

## Roles of Facebook Usage among SMEs in Malaysia

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### Abstract

The main objective of this study is to examine the roles of Facebook usage among SMEs in Malaysia. It has been argued that interactivity, cost effectiveness and compatibility are the factors of Facebook usage among SMEs in Malaysia. Since such usage among SMEs has increased continuously due to its features that are interactivity, cost effectiveness and compatibility, three hypotheses were postulated in this study. This study applies Statistical Package for Social Science (SPSS) method in analyzing the data that were distributed to 84 respondents through questionnaires. The findings of this study demonstrated that cost effectiveness and compatibility have positive relationship on Facebook usage among SMEs in Malaysia. Meanwhile, interactivity has no relationship on Facebook usage among SMEs in Malaysia. [The outcome of this study shall assist the government agencies to in facilitating contents during trainings and coaching session with the entrepreneurs.

**Keywords:** Facebook, Interactivity, Cost Effectiveness, Compatibility

### Introduction

SMEs in Malaysia need to compete aggressively among countless competitors to achieve or sustain the market share in a particular industry or region. Nowadays, small and medium enterprises (SMEs) are undeniably playing a significant role in the economic development and the employment of a country. To be a high-income nation by 2020, the growth of SMEs need to be accelerated. According to SMEs Masterplan 2012 – 2020, 99.2 percent business establishment in Malaysia comes from SMEs. Based on the latest statistics, they contributed up to 32% of GDP, 59% of employment and 19% of exports.

According to WeAreSocial (2016), social media are now worldwide. As a matter of fact, about 85.4% of SMEs use social media to sell their products and services in order to achieve a larger market (SME Annual Report 2016/2017). Malaysia's government indicates that there is a slow growth in marketing among SMEs (SME Master Plan 2012 – 2020, p.51; SME Annual Report

2016/2017). Based on the past studies by Bhanot, (2012) most SMEs use social media like Facebook, for various functions including marketing, interaction, sales, and advertising. The use of social media is suitable for SMEs because it is low cost, mobility and only requires low IT skills (Breslauer et al., 2009; Toole, 2011; Durkin et al., 2014). In Malaysia, there are 26,009,000 active Facebook users (Internet World Stats, 2019) and according to Derham et al., (2011) Facebook has become a choice for endorsing business because it offers communications all around the world. Realizing such significant roles of SMEs in Malaysia, there is a need to find factors that can accelerate their social media roles in enhancing their business throughout the world and continuously contributing towards the growth of Malaysia.

### **Literature Review**

#### **Facebook Usage among SMEs**

Social media has gotten close to our daily life and according to Kaplan and Haenlin (2010), social media refers to the Internet based application that allow users to exchange information. It is very convenient and offers low cost for businesses to engage with their customers (Fischer and Reuber, 2011). The adoption of technology has become popular in the workplace and firms can use it in a daily transaction flexibly at anytime and anywhere (Chen et al., 2008). In 2012, 500 companies rose in adopting social media (Okazaki and Taylor, 2013) and it showed that companies adopted social media for a long-term usage. Social media has become the most popular platform in businesses and acts as a communication tool between organizations and customers (Kumar et al., 2016). Studies by Bonsón & Ratkai (2013) analyzed the utilization of Facebook in businesses and they all verbalized that it is beneficial for their businesses. This was supported by the past researcher Derham et al., (2011) in which Facebook was proven to be low cost and does not require high level of IT skills and thus enable SMEs to use it conveniently in their transactions.

The reason why SMEs used Facebook is because this platform provides two-way communication between firms and customers (Meske & Stieglitz, 2013). An organization uses Facebook as a platform of marketing communication and branding (Bruhn, M., Schoenmueller, V. and Schäfer, D.B., 2012). This was supported by Malhotra, A., Kubowicz Malhotra, C. and See, A. (2013) where Facebook is associated in engaging customers and building brand awareness. In a similar study by Edosomwan et al, (2011), the interaction between firms and customers, and engagement with customers had been developed through the adoption of technologies. Gazal et al., (2016) also agreed that social media is a platform where firms and customers interact with each other. As stated by Mangold & Faulds (2009), social media such as Facebook can be also be stratified as part of the promotion mix whereby it helps a business owner to sell, advertise and market their product at a cheaper cost. Additionally, Bhanot, (2012) also found that Facebook as a platform where marketing, advertising, and cultural changes occur to achieve SMEs objectives. Past studies illustrated that roles such as interactivity (Lee & Kozar, 2012), cost effectiveness (Chong & Chan, 2012) and compatibility (Wang et al., 2010) influence Facebook usage.

#### **Interactivity**

Past researchers proposed three concepts of interactivity. Firstly, Newhagen, (2004) define interactivity as a perception-related variable where the experience of users was highlighted. Secondly, Kelleher, (2009) stated that interactivity is like a process-related variable where the

process of information transfer between users takes place. Thirdly, interactivity can also be defined as a medium characteristic – interactivity happens due the features of technology per se. Interactivity is how well two or more parties communicate to each other, and the capability of organizations to provide information regarded to their products or services to the customers (Goldfarb & Tucker, 2011). Additionally, Kietzmann et al., (2012) demonstrated the rate of response between organizations and customers as the level of interactivity. Thus, the ability to communicate and engage with customers crucially leads to high level of interactivity (Elauf-Calderwood et al., 2005). Lee & Kozar (2012) also mentioned that interactivity can be achieved when technological systems are designed substantially.

#### Cost Effectiveness

According to Ainin et al., (2015), past researchers suggested social media implementation for its low cost yet high efficiency for marketers. By using social media, the cost of advertising and promotions are low (Dong-Hun, 2010) and the only cost for SMEs is the time to post on social media applications, considering the free sign-up (Zappe, 2010). Apart from that, social media is a platform where the business owners potentially reach their customers worldwide at low cost (Korda & Itani, 2013). Furthermore, Chong & Chan, (2012) stated that cost effectiveness is the main purpose of using new technology.

#### Compatibility

Compatibility were perceived as a major determinant in the use of innovation Wang et al., (2010). Since the technology is compatible with work application systems, organizations might have an interest to adopt new technology (Low, Chen, & Wu, 2011). As stated by Prem Kumar & Robert, (1999), the changes from the adoption of technology in communication needs to be compatible with the firm's values and belief so that managers would heed the use new technological system in their organizations. In the past study, most researchers discovered that the use of technology have both, positive and negative results. A previous study on retail sector in South Africa, discovered the influence of compatibility towards radio frequency identification technology and found that it is important for an organization to develop a good IT infrastructure to successfully accommodate RFID systems (Brown and Russell, 2007).

#### Research Model and Hypotheses

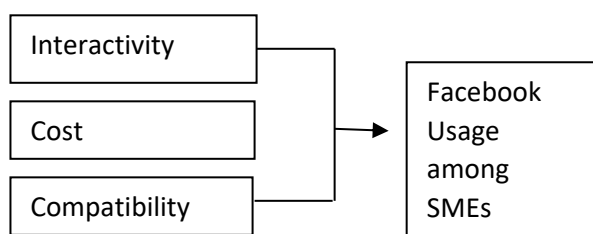


Figure 1: Theoretical Framework

#### Facebook Usage and Interactivity

As proposed by Rogers (2003), the interactive innovation of social media offers two-way communication, which helps to speed-up the adoption process because it attains a critical mass of users more quickly. Interactivity perceptions include consumer characteristics and

situations. The perceived values of interactivity lead a positive attitude toward innovation, thus influencing the adoption (Song & Zinkhan, 2008). Based on previous studies, Lee & Kozar, (2012) found that communication between human and technology is the key factor in designing the information systems. This was supported by Jiang & Benbasat, (2007), whereby the design of information systems brings out interactivity that affect the response rate of users on the adoption of technologies. Facebook is a social media platform that offers interactions between firms and customers, different to the one-way communication via traditional media (Mayfield, 2008). Therefore, interactivity can give a strong influence on Facebook usage and thus developed the hypothesis below:

H1: Interactivity has a positive relationship on Facebook usage among SMEs.

### **Facebook Usage and Cost Effectiveness**

Previous study stressed the importance of cost in the use of technology (Ernst and Young, 2001). According to Alam and Noor (2009), there is a relationship between cost and utilization of technology that are direct and significant. Meanwhile Derham, R., Cragg, P. and Morrish, S. (2011) found some benefits for SMEs in using social media that includes low cost, low barriers to participation and low level of IT skills required. Furthermore Kaplan and Haenlein (2010), social media is cost-effective because organizations tend to use it to communicate directly with their customers for free. Therefore, the second hypothesis is as per below:

H2: Cost Effectiveness has a positive relationship on Facebook usage among SMEs.

### **Facebook Usage and Compatibility**

It was previously found that Facebook is compatible with a firm's existing IT infrastructure in both positive and negative results. Based on a study by Ramdani et al. (2009), compatibility has no significant effect in the adoption of technology among SMEs. In a similar study, Low et. Al (2011) also found that compatibility has no significant relationship on cloud computing function. However, some studies show that compatibility has a significant relationship on the use of technology innovations (Ainin et., 2015). Although some of the findings provided unpersuasive result, this study developed the third hypothesis as below:

H3: Compatibility has a positive relationship on Facebook usage among SMEs.

### **Methodology**

#### **Sample and data collection**

The samples of this study are those SMEs who used Facebook in their businesses. A total of 84 respondents were asked to answer a questionnaire and two filter questions on whether they own a business with at least 5 employees (to verify them as SMEs) and have a Facebook account for their company. This is to ensure that the respondents fulfilled the right criteria for this study.

#### **Respondents' Profile**

In terms of the demographic of the data are tabulated in Table 1, more than half of the survey respondents were from male population (61.9%) and less than 39% are from the female population and majority of them aged between 42 to 49 years old (29.8%) while minority is the respondents at the age of 18 until 25 years old (6%). The rest of it were respondents of the age 26 – 33 years old (20.2%), 34 – 41 years old (27.4%), 50 years old and above (16.7%). All of the respondents were Malay (100%). This is because all respondents are entrepreneurs under Majlis Amanah Rakyat (MARA) thus all respondents are bumiputera.

### Measures

Data was collected using a structured questionnaire. The statements measuring these constructs were measured on a five-point Likert scale anchored with, “1=not at all” to “5=to a large extent” with “3=neutral.” Regarding measures, the items for cost effectiveness were adapted from the work of Ainin et al. (2015). The items for interactivity were also adapted from literature (Ainin et al., 2015), while those for compatibility are adapted from Chong and Chan (2012). Facebook media usage items were adapted from McCann and Barlow (2015). The reliability test for all of the variables ranges were between 0.7 - 0.87 which were acceptable.

### V. Results

In order to analyze the research model, this study employed the Statistical Package and Social Science (SPSS). SPSS analyzes data by using four types of analysis which are Descriptive statistic, Reliability and Multiple regression.

### Assessment of Hypotheses

Table 1

#### *Hypothesis Testing*

Hyp	Relationship	Std Beta	Std Error	t-value	Sig	Decision
H1	Facebook Usage-Interactivity	0.073	0.096	0.762	0.448	Not Supported
H2	Facebook Usage-Cost Effectiveness	0.307	0.120	2.546	0.013	Supported
H3	Facebook Usage-Compatibility	0.215	0.101	2.126	0.037	Supported

### Conclusion

Based on the analysis it was revealed that interactivity has no significant relationship on Facebook usage among SMEs. This result was supported by the study from Kelleher, (2009) which defined interactivity as a process-related variable in which the level of interactivity could be different in new media and traditional media. For instance, Facebook page may have random messages in which it is a one-way communication that actually portrays low level of interactivity compared to the interaction through phone calls that could have higher level of interactivity. Hence, to perceive interactivity as synonym to social media rather than traditional media is not reliable. On the other hand, cost effectiveness has a positive relationship on Facebook usage among SMEs. This was supported by the past study done by Raphael Odoom, Thomas Anning-Dorson and George Acheampong, (2017) whereby cost effectiveness exhibited positive relationships on social media usage among SMEs. Moreover, Zappe (2010) clarified that cost effectiveness is the determinant of social media usage among SMEs as they can sign in the social networking sites for free and thus reducing cost of marketing. Moreover, the findings of this study shows that compatibility has a positive relationship with social media usage among SMEs and is supported with a similar result by Raphael Odoom, Thomas Anning-Dorson, George Acheampong, (2017) which stated that compatibility has a positive relationship with Facebook usage among SMEs. Therefore, it is crucial for an organization to have an innovative technology that is compatible with its beliefs and values. According to Derham., et al (2011), an organization can meet customer needs and



preferences by focusing on their targeted customers through social media activities as they can personally and directly share any information, updates or even promotions related to their products or services. Additionally, this study also suggest that governments agencies in Malaysia, should provide trainings and coaching programs with for entrepreneurs to develop their skill on social media marketing techniques.

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