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SME PERFORMANCE: THE EFFECTS OF SOCIAL MEDIA MARKETING ADOPTION AND COMPETITIVE INTELLIGENCE

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Abstract

Organizational performance is a crucial variable in studies on management the success of all businesses whether small or medium enterprises or large organizations can be seen through their performance, by their capability to lead which include creating employment and wealth by business start-ups, survival and sustainability. Previous studies on the adoption of internet among Malaysian SMEs have discovered the limitations and acceptance barriers, as manifested through only 32.3 percent of local business owners who have extensively adopted social media as their marketing tool. This study aimed to explore the relationship between the adoption of social media marketing towards SME performance in Malaysia, focusing on those SMEs within the east coast region of Malaysian peninsula. It also explored the potential relationship between competitive intelligence towards SME performance. A quantitative approach was used to test the hypothesis in order to get reliable results where 400 respondents who were mainly SMEs business owners were selected from Kelantan, Terengganu and Pahang. The study found that there was positive relationship between social media marketing adoption with SME performance where a moderate strength of association with SME performance existed. It was also found that competitive intelligence has positive relationship and a moderate strength of association between competitive intelligence and the performance of SME thus supported these hypotheses. As a sum, SMEs business owners should seriously consider social media as their important weapon tool in their marketing strategies.

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Keywords: Competitive intelligence, social media marketing, SME performance.



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1. Introduction

The 21st century marks the rise in the transmission of internet-based communication through social media. This results in internet becoming a key factor in influencing different qualities of consumer behaviour which includes awareness, information acquisition, opinion, attitudes, purchasing behaviour, satisfaction and evaluation, and post-purchase communication (Mangold & Faulds, 2009). Therefore, social media is a suitable medium to be used to deliver or receive information and benefit various parties such as businesses to get more customers and increase their performance. Today, social media has taken on great importance as a remarkably effective communication and marketing tool particularly for SMEs (Samat et al., 2015).

The definition by Blackshaw and Nazzaro (2004) suggested social media as an online interaction site where people interact to build, share and change their ideas and comments regarding any information. Social media can also be described as the specific use of digital media or Internet which is different from the traditional information media consumption (Dubihlela & Rundora, 2015). This current communication platform has caused vital changes and open up opportunities in business making. The increased use of social media marketing has provided opportunities for companies to reach their target audiences easily (Meredith, 2012). The characteristics of social media marketing such as interactive, fast and cheap make it more attractive to most companies to use social media as their marketing channel (Genç & Öksüz, 2015). Social media marketing is regarded as a “natural extension” for communication because of its characteristics and companies no longer use one-way communication with their customers.

1.1. SME Performance

Organisational performance is a crucial variable in studies on management. Different researchers have different definitions to reflect performance. In management research, the concept of company's performance is so common that there is no need to justify its structure and definition; however, its appropriateness is definitely based on assumptions (March & Sutton, 1997). The success of all businesses whether small or medium enterprises or large organizations can be seen through their performance. According to Sandberg et al. (2002), a small business performs can be defined by their capability to lead – in creating employment and wealth by business start-ups, survival and sustainability.

Maurya et al. (2015) illustrated the measurement of business performance to entail a process of quantifying the action; whereby any form of action executed which may lead to or alter performance of the respective business is quantified. Meanwhile, Daft et al. (1988) proposed organizational performance as the capability of the organization to satisfy the set goals through resources which are effectively utilized. It can also be deduced as the real results achieved by the organization, as opposed to the planned outcomes (Ho, 2011; Samat et al., 2017).

From the perspective of marketing, companies can be considered as excellently performing when they can satisfy their customers more efficient and effectively when compared to their competitors. Hence, from the perspective of marketing, performance can be explained by two dimensions: efficiency and effectiveness. These measurements show that there can be internal and external explanations behind strategies (Maurya et al., 2015).

1.2. Social Media Marketing

According to Dubihlela and Rundora (2015), there are some advantages in accepting social media marketing in business: it can help companies in their continuous growth. Osterrieder (2013) stressed that social media can urge businesses to enhance the way they educate their customers about their products. In addition, social media provides these companies a social presence, and it helps them to connect with their large number of customers and hence, serves as a very useful marketing tool. Cruz and Fill (2008) referred social media is a communication strategy that encourages people to spread messages on their phone networks (thus, making it viral) and this creates potentially rapid growth for their businesses. Word of mouth (WOM) is a final result of viral marketing through social media. Furthermore, social media can give companies opportunities to engage with customers easily. Customers can give prompt and direct feedback about the products or services, either positively or negatively, on the company's website (Treadaway & Smith, 2012). Lastly, social media helps companies to improve on their product when negative feedback by customers is taken care immediately (Dubihlela & Rundora, 2015).

A study by Parveen et al. (2015) showed that social media marketing greatly affects the performance of an SME by enhancing customer relations and customer service activities, improving information accessibility and reducing marketing and customer service costs. Therefore, it can be hypothesized as:

H₁: There is a relationship between social media marketing and SME performance.

1.3. Competitive Intelligence

Competitive Intelligence (CI), according to Bose (2008), is the practice of monitoring the competitive environment which eventually position the organizations to outperform its competitors, through the provision of actionable intelligence. Competitive intelligence involves the act of defining, gathering, analysing, and distributing intelligence with regard to any aspect relating to the condition needed by the companies in support of making strategic decisions (Vuori, 2011). External sources may present the organizations with crucial knowledge, such as the competitor's items, business advancements, and deals which are then assembled and examined in order to qualify their CI to take place (He et al., 2013). Competitive intelligence enables the organizations to forecast the pattern following the changes occurred, which may originate from the customers, regulators, or competitors. As a result, the company now has the upper hand to reap the benefits from the prior situation assessed. According to Štefániková and Masárová (2014) competitive intelligence is a process to identify competitors' strengths and weaknesses and to recognize their strategic objectives by making surveys and monitoring and evaluating the competitive environment (companies, organisations). The data will then be analysed and synthesised, and the information obtained will be transformed into strategic knowledge, where data about competitors are collected and corporate environment entities such as market, law and legislation, and political and demographic context are monitored.

Mohsin et al. (2015) on a study entitled, Competitive Intelligence among SMEs: Assessing the Role of Entrepreneurial Attitude Orientation on Innovation Performance conducted in Malaysia found that competitive intelligence is important in shaping the organisations' strategic decision making. Therefore, it can be hypothesized as:

H₂: There is a relationship between competitive intelligence and SME performance.

2. Problem Statement

Shang (2014) eloquently stressed that performance and competitiveness of SME can be enhanced by using Internet-based applications. There are many types of Internet-based applications and one of the types is social media. Social media is becoming crucial for companies in operating their businesses and the adoption rate is increasing rapidly over time (Wang et al. 2016). SME Corp (2016) reported that the usage of social media among SMEs has increased to 90.1 percent as compare only 33.3 percent in 2014. Yet, the Malaysian SMEs reported otherwise. Unlike those in developed countries, the local SMEs witnessed the struggling adoption of internet, despite the concerted efforts of the companies in leveraging social media marketing to their advantage. Dahnil et al. (2014) then attributed limitations within SMEs themselves as well as acceptance barriers to be the inhibitors. In Malaysia, SMEs that use social media as their marketing tool extensively is only 32.3 percent (SME Corp, 2016). Wang et al., (2016) revealed that past studies had focused on the adoption of social media in businesses, and there seems to be a gap on studies of how companies use social media as a marketing strategy. Besides, the increase in global economic competitions caused the organizations to experience dwindling budgets, although these business makers are aware of the need to invest in or divest capabilities in order to meet the marketplace demand. Moreover, the intensifying competitive environment worsened the sustainability of these organizations as they resorted to instigate their own competitive intelligence (CI), as a guide for the decision making phase. Despite acknowledging the apparent benefits of CI to aid their survival in the present dynamic economy, a formal CI department in most companies is yet to be established (McGonagle & Vella, 2004). On another note, CI is regarded as relatively new thus the organizations are likely to find CI as a foreign concept in light of adopting social media marketing to boost their business performance (Dai et al., 2011; He et al., 2013). Thus, this study aims to address this gap.

3. Research Questions

1. Is there any relationship between social media marketing adoption towards SME performance in Malaysia context especially in the East Coast Region of Peninsula Malaysia?
2. Is there any relationship between competitive intelligence towards SME performance in Malaysia context especially in the East Coast Region of Peninsula Malaysia?

4. Purpose of the Study

1. To explore the relationship between social media marketing adoption towards SME performance in Malaysia context especially in the East Coast Region of Peninsula Malaysia.
2. To investigate the potential relationship between competitive intelligence towards SME performance in Malaysia context especially in the East Coast Region of Peninsula Malaysia.

5. Research Methods

This study used quantitative approach to test the hypothesis in order to get reliable results. The study was conducted in the East Coast Region of Peninsula Malaysia which include Kelantan, Terengganu and

Pahang. Data was collected using questionnaires and 400 respondents were selected to answer the questions. However, only 339 questionnaires were usable for further analysis. The study used probability sampling approach, which was simple random sampling. A basic criterion was set where respondents of this study must own a business in Kelantan, Terengganu and Pahang, and applied social media as part of their operation at the same time. After the major data collection, the raw data was manually keyed in through SPSS version 22.0 and analysed. The hypotheses were tested using the linear regression analysis.

6. Findings

6.1. Normality

Normality test was conducted and measured using skewness and kurtosis. Normality test was used to determine if a data significantly deviated from a normal distribution.

Table 01. Normality Result

	SME Performance	Social Media Marketing Adoption	Competitive Intelligence
Skewness	-0.810	-0.576	-0.681
Kurtosis	1.220	0.498	1.038

As shown in Table 01, the result of skewness ranging from -0.576 to -0.810, and the result for kurtosis ranging from 0.498 to 1.220 showed that all values are acceptable. According to George and Mallery (2016) the value between -2 and +2 are acceptable and considered as normal. Hence, it was found that all variables used in this study are normal. Therefore, further analysis can be proceeded.

6.2. Demographic Profiles

The quantitative data was obtained from questionnaires completed by 339 respondents. Firstly, they are categorized according to their respective industries – services (46.6%), manufacturing (42.5%), and others (10.9%). Secondly, the ownership category observed these respondents to consist of sole proprietors (75.2%), followed by partnership business (17.7%), and the remaining were limited company (7.1%).

With regards to years of business operations, it was found that 38.3 percent had been operating for 4-8 years, followed by 28.3 percent with less than three years of operations, while 24.5 percent have been in business for nine to 15 years. Only 5.0 percent were above 20 years while 3.8 percent had been operating between 16 to 20 years.

In terms of the type of company's internet connection, it was found that 31.0 percent of the total number of respondents used Jaring, Streamyx (30.7 percent), TMNet (24.8 percent), UniFi (13.3 percent) and Leased Line (0.3 percent) respectively. Finally, it was also found that 82.6 percent of these business owners had used internet for business purposes for less than five years, while business owners who had used internet for their business for 6 to 10 years was 15.0 percent, followed by 11 to 15 years (1.8 percent) and lastly, only 0.6 percent of the total number of respondents reported to have been using internet for more than 20 years for business purposes.

6.3. Reliability Analysis

Generally, Cronbach's alpha was used to measure the reliability and value of less than 0.60 are considered to be poor, whereas those close to 0.70 are considered good and those over 0.80 are considered to be high (Amiri et al., 2010).

For SME performance, it was found that the Cronbach's Alpha was 0.739 or 73.9 percent. For social media marketing adoption, the Cronbach's Alpha value was 0.772 or 77.2 percent, while, for competitive intelligence, the overall Cronbach's Alpha is 0.774 or 77.4 percent. Therefore, it was found that, in general, the Cronbach's Alpha values for all sections were higher with a Cronbach's Alpha value of 0.828 or 82.8 percent.

6.4. Hypothesis Testing

The relationship between social media marketing adoption and competitive intelligence with SME performance has been tested. Social media marketing adoption ($r\ value = 0.631$ $p\ value < 0.01$) indicated that positive relationship between social media marketing adoption with SME performance and have a moderate strength of association with SME performance. In addition, competitive intelligence ($r\ value = 0.629$, $p\ value < 0.01$) showed that there is a positive relationship and have a moderate strength of association between competitive intelligence with SME performance.

Table 02. Result of Hypothesis Testing

Hypotheses	t-value	Sig	Result
H_1 : Social media marketing adoption \longrightarrow SME Performance	14.936	0.000	Supported
H_2 : Competitive intelligence \longrightarrow SME Performance	14.845	0.000	Supported

The study hypothesized that social media marketing adoption have a significant relationship with SME performance ($t\ value = 14.936$, $p\ value = 0.000$). Thus, the result of H_1 is supported. In addition, competitive intelligence also has a significant relationship with SME performance ($t\ value = 14.845$, $p\ value = 0.000$). Therefore, the result of H_2 is also supported. As a conclusion, all variables have significant relationships with SME performance (see Table 2).

7. Conclusion

This study seeks to identify the relationship between social media adoption, competitive intelligence, and SME performance in the East Coast Region of Peninsula Malaysia. For hypothesis testing, linear regression was used as a statistical tool. Within the context of this study, social media marketing adoption is concluded to significantly contribute to the performance of SME. Additionally, competitive intelligence is also found to be of equal significance with regards to SME performance.

Social media marketing has certainly show to have bigger impacts on the performance of SMEs business operations especially in relations to enhancing customer relations and services activities, improvement in the accessibility of information and reduction of costs in terms of customer service and business marketing. In the meantime, Competitive intelligence is also important in ensuring companies to remain competitive in business. It is very important for companies to understand the strategic directions of

their competitors in the future in order to be able to counteract them in a timely manner. SMEs need to monitor and track the market trends, noting not only changes in products but also changes in organisational operations and strategies that include the adoptions of new technologies.

In all, it is recommended that businesses especially small medium enterprises to consider social media marketing tools and competitive intelligence strategies in improving the performance of their companies.

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