



**FACTORS CONTRIBUTING TO DIGITAL TRANSFORMATION IN
SMALL BUSINESS IN THE MELAKA RESTAURANTS**




NURUL BALQIS BINTI ABD RAHMAN

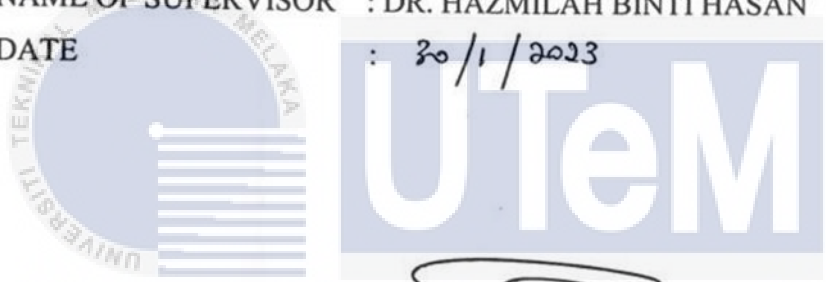
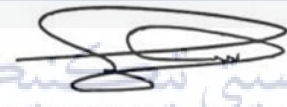
(B061910401)

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

APPROVAL

I hereby acknowledge that this project paper has been accepted as part of fulfilment
for the degree of BACHELOR OF TECHNOLOGY MANAGEMENT
(TECHNOLOGY INNOVATION) WITH HONORS.

SIGNATURE : 
NAME OF SUPERVISOR : DR. HAZMILAH BINTI HASAN
DATE : 30/1/2023


SIGNATURE : 
NAME OF PANEL : DR. NABIL HASAN SALEH AL-KUMAIM
DATE : 30/1/2023

FACTORS CONTRIBUTING TO DIGITAL TRANSFORMATION IN SMALL
BUSINESS IN THE MELAKA RESTAURANTS

NURUL BALQIS BINTI ABD RAHMAN

This thesis is submitted in partial fulfilment of the requirements for the award of
Bachelor of Technology Management (Technology Innovation) with Honors



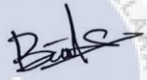
Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka
UNIVERSITI TEKNIKAL MALAYSIA MELAKA

09 JANUARY 2023

DECLARATION

I thus certify that all of the work in this thesis, "FACTORS CONTRIBUTING TO DIGITALTRANSFORMATION IN SMALL BUSINESS IN THE MELAKA RESTAURANTS," is unique to me, and that no part of the work in this research project proposal has been submitted in support of any other degree or qualification at this or any other institute or university of learning.

SIGNATURE:



NAME: NURUL BALQIS BINTI ABD RAHMAN

DATE: 31/1/2023

UNIVERSITI TEKNIKAL MALAYSIA MELAKA



DEDICATION

I want to express my gratitude for my loving family members' and my fiancé's effort to educating and motivating me to complete my education to the degree level. In addition, I am grateful to my professor, Dr. Hazmilah binti Hasan, who is also my supervisor for my final year project, and my fellow classmates. Throughout my investigation, they have offered me complete support and counsel. This research would be impossible to complete in a timely manner without their blessing and encouragement.



ACKNOWLEDGE

First and foremost, I want to thank God for blessing me with good health, strength, and the opportunity to effectively earn my education in order to accomplish this Final Year Project (FYP) on time. I'd like to express my gratitude to my parents for their patience and support in waiting for me to finish my degree. I'd want to show my gratitude to my pals for their timely suggestions on this research effort. They are providing a lot of information about how to move forward with this study initiative. It enables me to do this research project more quickly.

Second, I want to convey my heartfelt gratitude to my loving supervisor, Dr. Hazmilah binti Hasan, for all of her assistance, teaching, monitoring, support, and contribution. During the two semesters of session 2020/2021 and 2022/2023, she patiently guided and assisted me. Also, as my panel research, I truly appreciate and thank Dr. Nabil Hasan Saleh Al- Kumaim for sharing his knowledge. His advice has helped me to complete this study project successfully.

Last but not least, I like to convey my gratitude to all of the respondents who took the time and effort to complete the questionnaires. They had given me helpful input that helped me conclude my investigation. I was able to complete all of the components of a questionnaire with the help and support of theresponders. Once again, I am grateful and thankful to everyone.

ABSTRACT

Recently digital transformation has become a necessity that organizations must accept facing the new demands of today's digital world. Previous research has investigated opportunities provided by digital transformation but still, there are gaps when it comes to digital transformation factors. This thesis addresses the main factors faced by restaurants during their digital transformation journey. The quantitative research method is through google form in the form of a questionnaire to investigate the challenges of digital transformation in restaurants in Melaka. Research findings show that most restaurants face performance expectations, effort expectations and social influence. This study has various contributions. On the one hand, this thesis provides practitioners with the main factors facing restaurants during their digital transformation travel, this study provides literature to fill the gaps that exist in digital transformation factors.

Keywords : Digital transformation, restaurant industry challenges, performance expectancy, effort expectancy and social influence.

ABSTRAK

Baru-baru ini transformasi digital telah menjadi satu keperluan yang mesti diterima oleh organisasi dalam menghadapi tuntutan baharu dunia digital hari ini. Penyelidikan sebelum ini telah menyiasat peluang yang disediakan oleh transformasi digital tetapi masih terdapat jurang yang berkaitan dengan faktor transformasi digital. Tesis ini menangani faktor utama yang dihadapi oleh restoran semasa perjalanan transformasi digital mereka. Kaedah kajian kuantitatif adalah melalui google form dalam bentuk soal selidik untuk menyiasat cabaran transformasi digital di restoran di Melaka. Penemuan penyelidikan menunjukkan bahawa kebanyakan restoran menghadapi jangkaan prestasi, jangkaan usaha dan pengaruh sosial. Kajian ini mempunyai pelbagai sumbangan. Di satu pihak, tesis ini menyediakan pengamal dengan faktor utama yang dihadapi oleh restoran semasa perjalanan transformasi digital mereka, kajian ini menyediakan literatur untuk mengisi kekosongan yang wujud dalam faktor transformasi digital.

Kata kunci : Transformasi digital, cabaran industri restoran, jangkaan prestasi, jangkaan usaha dan pengaruh sosial.

TABLE OF CONTENT

CHAPTER	CONTENT	PAGES
	DECLARATION	i
	DEDICATION	ii
	ACKNOWLEDGE	iii
	ABSTRACT	iv
	ABSTRAK	v
CHAPTER 1	INTRODUCTION	
	1.0 Introduction	1 - 2
	1.1 Research Background	2 - 3
	1.2 Problem Statement	3
	1.3 Research Question	4
	1.4 Research Objective	4
	1.5 Scope of Study	5
	1.6 Limitation of Study	5
	1.7 Significance of Study	5 - 6
	1.8 Summary	6

CHAPTER 2	LITERATURE REVIEW	PAGES
	2.1 Introduction	7
	2.2 Definition of Concept	
	2.2.1 Digital Transformation	7 - 8
	2.2.1.1 A successful digital transformation	8 - 9
	2.2.1.2 Digital transformation strategy	10
	2.2.1.3 Digital transformation challenges	11 - 12
	2.2.2 Digital transformation in the restaurant industry	12 - 13
	2.2.3 Small Business	13 - 14
	2.2.4 The restaurant industry	14 - 15
	2.2.4.1 Technology used in the restaurant industry	15 - 16
	2.3 Research Framework Development	16
	2.3.1 Dependent Variable	
	2.3.1.1 Digital transformation	16 -17
	2.3.2 Independent variable	
	2.3.2.1 Performance expectancy	18
	2.3.2.2 Effort expectancy	19
	2.3.2.3 Social influence	19 - 20
	2.4 Proposed Framework	20
	2.5 Hypothesis of study	21
	2.6 Summary	22

CHAPTER 3	RESEARCH METHODOLOGY	PAGES
	3.0 Introduction	23
	3.1 Research Design	24
	3.1.1 Positivism	24 - 25
	3.1.2 Quantitative Research	25 - 27
	3.1.3 Operationalization Construct	27
	3.2.3.1 Variables	27 - 29
	3.3 Data Sources	
	3.3.1 Primary	29
	3.2.2 Secondary	29
	3.4 Data Collection Techniques	29 - 30
	3.4.1 Questionnaire Construct	30
	3.5 Target Population	30 - 31
	3.6 Sampling Techniques	31 - 32
	3.7 Time Horizon	33
	3.8 Data Analysis	33 - 34
	3.8.1 Reliability and Validity Analysis	34 - 35
	3.8.2 Pearson Correlation Analysis	35 - 36
	3.9 Issues of Reliability and Validity	36
	3.10 Pilot Test	37
	3.11 Summary	37

CHAPTER 4	RESULT AND FINDING	PAGES
	4.1 Introduction	38
	4.2 Pilot Test	38 - 39
	4.3 Descriptive Analysis	40
	4.3.1 Respondent Demographic Analysis	40 - 41
	4.3.1.1 Gender	42
	4.3.1.2 Race	43
	4.3.1.3 Education level	44
	4.3.1.4 Experiences in the business	45
	4.3.1.5 Position in the company	46
	4.3.1.6 Business Scale	47
	4.3.1.7 Number of Employees	48
	4.3.2 Research Question Analysis	
	4.3.2.1 Dependent Variable : Digital Transformation	49 - 50
	4.3.2.2 Independent Variable :	
	4.3.2.2.1 Performance Expectancy	50 - 51
	4.3.2.2.2 Effort Expectancy	52
	4.3.2.2.3 Social Influence	53 - 54
	4.4 Reliability Analysis	54 - 55
	4.5 Pearson Correlation Analysis	55- 57
	4.6 Multilinear Regression	57 - 61
	4.7 Hypothesis Testing	61 - 63
	4.8 Summary	63

CHAPTER 5	DISCUSSION AND CONCLUSION	PAGES
	5.0 Introduction	64
	5.1 Summary of Descriptive Analysis	65
	5.2 Summary of the Study	65 - 66
	5.3 Discussion of Objectives and Hypothesis Testing	
	5.3.1 Objective 1 : To identify strategy of digital transformation towards small business	66
	5.3.2 Objective 2 : To examine practical method for small business to perform digital transformation	67
	5.3.3 objective 3 : To analyse impact by using digital transformation to the small business	67 - 69
	5.4 Implication of Study	69 - 70
	5.5 Limitation of Study	70
	5.6 Recommendation and Future Research	70 - 71
	5.7 Conclusion	71
REFERENCES		72 - 75
APPENDICES		76 - 86

LIST OF TABLES

Tables	Title	Pages
Table 3.1	Characteristics of Positivism (Saunders, Lewis and Thornhill, 2016)	25
Table 3.2	Sections in Questionnaire	26
Table 3.3	Operationalization of Constructs.	27
Table 3.4	The Variables.	27 - 29
Table 3.5	Krejcie & Morgan Table(Source: Krejcie & Morgan, 1970)	31
Table 3.6	Cronbach's Alpha Coefficient Range and Strength of Association.	35
Table 3.7	Pearson Correlation Coefficient Range.	36
Table 4.1	Reliability Test for 30 Respondents	39
Table 4.2	Summary of Total Demographic Information	41
Table 4.3	Gender of Respondents	42
Table 4.4	Race of Respondents	43
Table 4.5	Education level of Respondents	44
Table 4.6	Experiences in the business of Respondents	45
Table 4.7	Position in the Company	46
Table 4.8	Business Scale	47
Table 4.9	Number of Employees	48
Table 4.10	Digital transformation to small business in restaurants.	49
Table 4.11	Performance Expectancy	50
Table 4.12	Effort Expectancy	52

Table 4.13	Social Influence	53
Table 4.14	Reliability Statistic	55
Table 4.15	Strength of the Correlation Coefficient	56
Table 4.16	Pearson Correlation Coefficient Analysis	56
Table 4.17	Model Summary	58
Table 4.18	Anova	59
Table 4.19	Coefficients	60
Table 4.20	Hypothesis Results	63
Table 5.1	Summary of Descriptive Analysis of Respondent's Demographic	65
Table 5.2	Result of hypothesis Testing	67

اونيورسيتي تيكنيكل مليسيا ملاك

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

LIST OF FIGURES

Figures	Title	Pages
Figure 2.1	Digital maturity matrix is taken from (Westerman et al., 2014)	8
Figure 2.2	An overview of the restaurant process taken from (Alt, 2021)	15
Figure 2.3	Proposed Framework	20
Figure 3.1	Likert Scale	27
Figure 4.1	Gender of Respondent	42
Figure 4.2	Race of Respondent	43
Figure 4.3	Education level of Respondent	44
Figure 4.4	Experiences in the business of Respondent	45
Figure 4.5	Position in the Company	46
Figure 4.6	Business Scale	47
Figure 4.7	Number of Employees	48

اوتیور سیتی تکنیکل ملیسیا ملاک

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

CHAPTER 1

INTRODUCTION

1.0 Introduction

Small and Medium Industries (IKS) or Small and Medium Enterprises (SMEs) are groups that have played an important role in the development of the country's economy while helping in the foundation of the country's industry. In general, Small and Medium Industries are divided into two sectors: the manufacturing sector and the service sector.

Secondly, these two sectors are defined on the basis of revenue from total annual sales and the number of full-time employees. For the manufacturing sector, Small and Medium Industries are defined as firms that have annual sales not exceeding RM50 million or number of full-time employees not exceeding 200 people. Meanwhile, for the service sector and other sectors, IKS is defined as firms with annual sales not exceeding RM20 million or number of full-time employees not exceeding 75 people. (SME Definitions, 2015)

The contribution of small business has reduced direct dependence on the global economy. Due to the existence of various advanced technologies in the world has led to a transformation in the small business enterprise process. Transformations are often linked to the development effects of economic growth.

Digital transformation is the use of technology to transform analog to digital processes. Digital transformation refers more to the way technology has revolutionized business with new technology areas such as machine learning, big data and the Internet of Things. Mustapa said, Malaysia remains committed to achieving the targets of becoming a technologically advanced, digitally integrated and regional digital economy leader by 2030, as set out in the MyDIGITAL initiative.

Through the initiative, he said the digital economy is expected to contribute 22.6 percent to Malaysia's gross domestic product (GDP) by 2025 and generate 500,000 new employment opportunities. According to Mustapa,(2021) the government is targeting 875,000 micro, small and medium enterprises (SMEs) to take advantage of e-commerce by 2025 in addition to the goal to make 80 percent of government services online in the same year.

1.1 Research Background

Digitization is one of the priorities under the ASEAN Coordination Committee for Micro, Small and Medium Enterprises (ACCMSME) for 2019, The Office of SMEs Promotion Thailand (OSMEP) with the support of Canada through the OECD Canadian Project for SMEs in ASEAN organized a Global Digitalisation Model for Micro Enterprises Workshop in May 2019 and a policy dialogue session on “Starting a Business in ASEAN: Formalisation of Micro Enterprises and How Digitalisation Can Support It” in June 2019 in Thailand. The main findings and conclusions of these two initiatives will be compiled in the Policy Guidelines on the Digitization of Micro Enterprises in ASEAN (Policy Guideline on the Digitization of ASEAN Micro Enterprises), among others, proposing policies to encourage entrepreneurs to officially register businesses and adopt digital solutions to leverage their businesses.

Apart from that, according to Harits Asyraf Hasnan (2019, December 25) “ #MyAPEC2020: Rural digital economy, inadequate smartphones ”Specialist, Astro Awani, Economist, Dr. Madeline Berma said the use of smartphones alone is not enough to put rural IKS at a proud stage in the use of the digital economy. Most rural small business entrepreneurs only use mobile phones for product marketing and that'snot a digital Economy system.

Finally, digital transformation will change the way humans manage and run their businesses as well as how to market business products to a wider market up to the international level in a faster time and at a lower cost (Dzulkefly Ahmad, 2019).

However, in this encouraging development, most businesses have not fully utilized digital technology to keep pace with the high internet usage among the population.

1.2 Problem Statement

The main issue in this study is, the level of implementation of digital transformation among entrepreneurs on the digital economy of small business and the challenges that drive the implementation of the system. Technological progress in the country is still unable to mobilize IKS entrepreneurs in the use of digital transformation systems. Small business entrepreneurs, especially in rural areas, still lack skills in the full use of digital electronics to run digital transformation systems. Furthermore, the Director of the Malaysian and International Research Institute (IKMAS), Universiti Kebangsaan Malaysia (UKM), Professor Dr Sufian Jusoh also said that the constraints of small business in expanding business through the digital economy are due to internet access that is still not perfect with inadequate broadband speed.

Some firms are still resisting this new reality, but the majority are beginning to adapt their operations. The COVID-19 epidemic highlighted the importance of being digital in order to be able to operate from anywhere and provide services and goods through internet channels. (The Key Challenges of Digital Transformation, 2021) It has aided in the acceleration of this continuous occurrence, but there is a problem: even when a company recognizes the value of digital technology, it is not always able to strategically adopt it. Traditional businesses, on the other hand, cannot afford to wait for the technologies to be implemented because they are frequently competing with born-digital businesses that already have a digital strategy and the necessary skills.

1.3 Research Question

The research question is the essential process where it provides the focus and framework about the direction of the study. Research question is fundamentally the key components as it can guide and provide a concise and more understanding guideline of this study.

This research attempts to provide answer to the following question:

1.3.1)What is the factors of digital transformation towards small business?

1.3.2.)What is the practical method for small business to perform digital transformation?

1.3.3.)What are the impact by using digital transformation to the small business?



1.4 Research Objective

The objective to examine the factors contributing to digital transformation in small business in the Melaka restaurants. Thus, a research studied has developed in order to stay focus and guide throughout the study.

The objective of this research are as follow:

1.4.1.) To identify factors of digital transformation towards small business.

1.4.2.) To examine practical method for small business to perform digital transformation.

1.4.3.) To analyses impact by using digital transformation to the small business.

1.5 Scope of Study

This research looks at several factors from digital transformation to small business. Ayer Keroh, Melaka is the main place for researcher to conduct research. Researcher are focusing on a few strategies employed by the business owners in developing a premise and marketing methods performed in each store, such as communication methods to inform a product to customers. The focus of the study was on business owners in each premise. Questionnaires will be collected from 120 people using google forms or questionnaires will be distributed to business owners in each store, and they will have a week to answer all questions. Researcher are encouraged to investigate the factors faced by businesses owner in applying digital transformation to their small businesses.

1.6 Limitation of Study

There are some limitations encountered in this study that could sway the results. One of the initial limitations is that this study is limited to Melaka alone, which means that the findings may not be applicable in other states. The next limitation is that the information gathered is based on the opinions of business owners rather than actual entrepreneurs. One of the constraints impacting the findings was the use of secondary data obtained by others. As a result, the quantity of data points employed in this investigation was limited.

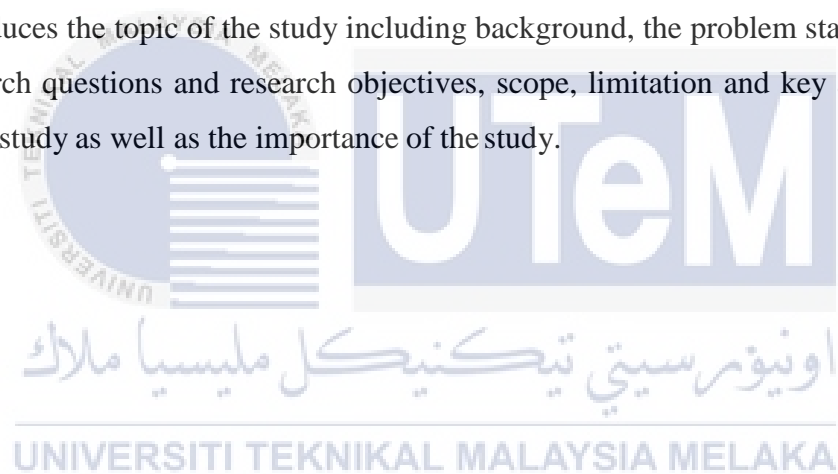
1.7 Significance of Study

This study was done to assess the needs and effectiveness of digital transformation in business among small business entrepreneurs recommended by the government to upgrade the position of small businesses in the country and contribute to the national economy. The information from this study will allow some useful information to be obtained and can then be used to enable an assessment and analysis

of digital transformation among small business entrepreneurs to be made. In addition, the information obtained will enable improvements to skills and knowledge in the implementation of digital transformation among existing small business entrepreneurs to be enhanced over time and further contribute towards strengthening existing skills. In the academic part, the university can give birth to productive and skilled graduates in the handling of digital transformation in business.

1.8 Summary

This chapter is structure as the introduction of the whole research. It introduces the topic of the study including background, the problem statements, the research questions and research objectives, scope, limitation and key assumptions of the study as well as the importance of the study.



CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Chapter 2 reviews the definition of concept used in this research, and it also describes the suitable conceptual framework in order to guide the flow of research. The conceptual framework is adopted from relevant scholar and it is illustrated in diagram to enhance the understanding.

2.2 Definition of Concept

2.2.1 Digital Transformation

The emergence of new technologies such as the internet, big data, and mobile technologies has been disruptive in almost every industry. Therefore, companies must be aware of this disruption occurring in adjacent industries and react accordingly. To maintain their business relevance according to today's digital market and ensure their competitiveness, companies must embrace digital transformation otherwise they would go out of business (Andersson, Movin, Mähring, Teigland and Wennberg, 2018). Recently, Digital transformation has been an exciting trend for both strategic IS researchers and practitioners (Vial, 2019).

Researchers have defined digital transformation in different ways (Westerman, Calm ejane, Bonnet, Ferraris, and McAfee, 2011); (Bekkhus, 2016) defined digital transformation as the use of digital technologies to increase the organization's performance. Whereas (Piccinini, Hanelt, Gregory and Kolbe, 2015b); (Horlacher, Klarner, and Hess, 2016) ; (Singh and Hess, 2017); (Paavola, Hallikainen, and Elbanna, 2017) defined digital transformation as a way to leverage

new digital technologies to enable the investing company with the capability to increase the customer experience, smooth operations or creating new business models. Also (Eymann, Legner, Prenzel, Krcmar, Müller, and Liggesmeyer, 2015); (Nwankpa and Roumani, 2016); (Andriole, 2017); (Clohessy, Acton, and Morgan, 2017) mention the change brought by digital technologies within the organization which results in changing the products, organizational structure, or even automating the system processes. Although the researchers defined digital transformation in different ways, they all have in common “the change of normal ways of working due to the introduction of new digital technologies or the improvement of outdated technologies to enhance the performance of the company”.

2.2.1.1 A successful digital transformation

To reach a successful digital transformation, (Westerman et al., 2014). advised companies to build both digital and leadership capabilities. As a starting point, they should identify where they are on the matrix that he provided, which will help them know the lacking capabilities and what they can do to build those ones. The provided matrix is composed of four digital mastery levels: the fashionistas, the beginners, the conservatives as well as the digital masters.

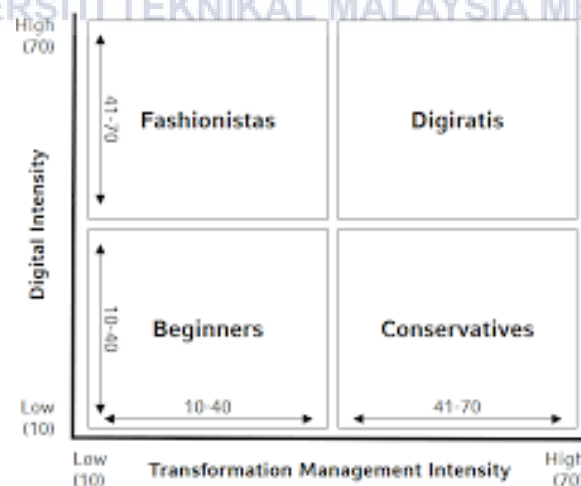


Figure 2.1: Digital maturity matrix is taken from (Westerman et al., 2014)