

THE INFLUENCE OF E-BUSINESS ADOPTION ON BUSINESS  
PERFORMANCE AMONG MICRO-ENTREPRENEURS

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## APPROVAL

‘I / We, hereby declared that I / We had read through this thesis and in my / our opinion that this thesis is adequate in terms of scope and quality which fulfill the requirements for the award of Bachelor of Technopreneurship with Honors’

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24<sup>th</sup> December 2019

## DECLARATION

“I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly.”

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## ABSTRACT

In the recent years, electronic business plays an importance role in increasing the effectiveness and efficiency of a business. Hence, this study investigates the use of electronic business in improving business performance among micro-entrepreneurs. There are two objectives in this study which is to investigate the factors that may affect business performance of online micro-entrepreneurs; to investigate the relationship between the independent variables (e-marketing, online customer communication and online order taking system) and dependent variable (business performance); examine the most significant factors in the context of e-marketing, online customer communication and online order taking system that may affect the business performance of online micro-entrepreneurs. Quantitative method is used to collect the data among the micro-entrepreneurs in Johor, Malaysia. The questionnaire that consist the questions about the impact of e-business system in business performance is distributed to 248 respondents. Descriptive analysis, Pearson's analysis and regression analysis are used to analyse the data collected. The result indicated that there is a significant relationship between independent variable (e-marketing, online customer communication, online order taking system) and dependent variable (business performance). Furthermore, the result of the study showed e-marketing was the most significant factor that affect the business performance. Therefore, e-business adoption plays an important role in improving the business performance in the aspects of market performance, financial performance and customer relationship performance.

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**LIST OF ABBREVIATIONS AND SYMBOLS**

E-business	Electronic Business
IT	Information Technology
E-marketing	Electronic Marketing
CRM	Customer Relationship Management
MDEC	Malaysia Digital Economy Corporation
IR 4.0	Fourth Industrial Revolution
ICT	Information Communication Technology
SMEs	Small and Medium Enterprises
BSC	Balanced Scorecard
RBV	Resources-Based View
SPSS	Statistical Package for Social Sciences

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## CHAPTER 1

### INTRODUCTION

#### 1.0 Introduction

E-business or electronic business is becoming a crucial initiative for companies to improve their performance in this rapidly changing environment by increasing their competitive advantage (Reeves & Deimler, 2011). E-business is used to improve business performance through new technology adoption. It is used as a tool to help a business its improve customer relations. Micro enterprises which play an important role in the development of economy in a country could also use E-business as way to increase the revenue (Bernama, Micro enterprises play important role in economic development, 2017). Therefore, the respondents of the study focus on micro-entrepreneurs who had used e-business as the tools in their business operation. Hence, this study investigates the use of electronic business by micro-entrepreneurs in improving business performance. This research could help micro-entrepreneurs to understand the relationship between e-business adoption and business performance. This research also raises a better understanding of the impact and role of digital technologies in business performance among the micro-entrepreneurs. Furthermore, the study investigates the intensity of e-business adoption in improving customer satisfaction. Resources-based view is used to better understanding the Information Technology(IT) in e-business value creation.



## 1.1 Background of Study

Electronic business or E-business is the business activities that conducting through the internet. Nowadays, Information Technology(IT) is widely used in business to improve the business performance by increase the speed of information spreading and to enhance the network among the business communities. E-business has changed business concepts such as information exchange, the relationship between customers and suppliers and marketing (Apvăloaie, 2014). Examples of E-business include buying and selling products, supplies and services, customers services, payment services, collaboration, supply chain management and sharing information.

Electronic marketing or e-marketing is one of the key activities in e-business. E-marketing is the used of information technology tool to deliver online message of the business to the potential customers (Ahmed, 2014). Businesses use internet to promote products which meet their customer's specifications. Business people always used e-marketing as a channel to grow successfully in their business which includes social media, email and online advertising (Cohn, 2010). E-marketing enables the small and medium enterprise to increase the market share and competitive advantage (Njau & Karugu, 2014). E-marketing allow the advertisement of the business spread in a short time and increase the popularity of a business (Wicks, 2015). This allow the customers to get the products or services through the internet.

At present, e-business adoption enables business people to communicate with their customers effectively. The use of internet allows the business to improve their customer services and develop long term customer relationship (Achola, 2017). Customer Relationship Management(CRM) which is one of information systems combines IT, marketing and service to enable the spreading of informative and communicative needs of an organization (Bahrami, Ghorbani, & Arabzad, 2012). E-business which provide online customer communication services enables a business or company to solve customer related issues in a short time (STAFF, 2019). A faster and better communication services to respond in customer needs will improve and foster the relationship between the companies and their customers (Schiff, 2015). Hence, businesses that invest in the latest communication technologies such as social media enables them increase the customer satisfaction in their businesses.

Recently, the increased demand of online order in the markets provide opportunities for businesses to upgrade their services and performance. E-business adoption facilitates the process for order taking via online system (Wu, Mahajan, & Balasubramanian, An Analysis of E-Business Adoption and Its Impact on Business Performance, 2003). The online order services allow the customers to purchase the products and services easily. It also enhances the efficiency in cost transactions and bring convenient to the customers as they can save the time for shopping at physical store (Wills, 2014). Through this, the business can keep a long term relationship with the customers because online ordering allows them to order at their convenience time and place.

In the new era with advanced technology, small business tends to adopt IT in their business in order to improve their business performance (Thong & Yap, 1996). According to the online Oxford Dictionary (Press, 2019), micro-entrepreneur is defined as a person who sets up or runs a small business. Micro-entrepreneurs play an important role in developing and growing the economy of the nation by creating more job opportunities (Nguru, 2016). They are encouraged to acquire e-business system to increase their business competitive advantage and generate more income. According to Datuk Yasmin Mahmood, the entrepreneurs are the drivers for the growth of Malaysia's Digital Economy (Umali, 2018). Malaysia supports micro-entrepreneurs to adopt the e-business in their business. Malaysia Digital Economy Corporation (MDEC) provides various trainings and programmes in order to nurture and give opportunities for micro-entrepreneurs to compete in the global market.

Previous research has examined the relationship between the e-business adoption and organization performance (Wu, Mahajan, & Balasubramanian, An Analysis of E-Business Adoption and Its Impact on Business Performance, 2003). For example, a research was conducted to examine the effect of electronic commerce (E-commerce) on organization performance (Hurasha & Chiremba, 2016). However, the study which focus on micro-entrepreneurs are rarely under-research because most of the previous research study about the influence of e-business adoption on business performance in the organization. Therefore, this research study will extent to investigate the relationship between the marketing, customer communication, order taking and the business performance among the micro-entrepreneurs.

## 1.2 Problem Statement

In the era of Fourth Industrial Revolution (IR4.0), micro-entrepreneurs are facing with the constraints and challenges in the use of digital technologies in their businesses (Razak, 2018). Micro-enterprises significantly contribute to creating job opportunities and generating income for the nation's economy (Hassan & Ahmad, 2016). The entrepreneurs in Malaysia are still lagging behind their international peers in adopting technology for their business use (Publication, 2018). Organizational resistance to change such as unwilling to take the risk due to the uncertainty in the future becomes one of the challenges that stop business from growing (Tiersky, 2017). Thus, micro-entrepreneurs need to change their conservative mind and accept the challenges to grow through the use of digital application.

Technology opens new opportunities by driving the new global economy with the innovation and entrepreneurial initiative that based on new concept, views and strategies in businesses (Passaris, 2006). The digital economy develops the new business perspective on the way that firms interact and serve their customers (Lau, 2019). The application of e-business system enables micro-entrepreneurs to improve their business performance (Wu, Mahajan, & Balasubramanian, An Analysis of E-Business Adoption and Its Impact on Business Performance, 2003). Hence, companies should be aware the importance of the use of e-business.

E-business gives positive effect by reducing the operation cost, productivity and customer service among Small and Medium Businesses (Bright, 2012). As such, it allows business to increase their popularity in the market. E-business adoption also could give micro-entrepreneurs opportunity to improve their business operation by facilitating the process of business transaction. There is a few research that study the effect of e-business adoption among the micro-entrepreneurs. However, studies on the influence of e-business on micro-entrepreneurs' business performance is scarce. Therefore, this research will examine the influence of the e-business adoption on business performance.

### 1.3 Research Questions

Below are two types of research questions of this study which categorize into general research questions and specific research questions:

General research question:

1. What are the factors that may affect the business performance of online micro-entrepreneurs?
2. What are the most significant factors that may affect the business performance of online micro-entrepreneurs?

Specific research questions:

1. What is the effect of e-marketing on business performance of micro-entrepreneurs?
2. What is the effect of online customer communication on business performance of micro-entrepreneurs?
3. What is the effect of online order taking on business performance of micro-entrepreneurs?

## 1.4 Research Objectives

The research objectives of undergoing this study are below:

General research objective:

1. To investigate the factors that may affect business performance of online micro-entrepreneurs
2. To examine the most significant factors that may affect the business performance of online micro-entrepreneurs.

Specific research objective:

1. To investigate the effect of e-marketing on business performance of micro-entrepreneurs.
2. To investigate the effect of online customer communication on business performance of micro-entrepreneurs.
3. To investigate the effect of online order taking on business performance of micro-entrepreneurs.

## 1.5 Research Hypothesis

This research developed four hypotheses to investigate the relationship between independent variable and dependent variable. The developed hypotheses were shown as below:

Hypothesis 1: The intensity of e-business adoption in the area of e-marketing is positively associated with greater business performance.

Hypothesis 2: The intensity of e-business adoption in the area of customer communication is positively associated with greater business performance.

Hypothesis 3: The intensity of e-business adoption in the area of order taking is positively associated with greater business performance.

## **1.6 Scope of Study**

This research aims to investigate the effect of e-business adoption on business performance among the micro-entrepreneurs. This study will only focus on the micro-entrepreneurs which give significant contributions to Malaysia's economy. The study will be conducted on the micro-entrepreneurs in the area of Johor, Malaysia. The scope of this research focus on the intensity of marketing, customer communication and order taking as independent variables while customer satisfaction as the dependent variable.

## **1.7 Limitation of Study**

The sample size of the study is limited since data had to be available. The sample of this study are restricted to micro-entrepreneurs in the Johor. The findings only emphasize on the e-business adoption on business performance among the micro-entrepreneurs which may not be generalized to other the types of groups. The constraints of time become one of the limitation for this research. Besides, the study only focus on certain intensity of e-business adoption factors that affect the business performance. In addition, the study used a survey method to collect the data by using a closed questionnaire because most of the respondents were too busy and prefer to answer simple questionnaires. The answer provided in closed-end questionnaire may not the accurate answer the respondent wants to give.

## **1.8 Importance of Study**

In recent year, e-business become an importance tools to increase the competitive advantages of the business. Malaysia government put a lot of efforts in developing and nurturing the business minded citizens by providing incentives and offerings. Malaysian are encouraging to take up in entrepreneurship. Malaysia Digital Economy Corporation(MDEC) has introduced eUsahawan program in 2015 in order

to motivate local micro-entrepreneurs to adopt digital platform in the business. Therefore, Malaysian people are encouraged to integrate the e-business adoption in their business.

The company apply the electronic methods in business to remain competitive and increase profit. The application of electronic business enables the company to increase its productivity and accomplish its goals promptly. Thus, the purpose of this study is to provide an understanding on the benefit of e-business implementation and encourage more people to take opportunities in this era of digital economy.

This study is also important in order to increase the awareness of the micro-entrepreneurs towards the use of information technology in improving their businesses. The micro-entrepreneurs should follow the trends by providing online services in order to satisfy customer needs. This study also provides information and guidance to increase the competitive advantage and encourage them to go global through the e-business adoption. This study also provides empirical evidence on the relationship between e-business and business performance.

## **1.9 Summary**

To sum up, previous research has shown positive evidence that information technology can bring a lot of advantages to the business by increasing the competitive advantage and efficiency of the business operation. In new of this, Micro-entrepreneurs should take into account the use of e-business in their business operation. Therefore, this study will emphasize on the influence of e-business adoption on business performance among micro-entrepreneurs.