

FACTORS INFLUENCING
THE ADOPTION OF SOCIAL MEDIA
IN HALAL SMALL AND MEDIUM ENTERPRISES (SMEs)

NORFAZIELA BINTI HAMID

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

SUPERVISOR APPROVAL

‘I hereby declare that I have read this thesis
and in my opinion this is adequate in term of scope and quality for award
the Bachelor of Technology Management (Technology Innovation)’

Signature :

Supervisor Name :

Date :

Signature :

Panel Name :

Date :

FACTORS INFLUENCING
THE ADOPTION OF SOCIAL MEDIA
IN HALAL SMALL AND MEDIUM ENTERPRISES (SMEs)

NORFAZIELA BINTI HAMID

This Report is submitted as a partial fulfillment for the award
Bachelor of Technology Management (Technology Innovation)

Faculty of Technology Management and Technopreneurship (FPTT),
Universiti Teknikal Malaysia Melaka

JUNE 2014

DECLARATION

I declare that this report entitles
‘Factors Influencing the Adoption of Social Media in Halal SMEs’
is my original work and all references have been cited adequately
as required by the University

Signature :

Name : NORFAZIELA BINTI HAMID

Date :

DEDICATION

This Research is lovingly dedicated to my respective parents who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their love and support this research would not have been made possible.

ACKNOWLEDGEMENT

Alhamdulillah, first and foremost, I was really grateful to God the Almighty for giving me strength to finish up this project. During the progress of this study, I received many helps and creative ideas from my supervisor, colleagues, and others. Therefore, I would like to show my gratitude for the valuable guidance, advises, confidences, help, and support from my beloved supervisor Dr Amiruddin Ahamat. He inspired me greatly to work in this research proposal. An honorable mention goes to my families and my colleagues for their knowledge sharing, understanding as well as supports on me in completing this project.

I am very grateful to my family members, especially my mother and father, for giving me countless support, opportunities, and encouragement to escalate my career development in University Technical Malaysia Malacca (UTeM). Without their advice and motivation, I would have not pursued this course completely. My heartfelt appreciation to Dr. Chew Boon Cheong for sharing his expertise and knowledge in the Research Methodology for Business course that really helped me through the writing of this research.

Thousand of thanks dedicated to all my friends, lecturers, and person who involve direct or indirect in my research. Without helps of the particular that mentioned above, I would face many difficulties while doing this report. Last but not least, I also thanked to the reader of my research proposal that would like to spend their time to read about my study.

Thank You.

ABSTRAK

Industri Kecil dan Sederhana (IKS) di Malaysia telah membangun dengan pesat, ia telah menjadi penyumbang utama kepada ekonomi Malaysia yang merupakan salah satu komponen terbesar. Kajian ini memberi tumpuan kepada industri makanan dan minuman di IKS Halal yang dibangunkan untuk menjadi eksport-sedia supaya mereka secara beransur-ansur akan menjadi perindustri global. Media sosial adalah satu fenomena baru yang telah mengubah persekitaran operasi perniagaan. Selain itu, media sosial membolehkan perniagaan untuk berkomunikasi secara cepat dan murah dengan pelanggan dan juga menjadi medium untuk pelanggan dan hubungan awam, pembangunan pasaran dan untuk mendapat maklumat yang boleh digunakan untuk menjana dan memimpin perniagaan yang boleh diterjemahkan melalui peningkatan jualan dan pertumbuhan industri IKS Halal. Media sosial juga meningkatkan prestasi individu yang boleh menyempurnakan tugas dengan lebih cepat dan meningkatkan keberkesanan kerja. Kajian ini adalah mengenai faktor-faktor yang mempengaruhi penggunaan media sosial dalam IKS Halal. Media sosial menggunakan model yang telah dihasilkan dari teori Model Penerimaan Teknologi (TAM) dengan memasukkan kegunaan dilihat, penggunaan mudah dilihat, dan kepercayaan dilihat. Kaedah kuantitatif telah dipilih iaitu soal selidik bagi membuktikan faktor-faktor yang mempengaruhi penggunaan media sosial di IKS Halal. Kesimpulannya, penyelidik membuat kajian yang meliputi semua faktor-faktor yang mempengaruhi pelaksanaan media sosial berdasarkan model TAM. Kajian ini menunjukkan hubungan antara faktor-faktor yang mempengaruhi penggunaan media sosial dan factor yang paling menyumbang kepada penggunaan media social dalam industri makanan dan minuman di IKS Halal.

Kata kunci : Industri Kecil dan Sederhana (IKS), halal, makanan dan minuman, media sosial, Model Penerimaan Teknologi (TAM)

ABSTRACT

Since Small and Medium Enterprises (SMEs) industry in Malaysia has developed rapidly, it was been a major contributor to the Malaysian economy which is one of the largest components. This research was focused on food and beverage industry at Halal SMEs which are developed to become export-ready so that they will gradually become global player. Social media is a new phenomenon that has changed how the business environment operates. Additionally, social media allows businesses to communicate speedily and cheaply with customers as well as be a medium to customer and public relationship, market development and to gain information that can be used to generate business leads that may translate to increased sales and thus grows the Halal SMEs. Social media also improve individual performance which can accomplish task more quickly and enhance the effectiveness on work. The research was about the factors influencing the adoption of social media in Halal SMEs. The social media adoption models were developed from theory of Technology Acceptance Model (TAM) by including the perceived usefulness, perceived ease of use, and perceived trust. The quantitative method was chosen which is questionnaire in order to prove on the factors influencing the adoption of social media in Halal SMEs. In conclusion, the researcher was study and cover all about the factors influencing the adoption of social media model based on TAM. This study shows the relationship between the factors influence the adoption of social media and the most contribute factor in adoption social media in food and beverage industry at Halal SMEs.

Key words : small and medium enterprises (SMEs), halal, food and beverage, social media, technology acceptance model (TAM)

TABLE OF CONTENT

| CHAPTER | ITEMS | Page |
|----------|---------------------------------------|-------------|
| | TITLE | i |
| | DECLARATION | ii |
| | DEDICATION | iii |
| | ACKNOWLEDGEMENT | iv |
| | ABSTRAK | v |
| | ABSTRACT | vi |
| | TABLE OF CONTENT | vii |
| | LIST OF TABLES | xi |
| | LIST OF FIGURES | xii |
| | LIST OF SYMBOLS AND APPENDICES | xiii |
| 1 | INTRODUCTION | |
| | 1.0 Introduction | 1 |
| | 1.1 Research Background | 2 |
| | 1.2 Problem Statements | 3 |
| | 1.3 Research Questions | 4 |
| | 1.4 Research Objectives | 4 |
| | 1.5 Scope of study | 5 |
| | 1.6 Limitation of study | 5 |
| | 1.7 Significant/Importance of study | 6 |
| | 1.8 Summary | 6 |

| | | |
|----------|--|----|
| 2 | LITERATURE REVIEW | |
| 2.1 | Introduction | 7 |
| 2.2 | Small and Medium Enterprises (SMEs) | 8 |
| | 2.2.1 Small and Medium Enterprises (SMEs) In Malaysian Context | 9 |
| | 2.2.2 Halal Small and Medium Enterprises | 10 |
| 2.3 | Social media definition | 11 |
| | 2.3.1 Classification of Social Media | 11 |
| | 2.3.2 Types of Social Media | 12 |
| | 2.3.3 The “Big Three” of Social Media | 13 |
| 2.4 | Importance of Social Media in Business | 14 |
| 2.5 | Social Media Adoption Factors by Using Technology Acceptance Model (Tam) | 16 |
| | 2.5.1 The Adoption of Social Media in Halal SMEs | 19 |
| 2.6 | The Theoretical Framework | 19 |
| 2.7 | Research Hypothesis | 20 |
| 2.8 | Summary | 20 |
| | | |
| 3 | RESEARCH METHODOLOGY | |
| 3.1 | Introduction | 21 |
| 3.2 | Research Design | 22 |
| | 3.2.1 Quantitative Research | 23 |
| 3.3 | Primary and Secondary Data Sources | 23 |
| | 3.3.1 Method of primary data collection Location Of Research | 24 |
| 3.4 | Data Analysis | 26 |
| 3.5 | Location of Research | 26 |
| 3.6 | Scientific Canon | 27 |
| | 3.6.1 Reliability | 27 |
| | 3.6.2 Construct validity | 27 |
| | 3.6.3 External validity | 27 |
| | 3.6.4 Internal validity | 28 |
| 3.7 | Cross-sectional studies | 28 |
| 3.8 | Summary | 28 |

| | | |
|----------|--|----|
| 4 | DATA ANALYSIS AND FINDINGS | |
| 4.1 | Introduction | 29 |
| 4.2 | Reliability of Research | 30 |
| 4.3 | Frequency Analysis | 31 |
| 4.3.1 | Gender | 31 |
| 4.3.2 | Age | 32 |
| 4.3.3 | Education Level | 33 |
| 4.3.4 | Position Level | 34 |
| 4.3.5 | Duration Company Operations | 35 |
| 4.3.6 | Number of Employees in Organization | 36 |
| 4.3.7 | Usage of Social Media in Organization | 37 |
| 4.3.8 | The Main Purpose of Social Media in Organization | 38 |
| 4.4 | The Relationship between the Factors Influence and the Adoption of Social Media | 39 |
| 4.4.1 | Correlation Analysis (Pearson Correlation) | 39 |
| 4.4.2 | Hypothesis Testing using Correlation Analysis | 41 |
| 4.4.2.1 | The Relationship between Perceived Usefulness (PU) and the Adoption of Social Media | 41 |
| 4.4.2.2 | The Relationship between Perceived Ease of Use (PEoU) and the Adoption of Social Media | 42 |
| 4.4.2.3 | The Relationship between Perceived Trust (PT) and the Adoption of Social Media | 43 |
| 4.4.3 | Conclusion of Correlation Analysis | 45 |
| 4.5 | The Factor That Influence More to the Adoption of Social Media | 45 |
| 4.5.1 | Regression Analysis | 45 |
| 4.5.1.1 | Regression Analysis for Perceived Usefulness (PU) and the Adoption of Social Media | 46 |

| | | |
|----------|--|----|
| | 4.5.1.2 Regression analysis for Perceived Ease of Use (PEoU) and the Adoption of Social Media | 47 |
| | 4.5.1.3 Regression analysis for Perceived Trust (PT) and the Adoption of Social Media | 48 |
| | 4.5.2 Conclusion of Regression Analysis | 49 |
| | 4.6 Summary | 50 |
| 5 | Discussion and Conclusion | |
| | 5.1 Introduction | 51 |
| | 5.2 Discussion | 51 |
| | 5.2.1 RO1 : To determine the relationship between the factors influence and the adoption of social media | 53 |
| | 5.2.2 RO2 : To investigate the factor that influence more to the adoption of social media. | 55 |
| | 5.3 Contribution | 55 |
| | 5.4 Limitation | 56 |
| | 5.5 Recommendation for Future Study | 57 |
| | 5.6 Summary | 57 |

REFERENCES

APPENDICES

LIST OF TABLES

| NO | TABLES | PAGE |
|-----------|---|-------------|
| 1 | Table 1 : Definitions of SMEs in Malaysia | 9 |
| 2 | Table 2 : Classification of Social Media | 12 |
| 3 | Table 3 : Reliability of Research, (150 respondents) | 13 |
| 4 | Table 4 : Gender | 31 |
| 5 | Table 5 : Age | 32 |
| 6 | Table 6 : Education Level | 33 |
| 7 | Table 7 : Position Level | 34 |
| 8 | Table 8 : Duration Company Operations | 35 |
| 9 | Table 9 : Number of Employee in Organization | 36 |
| 10 | Table 10 : Usage of Social Media in Organization | 37 |
| 11 | Table 11 : Main Purpose of Social Media in Organization | 38 |
| 12 | Table 12 : Pearson coefficient range | 39 |
| 13 | Table 13 : Pearson Correlation Coefficient | 40 |
| 14 | Table 14 : Correlation of Perceived Usefulness | 41 |
| 15 | Table 15 : Correlation of Perceived Ease of Use | 42 |
| 16 | Table 16 : Correlation of Perceived Trust | 44 |
| 17 | Table 17 : Linear Regression of Perceived Usefulness | 46 |
| 18 | Table 18 : Linear Regression of Perceived Ease of Use | 47 |
| 19 | Table 19 : Linear Regression of Perceived Trust | 48 |

LIST OF FIGURES

| NO | FIGURES | PAGE |
|----|--|------|
| 1 | Figure 1 : Types of Social Media | 13 |
| 2 | Figure 2 : Theoretical Framework | 19 |
| 3 | Figure 3 : Gender | 31 |
| 4 | Figure 4 : Age | 32 |
| 5 | Figure 5 : Education Level | 33 |
| 6 | Figure 6 : Position Level | 34 |
| 7 | Figure 7 : Duration Company Operations | 35 |
| 8 | Figure 8 : Number of Employee in Organization | 36 |
| 9 | Figure 9 : Usage of Social Media in Organization | 37 |
| 10 | Figure 10 : Main Purpose of Social Media in Organization | 38 |

LIST OF SYMBOLS

| SYMBOL | DESCRIPTION |
|---------------|--------------------------------|
| SMEs | Small and Medium Enterprises |
| MRS | Manufacturing-Related Services |
| UGC | User-Generated Content |
| TAM | Technology Acceptance Model |
| PU | Perceived usefulness |
| PEoU | Perceived Ease of Use |
| PT | Perceived Trust |

LIST OF APPENDICES

| | |
|---|--|
| 1 | Research Flow Framework |
| 2 | Gantt Chart 1 st Semester PSM I |
| 3 | Gantt Chart 2 nd Semester PSM 2 |
| 4 | A Research Project Survey |

Chapter 1

Introduction

Social media was transitioned from fad to mainstream to global phenomena over the last few years. Nowadays, social media's popularity continues to grow, connecting people with just about everything they watch and buy and the concept of social media on business becomes popular and trending in Malaysia among the communities. The resilience of the country will be reinforced by their role in the Malaysian economy to face a competitive and challenging global environment.

Furthermore, social media has greatly changed the way of organizations, communities and individuals to communicate. Social media is also not just only a new way for consumers to communicate and express themselves, but it is also a new way for corporation conduct business. Social media has a big influence in our daily life today to shows how importance it is.

“The social media platform is so big, so powerful and pointless that for some people it is complete substitute for life”

-Alvin lkpe-

Nowadays, most companies like to use social media that will bring their business to community instead to introduce their products to the people all over the world and also to encourage them in new innovative way, and technology. This kind of approaches can lower the cost of marketing and promotion at the same time can improve the company growth.

1.1 Research Background

Social media is penetrating most of industries in Malaysia. Basically, social media are developing the opportunities to the growth of SMEs industry and offers many benefits as well as problems that SME's need to be aware of and to deal with it in an efficient way. The research is focuses only on food and beverage industry at Halal Small and Medium Enterprises (SMEs). Recently, SME's have grown in this global economy. However, the potential of social media is still under exploited by some SMEs.

The social media are becoming a major source of communication between customers and businesses. These channels were an amazing tool for reaching customers and the public. With the global outpouring of social media usage, many businesses are experiencing big pressure to extend to where their customers are paying attention. In the present day, the heart of customer activity is progressively becoming virtual, situated inside a social media or social networking site (Baird and Parasnis, 2011).

Social media also has become an essential part of marketing strategy among small businesses because of its cost-effectiveness, ability to reach targeted audiences quickly and generate more leads or sales. With a minimum investment, companies can adopt the social media effectively, also offering useful information about the products and services of the company.

The adoption of social media by small business is an important. According to Soh et al. (1997), if SMEs implement the internet in their company, potential commercial functions can be performed, which include: marketing themselves both locally and globally; gathering business information and consumer's feedback; providing customer support; and conducting electronic transactions. The Internet provides leverage for SMEs because it has created mechanisms for attaining sustainable competitive advantage. Social media is one of these mechanisms and there is need for research to understand the good influence factors of social media adoption in Halal SMEs.

It is against this background of the study that want to determine the relationship between the factors influence and the adoption of social media in Halal SMEs. Besides that, the researcher also wants to investigate the factor that most contribute to the adoption of social media in Halal SMEs. The identification of factors influencing the adoption of social media in Halal SMEs will be done by adapted and using the theory of Technology Acceptance Model (TAM).

1.2 Problem Statements

In challenging world today, SMEs has to move towards the technology and keep advance in commercialization of their business and makes the business most success from the other companies. With the emergence of new players and industries, companies especially the SMEs can no longer depend on the traditional way of doing business to survive and grow.

Social media has become an important venue for marketers to reach their audiences. Apart from that, understanding factors that influence the adoption of social media can assist organization in selecting the social media to use and how to best structure their social media content.

Furthermore, the proper understanding of social media tools has not yet fully achieved. According to Business Wire (2012), a number of SMEs report shows that social media has a rapid effect on the growth of sales and employment rate in their enterprises. It need to prove that there is a good and beneficial factors to adopt the social media in SMEs organization on developing the success business. Thus, social media is important to develop or enhance and to achieve the success business. This is the reason why the researchers study on the factors influencing the adoption of social media in the Halal SMEs and find out the factor that most contribute to the adoption of the social media. Next, with the good reason and good factors, it will show why Halal SMEs need to adopt social media within their organization.

1.3 Research Questions

These are the research question that qualified for this research study:

RQ1) What are the relationship between the factors influence and the adoption of social media in Halal SMEs?

RQ2) What are the factor that influence more to the adoption of the social media in Halal SMEs?

1.4 Research Objective

The objective of this research is being function as a reason of the need to do this research study. Any research or study needs to have clear objective to make sure the result will be acceptance. Here are the objectives for this study:-

RO1) To determine the relationship between the factors influence and the adoption of social media in Halal SMEs;

RO2) To investigate the factor that influence more to the adoption of social media in Halal SMEs.

1.5 Scope of study

The scope of the research study is limited only to the Halal SMEs which is on the food and beverages industry. The researcher focuses on the factors influencing the adoption of social media in Halal SMEs. Basically, elements that will be covered on this research study are the factors influencing the adoption of social media, the relationship between the factors influence with the adoption of social media and lastly to find out what is the most influence factor of social media adoption in Halal SMEs.

Since social media is already known so basically first thing that the researcher need to see is the factors that influence the adoption of social media in Halal SMEs by using and applied the theory of Technology Acceptance Model (TAM). In this study also explain the three types of factor in TAM which are perceived usefulness, perceived ease of use and perceive trust. I have chosen these three factors because it was suitable with my research study.

1.6 Limitation of study

Usually when doing a research, we will face some of various problems or limitations in order to complete the project. The major limitations that need to face are:

➤ **Time limits**

This research had been conducts by researcher in a short time period to complete the task of getting primary and secondary data and generate the research report.

➤ **Lack of resources**

Doing this research needs me to refer lots of resources and I found it a bit difficult because it has a limitation in the journal, article or PDF related with this topic.

1.7 Significant/Importance of the study

The importance of this study is to see how far the factors influencing the adoption of social media can give Halal SMEs good impacts. By adapting the concept of the social media with continuously, most of information, marketing tools and communication technology will be shared in the industry of SMEs companies. The parties involved will get benefit and at the same time can enhance the business.

Besides that, the significant by doing this study is to give impact in the future for Halal SMEs. The development of Halal SMEs growth by involving the adoption of social media can make this industry grow rapidly and can increase income to the country. Social media will always be upgraded and it was the advantage on using the social media in organization whether as a communication technology, information or a medium to market also commercialize the products of Halal SMEs. Furthermore, Halal SMEs need to identify and realize the good factor and impact of adopting the social media within their organization in order to expand their business in the future.

1.8 Summary

Basically, most of the study in this chapter explains on the basic and introduction of the research. Elements in this chapter consist of the research background, problem statements, research question, research objective, scope of study, limitation of study and also significant of the study. Since social media is a well-known concept so the researcher needs to look closer what actually this concept is all about in more advance. The next chapter in the literature review will be exposed in detail about the factors that influence the adoption of social media in Halal SMEs by using the theory of Technology Acceptance Model (TAM).

Chapter 2

Literature Review

2.1 Introduction

In the chapter of literature review, the researcher is able to discuss about the theories and the paradigm of the research study. Saunders, et al., (2012) said a literature review is the detailed and justified analysis and commentary on the merits and faults of the literature within a chosen area, which is demonstrates familiarity with what is already known about your research topic. In this chapter, the source of literature and theories that relevant to the research study are gathered from the books, journals, magazines, thesis and online articles.

“The internet is becoming the town square for the global village of tomorrow”

-Bill Gates-

“Whether you are launching a start-up or leading an established company, you should start establishing your social media presence if you haven’t already”

-Richard Branson-

Small and medium enterprises (SMEs) play a vital role in the Malaysian economy and are considered to be the backbone of industrial development in the country (Saleh and Ndubisi, 2006, Ramayah et. al., 2002). Now, SMEs industry is one of the key drivers in The Government and Economy Transformation Programs for Malaysia and it is including the Halal SMEs.

New phenomena come and go on a frequent basis. Social media is one such phenomenon. Social media was called as a word-of-mouth marketing which has received a technology makeover. Many marketers still focus on the tactics around social media even in the past few years of social media's emergence.

The primary purpose of this research is to determine the relationship between the factors influence and the adoption of social media and to investigate the factor that most contribute to the adoption of social media. Theory of Technology Acceptance Model (TAM) (Davis, 1989) will be used to explain this research study in more details.

2.2 Small and Medium Enterprises (SMEs)

SME is the recognised abbreviation for Small-and-Medium Sized Enterprises. A number of studies have used the number of employees as a measure of enterprise size (Thong 1999; Kartiwi & MacGregor, 2007). Other studies have identified enterprise size based on annual turnover (Ramamurthy, et al., 1999). Some studies have applied both the number of employees and the revenue as indicators of enterprise size.

SMEs are, arguably, the bedrock of any developing economy. In general, SME are the base upon which future economic and employment growth can be built. SMEs over the world remain buoyant despite mounting economic and social hardships (Saleh & Ndubisi, 2006). Furthermore, economists agree that SMEs play a vital role in the socio-economic fabric over the world. With all changes and the growing demand for higher quality modern products and services, many traditional SMEs over the world face closure or difficulties upgrading. Even modern SMEs in developed countries face very difficult competitive challenges in the emerging setting (Sanjay 2000).

2.2.1 Small and Medium Enterprises (SMEs) In Malaysian Context

Small and Medium Enterprises (SMEs) are perceived as the engine of growth in Malaysia because of their key role in economic development. SMEs industry itself has involved on the sector of primary agriculture, manufacturing (including agro-based), manufacturing-Related Services (MRS) and services (including Information and Communications Technology). In this research study it only focuses in food and beverage industry at Halal SMEs.

Presently, there is no common definition of Small and Medium Enterprises (SMEs) in Malaysia. Different Agencies define SMEs based on their own criteria, usually benchmarking against annual sales turnover, number of full-time employees or shareholders' funds. In addition, present definitions focus mainly on SMEs in the manufacturing sector.

| Industry | Micro | Small | Medium |
|---|--|---|--|
| Manufacturing, manufacturing-related services, and agro-based industries | Sales turnover of less than RM250,000 or 5 full time employees. | Sales turnover of between RM250,000 and less than RM10 million or 5 to 50 full time employees | Sales turnover of between RM10 to RM25 million or 51 to 150 full time employees |
| Services, primary agriculture, and information and communication technology | Sales turnover of less than RM200,000 or less than 5 full time employees | Sales turnover of between RM200,000 and RM 1 million or 5 to 19 full time employees | Sales turnover of between RM 1 million to RM5 million or 20 to 50 full time employees. |

(Source : SME Corporation Malaysia)

Table 1: Definitions of SMEs in Malaysia

“High-tech, knowledge-based industries will play a crucial part in our transformation and future growth. But we must not overlook the small and medium-sized businesses that are the workshops of our economy”

-Datuk Seri Najib Tun Razak [2013]-

“Going forward, SMEs are expected to play an increasingly important role for Malaysia to make the quantum leap in growth and to achieve a developed nation status by 2020. Growth is expected to be private sector-led and this will require more participation from the business sector, particularly SMEs,”

-Datuk Hafsah Hashim [2013] -