact of social me-

dia perception on business performance perception was unimportant for enterprises in the construction sector.

Our findings have several important implications as it brings about crucial insights that may be useful for entrepreneurs, and which they can use to enhance their business strategies. Entrepreneurs should recognize the significant impact of corporate reputation on business performance across sectors, while also understanding the sector-specific variations. Furthermore, entrepreneurs in the construction sector might need to explore alternative strategies as social media perception seems to have little impact on business performance in this sector in the Central European countries. Overall, company owners and top managers can leverage these findings to adapt their approaches and optimize their business performance in alignment with sector-specific dynamics.

Several limitations to this study need to be acknowledged. First, the research was conducted only in countries in Central Europe – the Visegrad Four (V4) countries. Second, we focused only on the main business sectors, i.e., manufacturing, trade, construction, and services.

Third, the hypotheses were verified using only two statistical methods - correlation and regression analysis. Finally, the stability of perceptions among owners and top managers within the business environment, particularly in the SME sector, exhibits variability, susceptible to shifts influenced by diverse micro and macroeconomic conditions.

Further studies could focus on a deeper insight into the effect of corporate reputation and social media on the sustainability of SMEs. Several previous empirical studies confirmed that there exist other significant factors, which were not evaluated in this scientific article, such as business risks (e.g. market risk, economic risk, personnel risk, and so on), crisis events in business, corporate social responsibility, level of digitalization, and so on. Also, the other demographic characteristics of enterprises can be important (age of enterprise, type of enterprise and so on). The other path of study development is to compare findings with the perception of owners and managers in the SME sector in Western countries.

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