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Analysing SMEs Perspective of Facebook as a Communication  
Medium that Affects Business Performance

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Bachelor of Technopreneurship with Honours (BTMI)

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## DECLARATION

“I declare that this thesis project entitled “Analysing SMEs Perspective of Facebook as a Communication Medium that Affects Business Performance” is the result of my own research except as cited in the references. The research project has not been for any degree and is not concurrently submitted in candidature of any other degree.”

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## ABSTRACT

Facing today's reality world, there are lot of businesses exist various in terms of small sized, medium sized and also online business. To be as same level as well known businesses, SMEs particularly needs to adapt with various type of business practices such as uses of social media as a business platform. Facebook not only known as a social network used by users to keep in touch with friends, it is also can be used for business purposes such as it is a low-cost marketing strategy, share basic information about business, share pictures and videos from business, talk to existing and potential customers, provide customer support and raise brand awareness and promote positive word-of-mouth.

Therefore, To achieve the SMEs Masterplan target that wanted to increase the SMEs contribution to GDP up to 41% by 2020, the usage of ICT or social media particularly Facebook can help these SMEs. In SME Annual Report 2015-2016, the third quarter 2015 (3Q, 2015) SME survey covering 2,336 respondents indicated that there was a sign of weakening business performance among SMEs. about 89.1% of the respondents cited that they have utilised computers for business as compared to only 27.0% recorded in 2010 based on the Economic Census 2011 conducted by the Department of Statistics, Malaysia. Malaysia. In addition, there was a big improvement among respondents in the use of internet and social media since the last two years indicating greater exposure to ICT and better awareness of its benefits.

For the research methodology, the results were tabulated and analyze based on primary data where the questionnaire will be distributed to the specific area selected. Data were gathered through self-administrated questionnaire to 181 of the managerial and employees SMEs of distributive trade include wholesale and retail at Kedah. The findings indicated that there is significant relationship between four independent variables and the dependent variable.

Keywords: SMEs, Facebook, Effectiveness, Business Performance

## ABSTRAK

Menghadapi dunia realiti hari ini, terdapat banyak perniagaan wujud pelbagai segi saiz kecil sederhana dan juga dalam talian perniagaan. Untuk tahap yang sama perniagaan dan juga diketahui, PKS terutamanya perlu menyesuaikan diri dengan pelbagai jenis amalan perniagaan seperti penggunaan media sosial sebagai platform perniagaan. Facebook bukan sahaja dikenali sebagai rangkaian sosial yang digunakan oleh pengguna untuk terus berhubung dengan rakan-rakan, ia juga boleh digunakan untuk tujuan perniagaan seperti ia adalah satu strategi pemasaran kos rendah, berkongsi maklumat asas tentang perniagaan, berkongsi gambar dan video dari perniagaan, bercakap dengan pelanggan sedia ada dan berpotensi, menyediakan sokongan pelanggan dan meningkatkan kesedaran jenama dan menggalakkan positif perkataan-of-mulut.

Oleh itu, untuk mencapai sasaran Pelan Induk PKS yang mahu meningkatkan sumbangan PKS kepada KDNK sehingga 41% pada tahun 2020, penggunaan ICT atau media sosial terutama Facebook boleh membantu PKS ini. Dalam Laporan Tahunan PKS 2015-2016, suku ketiga 2015 (S3 2015) kaji selidik PKS meliputi 2,336 responden menyatakan bahawa terdapat tanda melemahkan prestasi perniagaan di kalangan PKS. kira-kira 89.1% daripada responden menyatakan bahawa mereka telah menggunakan komputer untuk perniagaan berbanding hanya 27.0% yang dicatatkan pada tahun 2010 berdasarkan Banci Ekonomi 2011 yang dijalankan oleh Jabatan Perangkaan Malaysia. Di samping itu, terdapat peningkatan yang besar di kalangan responden dalam penggunaan internet dan media sosial sejak dua tahun lepas yang menunjukkan pendedahan kepada ICT dan kesedaran terhadap faedah-faedahnya.

Untuk metodologi penyelidikan, keputusan telah dijadualkan dan menganalisis berdasarkan data primer di mana soal selidik akan diedarkan kepada kawasan tertentu yang dipilih. Data dikumpulkan melalui soal selidik diri ditadbirkan kepada 181 PKS pengurusan dan kakitangan perdagangan pengedaran termasuk borong dan runcit di Kedah. Dapatan kajian menunjukkan bahawa terdapat hubungan yang signifikan di antara empat pembolehubah bebas dan pembolehubah bersandar.

Kata kunci: PKS, Facebook, Keberkesanan, Prestasi Perniagaan

## TABLE OF CONTENT

<b>CHAPTER</b>	<b>TITLE</b>	<b>PAGE</b>
	ACKNOWLEDGEMENT	i
	ABSTRACT	ii
	TABLE OF CONTENT	1
<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	<b>PAGE</b>
	1.1 Introduction	7
	1.2 Background of Study	9
	1.3 Statement of the Problem	11
	1.4 Research Question	14
	1.5 Research Objectives	14
	1.6 Scope, Limitations and Key Assumption	15
	1.6.1 Scope	15
	1.6.2 Limitations	16
	1.6.3 Key Assumption	16
	1.7 Importance of the Study	16
	1.8 Summary	17
<b>CHAPTER 2</b>	<b>LITERATURE REVIEW</b>	<b>PAGE</b>
	2.1 Introduction	18
	2.2 Wholesale And Retail Trade SMEs in Malaysia	18
	2.2.1 (478) Retail Sale Via Stalls and Markets	19
	2.3 Effectiveness Business Performance	20
	2.4 Social Media	21
	2.4.1 Facebook	22
	2.5 Theories Related to Social Media	24
	2.5.1 Social Penetration Theory	24

2.5.2	Social Exchange Theory	26
2.6	SMEs Perspective of Facebook as a Useful Communication Medium that Affects Business Performance	27
2.6.1	Self-Disclosure	27
2.6.2	Interpersonal Communication	28
2.6.3	Exchange Process	30
2.6.4	Knowledge Sharing	31
2.6	Theoretical Framework	33
2.7	Summary	35

<b>CHAPTER 3</b>	<b>RESEARCH METHODOLOGY</b>	<b>PAGE</b>
3.1	Introduction	36
3.2	Research Design	36
	3.2.1 Descriptive Research	37
3.3	Methodological Choices	37
3.4	Sources of Data	38
	3.4.1 Primary Data	38
	3.4.2 Secondary data	39
3.5	Research Strategy	39
	3.5.1 Questionnaire Design	39
	3.5.2 Pilot Test	40
3.6	Sampling Design	41
	3.6.1 Sampling Technique	41
	3.6.2 Sampling Size	42
	3.6.3 Sampling Location	43
3.7	Time Horizon	43
3.8	Scientific Canons	46
	3.8.1 Reliability	46
	3.8.2 Validity	46
3.9	Summary	47



<b>CHAPTER 4</b>	<b>RESULT AND DISCUSSION</b>	<b>PAGE</b>
4.1	Introduction	48
4.2	Pilot Test	48
	4.2.1 Reliability Test	49
4.3	Descriptive Statistic on Demographic	50
	4.3.1 Gender	50
	4.3.2 Position	51
	4.3.3 Education Level	52
	4.3.4 Purposes of Using Facebook Page	53
	4.3.5 The Checking on Facebook page Frequency	54
4.4	Descriptive Statistic Analysis for Group of Variable	56
4.5	Scale of Measurement	57
4.6	Inferential Analysis	58
	4.6.1 Pearson Correlation Analysis	58
	4.6.1.1 Self-Disclosure Factor	59
	4.6.1.2 Interpersonal Communication Factor	60
	4.6.1.3 Exchange Process Factor	61
	4.6.1.4 Knowledge Sharing Factor	63
	4.6.2 Multiple Regression Analysis	64
	4.6.2.1 Hypothesis Verification	69
4.7	Summary	72
<b>CHAPTER 5</b>	<b>CONCLUSION AND RECOMMENDATION</b>	<b>PAGE</b>
5.1	Introduction	73
5.2	Summary of Statistical Analyses	73
	5.2.1 Respondent Demographic Profile	73
	5.2.2 Scale of Measurement	76
	5.2.3 Summary of Descriptive Analysis of Independent Variables	76
	5.2.4 Summary of Inferential Analysis	77

	5.2.4.1	Pearson's Correlation Analysis	77
	5.4.2.2	Multiple Regression Analysis	79
5.3		Discussion of Major Findings	80
	5.3.1	The Fulfilment of Research Objective and Self-Disclosure	81
	5.3.2	The Fulfilment of Research Objective and Interpersonal Communication	82
	5.3.3	The Fulfilment of Research Objective and Exchange Process	83
	5.3.4	The Fulfilment of Research Objective and Knowledge Sharing	84
5.4		Limitation of the Research	86
5.5		Recommendation for Future Research	87
5.6		Conclusion	88
		REFERENCES	90
		APPENDIX	95

## LIST OF TABLES

TABLE	TITLE	PAGE
Table 3.1	5-points Likert Scale of Questionnaires	39
Table 3.2	Gantt Chart of Timeline of Research(monthly)	44
Table 3.3	Gantt Chart of Timeline of Research (weekly)	45
Table 4.1	The Standard of Coefficient Alpha	49
Table 4.2	Reliability Test Results	49
Table 4.3	Gender of Respondents	50
Table 4.4	Position of Respondents in Working Company	51
Table 4.5	Education Level of Respondents	52
Table 4.6	Respondents' Purposes of Using Facebook Page	53
Table 4.7	Respondents' Checking on Facebook page	

	Frequency	54
Table 4.8	Descriptive Statistic Analysis for Two Group Variables	56
Table 4.9	Reliability Statistics	57
Table 4.10	Pearson Correlation Coefficient	58
Table 4.11	Correlation Result for Self-Disclosure Factor	59
Table 4.12	Correlation Result for Interpersonal Communication Factor	60
Table 4.13	Correlation Result for Exchange Process Factor	61
Table 4.14	Correlation Result for Knowledge Sharing Factor	63
Table 4.15	Model Summary of Multiple Regression Analysis	64
Table 4.16	ANOVA <sup>a</sup>	65
Table 4.17	Coefficients <sup>a</sup>	66
Table 4.18	Ranking of Independent Variables	67
Table 4.19	Significant Table	79
Table 5.1	Characteristics of the Respondents	74
Table 5.2	Mean Score for the Independent Variables	76
Table 5.3	Result of Pearson's Correlation Analysis	78
Table 5.4	Summary of the Results of Hypothesis Testing	80

## LIST OF FIGURES

<b>FIGURE</b>	<b>TITLE</b>	<b>PAGE</b>
Figure 1.1	Percentage of Internet Users in Asia June,2016	8
Figure 1.2	ICT Adoption among SMEs in Recent Years	12
Figure 2.1	Percentage Distribution of SMEs by Sector	18
Figure 2.3	Number of monthly active Facebook users worldwide as of 2nd quarter 2016 (in millions)	22
Figure 2.4	SMEs perspective on Facebook as a communication medium affects the effectiveness of business performance	27
Figure 3.1	Reliability and Validity	47
Figure 4.1	Pie Chart of Gender of Respondents	51
Figure 4.2	Bar Chart of Position of Respondents in Working	

	Company	52
Figure 4.3	Bar Chart of Education Level of Respondents	53
Figure 4.4	Bar Chart of Respondents' Purposes of Using Facebook	54
Figure 4.5	Bar Chart of Respondents' Checking on Facebook page Frequency	55

## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

A business can be qualified as an small and medium-sized enterprises (SMEs) if it meets either the sales turnover not exceeding RM20 million or full-time employees not exceeding 75 workers, whichever is lower for services and other sectors of SMEs and was supported by 14th NSDC Meeting in July 2013 (Corp, Sme, & Council, 2016). As SMEs not only represents the small-size businesses, it also referring to medium-size business which can be categorized into classification of sectors which are manufacturing, services and other sectors including primary agriculture, construction, mining and quarrying.

According to Washington, DC (2016) Ninety-seven percent of business establishments in Malaysia are small and medium enterprises (SMEs). These businesses are responsible for nearly 36% of the country's GDP, 65% of the country's employment, and nearly 18% of Malaysia's exports. SMEs have been at the core of Malaysia's economic transformation since the 1990s to an upper-middle income nation and are an important driver of employment and growth.

Not only that, in SMEs Masterplan 2012-2020 stated that this Masterplan will be the 'game changer' which will increase the growth of SMEs to achieve high income nation status by 2020 and successful implementation of the Masterplan will result in raising the contribution of SMEs to the economy by 2020: GDP: 41% (2010: 32%); employment: 62% (2010: 59%); and exports: 25% (2010: 19%) (Tobergte & Curtis, 2013).

Past few years, many businesses already adapted with the existing social media in order to change their businesses operations, environments as well as their marketing strategy. As there are low barriers to the use of social networking technologies, small

and medium businesses can make use of social media in the same ways that large corporate can, without the need for the extensive resources. Social media also helped businesses to increase their worthiness, cultivate strategy partnerships and increase their contact with customers and suppliers. It has become important for business owners and marketers to understand how social media work as a communication and marketing tool and how they can significantly grow their businesses (Jagongo & Kinyua, 2013).

Facebook.com is a social utility that helps people communicate more efficiently with their friends, families and co-workers. The company has developed a platform that facilitates sharing of information through digital mapping of people's real-world social connections (Wong, 2012).

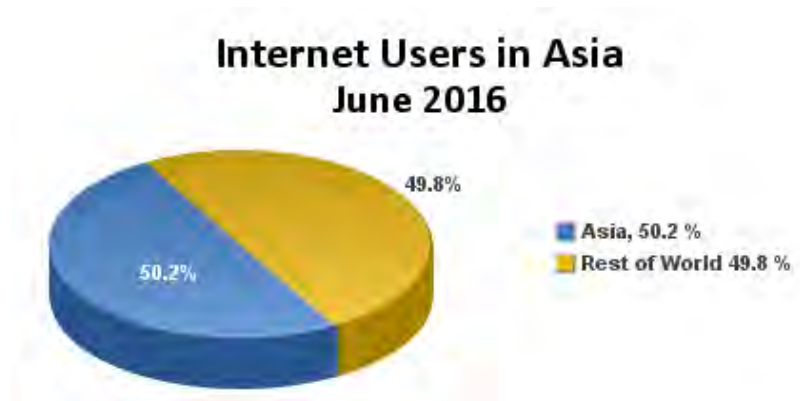


Figure 1.1 Percentage of Internet Users in Asia June,2016

Source: <http://www.internetworldstats.com/stats3.htm>, (Miniwatts Marketing Group, 2016)

Figure 1.1 above shows that in June 30, 2016, Asia has the highest total number of Facebook users with 1,846,212, 654 (50.2 %) (Miniwatts Marketing Group, 2016). Functionally, Facebook offers a set of tools that allow users to manage their profile. They may share their thoughts and going-on via status updates, and contact friends by sending a private message or writing on their wall. For companies, the biggest challenges lies in creating a personal relationship with the customers such as they have with friends on Facebook. It is critical that companies have a strategy to win and keep customers. Listening and acting at the right moment are crucial (Gamboa, Gonc, Lisboa, & Lu, 2014).

RightNow, 2012 stated that when a company responds to a complaint or a negative review, 18 percent of the unsatisfied customers become loyal customers and buy more. What makes it particularly valuable to companies is that if a user decides to

“like” a particular organization’s Facebook page, their entire network of Facebook friends can be automatically see this on their own wall (Group & Limited, 2013).

It is clearly shows that people and businesses prefer Facebook more as their social networking tools to communicate with friends, family, companies and customers compared to the other social media that exists today. Therefore, SMEs also should grab the opportunities provided by the Facebook not only to make their business visible worldwide but also as a marketing platform to increase the sales, and as a communication platform to interact and communicate better with the customers. Selecting Facebook in preference to Twitter because it offered a more in-depth media experience. It also had the advantages of being cheap, quick to set up, free to use and needing no specialist web skills, as there are templates for inserting different sorts of content (Group & Limited, 2013).

## **1.2 Background of Study**

Social media as stated by Fisher and Reuber, 2011, is becoming an integral part of everyday life for communicating and sharing information and other social media. It is free and easy to use and therefore can provide businesses with a relatively quick and low cost method of connecting with customers. According to Divol et al., 2012; Stockdale et al., 2012; Fischer and Reuber, 2011; Montalvo, 2011; Nair, 2011; Zhang et al., 2011; Hoffman and Fodor, 2010; Kaplan and Haenlein, 2010; Cook, 2008; Mangold and Faulds, 2009, they argue that from the business perspective, social media can be used in a number of ways to improve operations and enhance the business profile through: improved communication; greater exposure through amplifying word-of-mouth effects; getting closer to and building relationships with existing customers; attracting new customers; promoting a company’s products/services; improving brand awareness; increasing volume of traffic to web site; increasing levels of sales; improved collaboration and establishing online communities. Social media includes all network sites that function to post about something in the form of sharing information, photos, videos, updates or details about business such as Facebook, Twitter, Instagram, Blogs, LinkedIn, WeChat, Line and etc.

Facebook founded by Harvard student, Mark Zuckerberg one of example of social media that be used world widely in today era of information and technology (IT). Facebook can be described as a very famous communication and interaction medium preferred by all gender, ages and even for many type of businesses. Facebook not only for building a personnel network but also gives access to lots of people such as for friends, family, customers and co-workers. As one of the largest social networking sites on the internet, in April, 2011 there is more than 800 million active users on Facebook, with 50% of active users logging on in any other application. Facebook provides a convenient way for people to connect and share with their friends, family and customers. In this network, people can see the activity of any other friend in the same network, the potential for powerful word-of-mouth marketing is tremendous (Steve O'Leary, 2011).

This social network site especially Facebook also seems to be very useful communication medium to the businesses and SMEs. For the Facebook users group, the social relations are the main reason for using it, but they also give importance to the information about products or services. Most of the participants are “fan” of a company, particularly the young users, to follow the companies, their products and services, to stay updated, obtain support and read comments or replacing other communication tools (Pereira et al., 2014). Therefore, social media particularly Facebook has its own competitive advantages as a communication medium for businesses to increase their effectiveness of business performance.

Derham *et al.*, 2011 has discussed Facebook is increasingly becoming a popular choice of promoting business as it allows communications to go beyond a private one-to-one conversation and now becomes a conversation of many-to-many. Business or SMEs' owners can use Facebook functions to promote their products, services and brands such as sharing, tagging, messaging, commenting and notifying (Ainin, Parveen, & Moghavvemi, 2015).

Facebook is so far clearly proved as a useful communication medium for businesses and SMEs where there are interactions between two parties are occurred to complete the definition of communication. Process of communication started when the sender encodes his or her message and transmits it to receiver and the receiver decodes the message in accordance in his or her own frame of reference and quickly response. All the SMEs can communicate their businesses through Facebook where they can directly build relationship with existing and new customers to share about the products



or services, better communication platform to ask for feedback, promote and advertise their new products or services, used as an amplifier to modern form of word-of mouth, share their business stories through words, images and videos and gain more business contacts with other SMEs. Through this medium, SMEs can also improve their effectiveness of business performance when they could communicate their businesses better with the customers.

### **1.3 Statement of the Problem**

Based on Nielsen, 2016 data published on Internet Usage Statistics, for June, 2016 there are 21,090,777 of internet users in Malaysia which is 68.1% of the population. But in one of Malaysia famous blog, Denaihati.com, 2013 reported that 73% from 645,136 of SMEs in Malaysia still blind of the usage and the advantages of ICT for their business purposes. These results have been obtained from the Industry SME Roundtable and SME CEO Forum 2013 held by SME Corp and Business Media International. From all the statistics obtained, it is obviously shows that not all SMEs in Malaysia are using ICT or social media particularly Facebook for business purposes. Furthermore, the remained 27% of the 645,136 of SMEs in Malaysia already registered using ICT, but only used computer and internet for personal matters and not for business purposes. SMEs viewpoint on the Facebook usage is the major issue in this research. Where at the end of this research, SMEs that still not using Facebook for their business purposes would have changed their perspective, realize the importance and advantages and as a result started to use Facebook as a communication medium that will positively affects their effectiveness of business performance.

To achieve the SMEs Masterplan target that wanted to increase the SMEs contribution to GDP up to 41% by 2020, the usage of ICT or social media can help these SMEs. Banot, 2012, stated that a number of studies investigated the use of Facebook among SMEs and found SMEs used Facebook for various organizational objectives such as marketing, communication, sales, advertising, innovation, problem resolution, customer service, human resources, information technology, driving cultural change. Meske and Stieglitz, 2013 indicated that SME uses social media

technologies like Facebook as a way to communicate with their customers and support internal communication and collaboration (Ainin et al., 2015).

Therefore, lack of ICT's knowledge among SMEs in Malaysia should no longer be relevant today for them not to use Facebook as one of their business platform. The biggest influences for SMEs to start using social media are firstly they should be more opened to new knowledge and quickly adopt it to their business. Besides, SMEs in Malaysia also must willingly to explore and not limiting themselves to accept the ICT prowess.

In SME Annual Report 2015-2016, the third quarter 2015 (3Q, 2015) SME survey covering 2,336 respondents indicated that there was a sign of weakening business performance among SMEs. More respondents recorded weaker sales and exports as compared to the previous quarter, particularly among the small and medium-sized firms.

Findings also highlighted that SMEs were concerned on the weakening demand for their goods and services and rising cost of doing business, arising partly from the Goods and Services Tax (GST) implementation and ringgit depreciation effects.

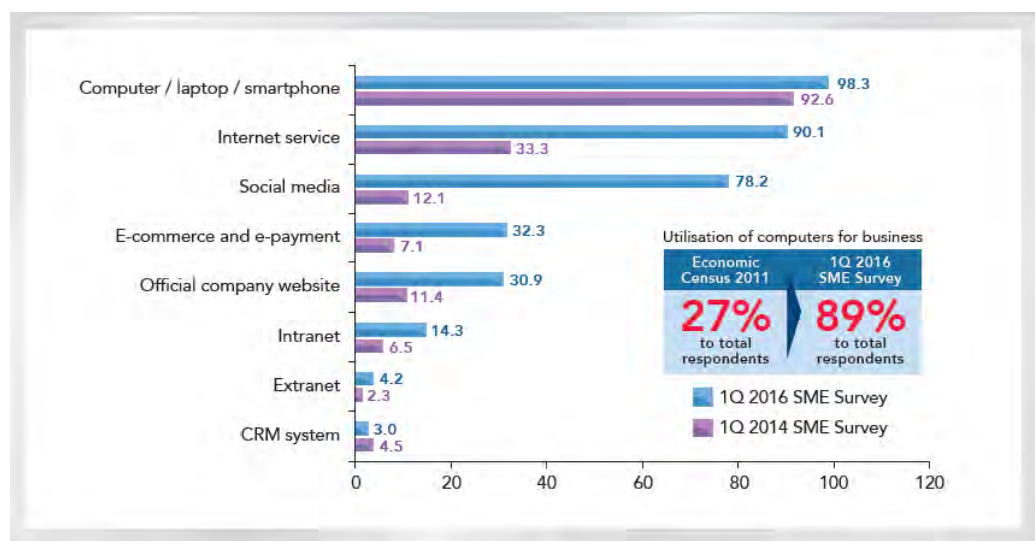


Figure 1.2 ICT Adoption among SMEs in Recent Years  
(Source: SME Corp. Malaysia)

On the utilisation of ICT among SMEs, there has been discernible increase among SMEs in recent years. Findings revealed that majority of respondents utilised computers, smartphones and internet in their daily life, both for business operation or

for personal use (refer Figure 1.3). Looking at the business usage, about 89.1% of the respondents cited that they have utilised computers for business as compared to only 27.0% recorded in 2010 based on the Economic Census 2011 conducted by the Department of Statistics, Malaysia. In addition, there was a big improvement among respondents in the use of internet and social media since the last two years indicating greater exposure to ICT and better awareness of its benefits. Respondents had also leveraged on the social media platform to promote their businesses and attract new customers. Meanwhile, about 20.3% of respondents were involved in online transactions to better reach out to their customers (Assessment et al., 2016).

## **1.4 Research Question**

To answer the objectives research, the following question were arise as a framework providing guideline to the further research work:

- 1.4.1 Will self-disclosure encourage the effectiveness of SMEs' business performance ?
- 1.4.2 Will interpersonal communication encourage the effectiveness of SMEs' business performance ?
- 1.4.3 Will exchange process encourage the effectiveness of SMEs' business performance ?
- 1.4.4 Will knowledge sharing encourage the effectiveness of SMEs' business performance ?

## **1.5 Research Objectives**

The objective of this research is to seek the Wholesale and Retail Trade SMEs' perspective for using Facebook to communicate their businesses. Therefore, below are the objectives of the research work:

- 1.5.1 To determine the relationship between self-disclosure and the effectiveness of SMEs' business performance.
- 1.5.2 To investigate the relationship between interpersonal communication and the effectiveness of SMEs' business performance.
- 1.5.3 To identify the relationship between exchange process and the effectiveness of SMEs' business performance.
- 1.5.4 To determine the relationship between knowledge sharing and the effectiveness of SMEs' business performance.

## **1.6 Scope, Limitations and Key Assumption**

### **1.6.1 Scope**

This study concentrate on the relationship between the SMEs perspective on the communication through Facebook (independent variables) will affects the effectiveness of business performance (dependent variable). This study choose social media particularly Facebook as a communication medium because Facebook can be described as a very famous communication and interaction medium preferred by all gender, ages and even for many type of businesses. Facebook not only for building a personnel network but also gives access to lots of people such as for friends, family, customers and co-workers.

In this research, (478) Retail Sale Via Stalls and Markets was chosen where it is divided into 3 categories which are (4781) Retail sale via stalls and markets of food, beverages and tobacco products, (4782) Retail sale via stalls and markets of textiles, clothing and footwear and (4789) Retail sale via stalls and markets of other goods.

For the geographical region, research was carried out in Kedah area. In Kedah especially there are a lot of women's outerwear SMEs as Kedah is one of the very famous with the tourist attractions' SMEs especially at the Pekan Rabu, that already moved to Ukir Mall, Alor Setar. The method that used in this study is by distributed through direct survey where the questionnaire was based on the literature study conducted during phase one of this study. The targeted respondents are among the managerial or employees of the Food Beverage, Textile, Apperals and Leather and Distributive Trade include Wholesale and Retail SMEs' in Kedah

### **1.6.2 Limitations**

In conducting this research, there are several limitations that will be faced by the researcher. The first limitation in conducting this research is time constraints where researcher only have 6 months to complete this research. Next, the researcher have to face with variety of respondents' attitude where they might not wanted to give cooperation or do not want spend their time to complete the questionnaire. Last but not least, researcher needs to assume that the chosen respondents have adequate knowledge in answering the questionnaire.

### **1.6.3 Key Assumption**

Throughout this study, the researcher assume that the respondents give the honest answers and has an adequate knowledge to be part of the respondents of primary data collected. Besides, researcher also assume that the respondents has more experience in handling this research topic where he/she can provides justifiable answer. This is because, for this research not all the respondents are using Facebook in doing their businesses.

## **1.7 Importance of the Study**

This research aims to seek the perspective of SMEs in Malaysia about the usage of social media particularly Facebook affects their business performance. Through this research also its will provide a wide view from different perspectives to Malaysia's SMEs in order to enhance their business performance through the social media particularly Facebook. SMEs can evaluate Facebook by all the advantages listed and study the factors for them to consider and pursue to start using Facebook for the sake of their business in the future.

Next, this study also give advantage to the future researcher that interested to pursue the research on social media that can affects the SMEs business performance. Moreover, by starting to use social media in the businesses particularly for SMEs can be beneficial for them. SMEs can gain new insight about the business activities done through Facebook especially and they will also get to see how other businesses are doing through this medium. It will enhance the effectiveness of business performance by providing a wide view through social media.

## **1.8 Summary**

In this chapter, the readers are provided with the background of study, research question, research objectives, scope and importance of the study. It also illustrate the main problem which needs to be addressed by SMEs with the solutions and viewpoint for the SMEs to evaluate particular Facebook that will affects their business performance. For the next chapter, it outlines the findings from the literature review on Facebook as a useful communication medium that will affects the business performance particularly for SMEs in Malaysia.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter reveals the literature reviews on the subject matter. This reviews are based on the following blueprint: Social Media Theory that divided into (1) Social Penetration Theory and (2) Social Exchange Theory. These theories used to describe in details the uses of social media particularly Facebook as a communication medium that affects the effectiveness of business performance for SMEs. This section will explain in details of SMEs perspective on using Facebook benefits their businesses.

#### 2.2 Wholesale And Retail Trade SMEs in Malaysia

Based on Departments of Statistics Malaysia (DOSM) and SME Corp. Malaysia, 2015 they reported that SMEs' concentration are in the services sector with 90% or 580,985 establishments. Meanwhile, 6% of total SMEs (37,861) are in the manufacturing sector, followed by 3% in the construction sector (19,283) and the remaining 1% (6,708) in the agriculture sector and 0.1% in the mining and quarrying sector.



Figure 2.1 Percentage Distribution of SMEs by Sector

(Sources: *Department of Statistics Malaysia (DOSM) and SME Corp. Malaysia, 2015*)