

A Model of Social Media Adoption and Impact on Malaysian Small and Medium-sized Enterprises (SMEs)

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***Abstract:** Social media use in small and medium-sized enterprises (SMEs) is growing. Social media offers opportunities for business organisations to increase business transactions. However, little attention has been given in understanding the adoption and impact of social media in SMEs. Using technology-organisation-environment framework (TOE), social media adoption and its impact model is developed. The model can guide future social media application research and can be a basis to guide SMEs which are seeking to use social media applications effectively to increase their business transactions.*

Keywords: Business, Management, Social media, adoption, TOE, SMEs

1. INTRODUCTION

Social media can be defined as a tool that is based on user involvement in providing web content and social networking (O'Reilly, 2007). Social media consists of various applications that enable interactions and increases the ability to share information among web users (Boyd & Ellison, 2007; O'Reilly, 2007). The main idea behind social media is the creation of a two-way communication channel, whereby Web users providing Web content (Kietzmann, Hermkens, McCarthy, & Silvestre, 2011). Currently, there is limited academic work in understanding the driving factors of social media adoption and its' impact in SMEs (Saldanha & Krishnan, 2012).

Businesses from large companies to SMEs are finding profits when using social media in daily business transactions. Many types of social media applications from Facebook to Instagram are being used mainly for marketing (Derham, Cragg & Morrish, 2011; Mandal & McQueen, 2012). This is because of the benefits offered by social media, particularly in connecting with specific customers (Culnan, McHugh & Zubillaga, 2010; Saldanha & Krishnan, 2012). Many studies indicate that social media can improve organisations' value by providing better customer engagement,

provide capabilities for knowledge sharing and improvement in business processes (Jarrahi & Sawyer, 2013; Yates et al., 2010). Hanna, Rohm and Crittenden (2011) stressed the advantages of using social media to reach young customers. However, despite the growing amount of investment to improve social media implementation in companies, the level of adoption of social media applications is not convincing, and most SMEs do not utilise the full functionalities of social media (Saldanha & Krishnan, 2012).

Therefore, in order to use the full functionalities of social media, important factors that drive successful social media adoption and its positive impact need to be understood. This study aims to create a model to improve the implementation of social media in SMEs based on Technology-Organisation-Environment (TOE) framework. SMEs are chosen because it is an important catalyst in Malaysian economy. According to SME Corporation (2013), SMEs in Malaysia contributes to 32 percent of gross domestic product, 59 percent of employment and 19 percent of exports.

2. TOE FRAMEWORK

TOE is a framework specifically focused on explaining adoption. TOE framework includes

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factors that can affect adoption namely technology, organisation and environment domain. Jeyaraj, Rottman & Lacity (2006) highlighted that adoption of IT innovation in organisation is influenced by technological, organisational and environmental factors, as suggested by Fichman (2000). It also has a strong theoretical basis, lots of empirical support and the potential to be applied to other innovation domains (Kuan & Chau, 2001; Xu, Zhu & Gibbs, 2004). TOE consists of three main contexts namely technological that focuses on technological aspects of the system, organisational that focuses on organisational surroundings of the technology and environmental which focuses on outside influences.

3. CONCEPTUAL FRAMEWORK DEVELOPMENT

3.1 Technological - Perceived Benefits

Perceived benefits can be defined as the expected benefits that the user will get when certain technology is adopted (Venkatesh & Bala, 2013). Perceived benefits defined in this study as the expected benefits user gets when SMEs adopt social media. Many studies suggested that social media can provide advantages to business organisations in the contexts of customer engagement and marketing and can positively improve financial impact to SMES (Saldanha & Krishnan, 2012). Hence, the following hypothesis is proposed:

H1: Perceived benefits will affect adoption positively.

3.2 Technological - Compatibility

Compatibility is the degree to which a new technology is perceived as being consistent with current organisational equipment and values (Rogers, 1995). Prior work suggests that compatibility can motivate organisations to adopt innovations (Beatty, Shim and Jones, 2001). Parveen (2012) emphasizes that compatibility of social media with the organisation's values and existing technologies can affect social media adoption further. Therefore, the following hypothesis is proposed:

H2: Compatibility will affect adoption positively.

3.3 Technological - Perceived security

Perceived security is the degree to which social media is perceived as not secure. Perceived security is highlighted as a main hindrance that negatively affect social media adoption decision in many businesses (Sinclair and Vogus 2011). There are also concerns that business organisations cannot protect important data on social media platform and information published can be manipulated to discredit the organisation (Yoon and George 2013). Information theft and computer viruses is also a concern mentioned. (To et al. 2008). Therefore, the following hypothesis is proposed:

H3: Perceived security will negatively affect social media adoption.

3.4 Organisational – Formalisation

The use of standards and procedures to govern the use of technology can be defined as formalisation (Hameed et al. 2012). It is the activity that meticulously defines specific task of each personnel involved, creating standards and rules of IT implementation. Formalisation also includes activities such as evaluating new initiatives and development of task force. Cooper and Zmud (1990) suggested that formalization activities drives technology adoption. Mergel and Bretschneider (2013) suggests that organisation that want to use social media applications should standards and procedures properly set up. Therefore, it is hypothesized that formalisation will positively influenced social media adoption.

H4: Formalisation will positively affect social media adoption.

3.5 Environmental - Community Demand

Prior work suggested that demand from customers is key in organisations' decision to adopt technology (Son & Benbasat, 2007). Khalifa and Davison (2006) highlighted that when organisations perceive there is a demand from customers, adoption of technology will take place. Son and Benbasat (2007) supported this notion by providing evidence that direct or indirect pressure will positively affect an organisation to adopt an innovation. In the context of business organisations, social media is being used as a tool in developing customer engagement and potential customers (Howard,

2012). Rapid use of social media by Internet users had raised the need for business organisations effectively communicate and respond with the customers. Hence, it is suggested that:

H5: Community demand will positively influence social media adoption.

3.6 Environmental - Bandwagon Pressure

Sinclair and Vogus (2011) highlighted that business organisations are adopting social media because their customers, suppliers and competitors are using them. Yoon and George (2013) found that the perceived extent of adoption by competitors and success stories were found to have significant impacts on the intent to adopt social media. Hence, it is suggested that:

H6: Bandwagon pressure will positively influence social media adoption.

3.7 Social Media Adoption

Social media applications can affect business organisations sales performance positively.

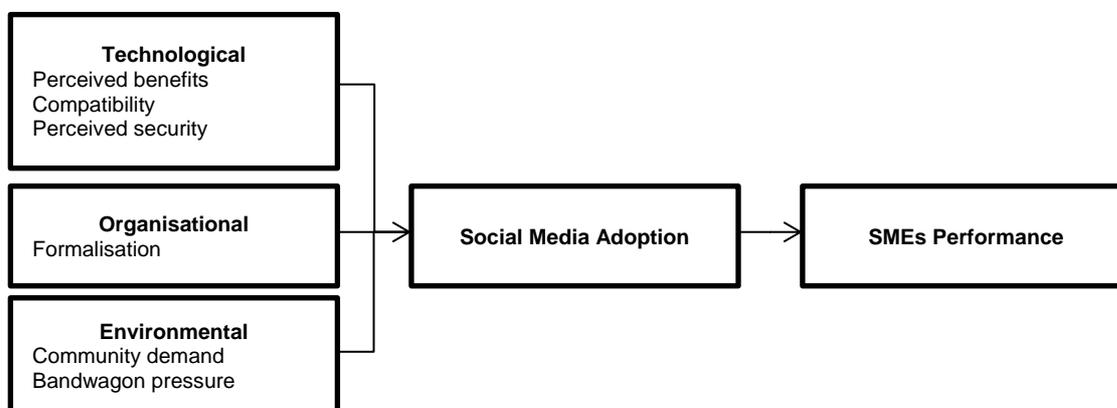


Fig. 1. Conceptual model of social media adoption and impact in Malaysian SMEs

5. CONCLUSION

Social media use in SMEs is considered as an important topic to be investigated by scholars as little is known about the impact of its use to SMEs. This paper proposed a model of social media adoption and impact in SMEs based on three TOE context namely technological, organizational and environmental. Based on the model, several hypotheses is proposed and will be tested in future research using an online

Saldanha and Krishnan (2012) proposed that the adoption of social media can improve businesses financial performance. Kwok and Yu (2013) suggested that the adoption of social media can help in increasing sales activities. Therefore, it is suggested that social media adoption will positively influence SMEs financial performance.

H7: Adoption of social media will positively influence SMEs financial performance.

3.8 SME Performance

SME performance refers to the actual benefits SME get from using social media applications both in term of financial and non-financial performance. Financial performance is measured by number of sales increased after using social media while non-financial performance is measured by looking at the quality of relationship with customers and ease of marketing processes.

Figure 1 depicts the proposed conceptual model of social media adoption and impact in Malaysian SMEs.

survey with business owners and social media managers in SMEs. The findings from subsequent research based on this paper can help SMEs to understand the real importance of social media in their daily transactions.

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