

Mediating Role of Social Media Adoption in the Relationship between Technology, Organization, Environment Factors and SME Performance

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ABSTRACT

Globalization and digitization have brought about new challenges and opportunities for Small and Medium-sized Enterprises (SMEs). Many SMEs have turned to social media to reach a larger audience and build better relationships with potential and existing customers. Despite the challenges posed by the end of the civil war in 2009 and the COVID-19 pandemic, many people from the Northern Province, especially in Jaffna, have started SMEs that rely on virtual and physical markets for business survival. The results from this study confirmed that the technological factor significantly directly influences the SME's performance in Jaffna. The results also revealed that social media adoption significantly influences SMEs' performance. Further, employing the TOE framework, this study evidenced that relative advantage, cost-effectiveness, compatibility, interactivity, entrepreneurial orientation, and customer pressure significantly influence social media adoption. In contrast, top management support and competitive pressure have an insignificant influence. This implies that SMEs in Jaffna strengthen the relationship between social media and SMEs' performance. The most common social media platforms firms use are Facebook and WhatsApp; both were considered cost-effective. The speed, ease of use, interactive nature, and ability to reach a large numbers of customers make social media essential for SMEs in developing countries. Against the backdrop of continuous debate on the advantages and disadvantages of Social Media adoption by SMEs in developing countries, this research offers a comprehensive view of important aspects, allowing owners, executives, and managers to understand the actual significance of Social Media. This work facilitates their understanding of how the effective administration of Social Media adoption can improve SME performance in several aspects.

KEYWORDS: Social media adoption, TOE factors and SMEs' performance

Introduction

Small and medium enterprises (SMEs) have become an energetic and influential sector of the world economy. Thus, telecommunication and information technology play a significant role in growing the performance of SMEs (Qalati, 2021). Also, SMEs are influential in economics regarding their contribution to national output, employment, and the share of firms operating in countries.