The Mediating Role of Social Media Usage in the Relationship of Market Orientation with SME Performance

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Abstract

This research aimed to investigate the relationship between market orientation (MO) and firm performance through the mediating effect of social media (SM) usage. Data were collected from a sample of 313 Thai small and medium-sized enterprises (SMEs). The results revealed that MO had indirect effects on business process performance through the mediation of SM usage. In addition, SM usage could predict improved customer relations and services through cost reduction and enhanced information accessibility. This research also provided the suggestion that SMEs may require organizational network resources and dynamic capabilities to link MO to business process performance.

Keywords: Market orientation; Social media usage; Firm performance; SMEs

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Introduction

Small and medium-sized enterprises (SMEs) play a vital role in driving economic growth in in Thailand. According to the Office of SMEs Promotion (OSMEP; 2020), SMEs represent 99.53% of all enterprises across the country, account for 69.48% of total employment, and 35.30% of the national GDP. To remain competitive in their markets, SMEs must consider a market-oriented approach as a strategic behavior for complementing resources and capabilities (i.e., online social networks) to achieve superior performance (Dutot & Bergeron, 2016; Kajalo & Lindblom, 2015). Based on the various typologies of strategic orientation (SO), market orientation (MO) is acknowledged as a critical factor in SMEs' performance (Masa'deh et al., 2018), however, some studies have indicated that MO may not generate business value (Ahmad et al., 2017; Mamun et al., 2018). Thus, they suggested that further research should focus on the mediating role of SM in producing an effect on performance rather than on the direct influence of MO on performance.

Social media (SM) refers to a group of online tools that allow "idea sharing, creating and editing content, and building relationships through interaction and collaboration" (Dutot & Bergeron, 2016). SM is increasingly used as a valuable marketing tool by many organizations across a variety of sectors, as online marketing enables companies to achieve their marketing goals at a relatively low cost (Ajina, 2019). SM helps companies to drive engagement and sales, with a growth of 5%–8% in profits over 12–18 months, by capturing more online traffic and engaging with customers more effectively (Davies et al., 2021).

This study addressed the dearth of literature on the impact of SM usage on the relationship between MO and performance in the SME context. Thus, drawing on the perspective of dynamic capabilities, this study aimed to investigate the mediating role of SM usage in the relationship between the MO and performance of Thai SMEs. Importantly, the factors of SO, particularly MO triggering SM utilization by firms, have not yet been examined. This study contributes by advancing the knowledge about the relationship between MO, SM usage, and firm performance. This study

also adds knowledge through its adoption of multidimensional perspectives on firm performance, enabling an enhanced understanding of how MO and the use of SM improve performance.

Literature review

Relationship between MO, SM, and performance

Empirical research regarding the relationships between MO, SM, and performance remains scarce. Scholars have highlighted the multidimensional construct of firm performance and acknowledged that different business objectives and strategies may have different impacts on the measures of performance (Dutot & Bergeron, 2016; Foltean et al., 2019). Furthermore, studies have indicated that MO may not always lead to increased performance (Masa'deh et al, 2018; Mamun et al., 2018); thus, a need exists to focus on the complementary effects of SM and other internal firm characteristics on performance rather than their direct impact (Tajvidi & Karami, 2017). Therefore, this study considered the dynamic capabilities perspective to examine the dynamic capabilities of MO in adopting technology, specifically SM, to improve business process performance.

The dynamic capabilities concept involves a firm deploying resources to achieve a sustainable competitive advantage (Teece et al., 1997). The effective deployment of resources depends on the ability of management to develop skills and capabilities that enable the firm to adapt quickly to environmental changes (Prahalad & Hamel 2006). Gellynck et al. (2012) reported that firms with higher levels of MO tend to have good marketing management processes, under which they acquire and use market-based information and disseminate it throughout the company (Yu et al., 2016). As a resource, SM provides the potential to maximize value from a company's Internet-based resources and networking capabilities (Trainor et al., 2014). Market knowledge acquired through online social platforms can enhance firm performance (Tajvidi and Karami, 2017).

Market orientation (MO) and social media (SM) usage

System usage is described as a user's utilization of a system to perform a task. Accordingly, SM is identified as an IS resource and networking capability of a firm for creating value for small firms (Tajvidi and Karami, 2017). Previous studies have mainly considered other typologies of SO, such as entrepreneurial orientation, customer orientation, and technology orientation as a driver of SM adoption (e.g., Dutot & Bergeron, 2016; Paveen et al., 2016), whereas MO has thus far been neglected. MO refers to a set of organizational strategies and behaviors employed in response to market demands (Abdolvand & Merikhnejad, 2016). A firm with a market-oriented approach can deploy dynamic capabilities, such as sensing and seizing market chances and reconfiguring its resource base (Teece, 2007). In their study of SMEs, Nurfarida et al. (2021) suggested that a market-focused strategy is a critical driver of customer engagement and promotion information for SM marketing. Moreover, Dutot and Bergeron (2016) argued that firms with dynamic marketing capabilities tend to use online social networks as a marketing tool within their marketing strategies for achieving marketing goals. Therefore, this study formulated the following hypothesis:

H1: MO has a positive impact on SM usage.

SM usage and firm performance

SM has been acknowledged as a marketing tool that improves performance (Franco et al., 2016). Franco et al. (2016) suggested that evaluations of SM's impact should not only employ financial measures (e.g., sales volume and growth in profits) but should also consider nonfinancial measures (e.g., customer satisfaction, cost reduction, and service quality). Financial measures are insufficient for managing businesses as they consider a short-term perspective whereas nonfinancial indicators are considered to attain a long-term competitive advantage (Masa'deh et al., 2018). In addition, this research used multiple measures to capture a more understanding of the performance impact, as they may be related to each other (Franco et al., 2016). For example, Ahmed et al. (2017)

indicated that improvements in information accessibility and market knowledge allow firms to increase customer satisfaction, retention, and loyalty.

1. The impact of SM usage on cost reduction

The literature indicates that SM technologies allow firms to perform integrated marketing activities with much less effort, time, and cost compared with traditional tools (Kim and Ko, 2012). Al-Badi and Al-Qayoudhi (2014) suggested that SM functions help firms reach customers or potential customers anywhere in the world while potentially saving a huge amount of money on advertising and marketing campaigns. Therefore, this study formulated the following hypothesis:

H2: SM usage has a positive impact on cost reduction.

2. The impact of SM usage on customer relations and service

Franco et al. (2016) indicated that the use of SM for the purposes of communication with customers and the development of personalized products/ services can improve customer satisfaction and retention. Firms can take advantage of technology-enabled marketing activities to understand customer needs and proactively respond to market demands (Parveen et al. 2016), as well as to develop customer relationships and improve their performance (Foltean et al., 2019). Therefore, this study formulated the following hypothesis:

H3: SM usage has a positive impact on improved customer relations and service.

3. The impact of SM usage on enhanced information accessibility

In the era of the digital world, Durkin et al. (2013) highlighted that market information concerning customer preferences and competitors' actions have become a valuable resource to SMEs as they can use it to define and improve the way in which they do business. Additionally, SM technologies keep firms up to date with rapid changes in market environments as they are

tools for driving innovation and productivity (Franco et al., 2016). Therefore, this study formulated the following hypothesis:

H4: SM usage has a positive impact on enhanced information accessibility.

Based on the aforementioned set of hypothetical relationships, this study developed a conceptual model that is presented in Figure 1:

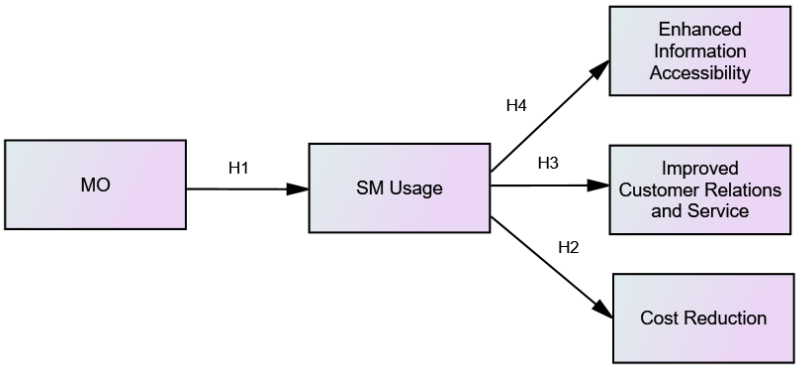

Figure 1 Conceptual model of the study

Methodology

Regarding data collection and organizational profile, the sample frame involved companies with fewer than 200 employees that had used SM marketing for more than one year. These criteria ensured that the companies were SMEs (OSMEP, 2020) and that they had used SM for a reasonable length of time; thus, this sample was sufficient for investigating the effect of SM usage on firm performance (Parveen et al., 2016). Questionnaires were hand-distributed to an owner-manager or a CEO of 350 SMEs who participated in workshops and seminars held by the Thai Chamber of Commerce (TCC) in 2018. The high response rate could be as a result of the role of one of our authors as a member of TCC's SME promotion committee and involvement with many programs supported for SME development, thus primary data source was obtained

with the assistance in questionnaire distribution provided by TCC. This technique would provide an adequate sample for the collection of information and provide statistical significance in the study. A total of 328 questionnaires were returned, of which 313 were usable, producing a valid response rate of 89.43%. Table 1 presents the respondents' characteristics and their use of SM platforms. To reduce possible bias and protect the privacy of the respondents, this study ensured anonymity and confidentiality and aggregated the collected data.

Table 1 Demographic characteristics and SM usage of the respondents (*N* = 313)

Description	Number	%		Number	%
Business Sector			***Usage of SM platforms***		
Manufacturing	50	15.97	Facebook	280	89.46
Trading	114	36.42	Twitter	44	14.06
Service	149	47.61	Line	163	52.08
			Instagram	94	30.03
			YouTube	68	21.73
Firm Size			***Age of respondents***		
0-5	60	19.17	25-34	116	37.06
6-30	119	38.02	35-43	161	51.44
31-50	63	20.13	44-54	28	8.94
51-100	34	10.86	More than 54	8	2.56
101-200	37	11.82			
Gender of respondents			***Position of respondents***		
Male	130	41.50	Owner	123	39.29
Female	183	58.50	Managing Director	52	16.61
			Manager	138	44.10

All items were measured on a five-point Likert scale. The items for measuring each construct were adopted from previous research, where they have been demonstrated to be valid and reliable. The items measuring MO were adopted from Kajalo and Lindblom (2015). The items comprised

three behavioral perspectives, namely customer orientation, competitor orientation, and coordination among departments. The items for SM usage were adjusted from Parveen et al. (2016), who adapted them from various studies to cover several dimensions of the usage construct. The items covered three dimensions, namely SM use for marketing, SM use for customer relations and services, and SM use for information accessibility. To capture different features of firm performance, based on Parveen et al. (2016), this study categorized the performance construct into the following three dimensions of nonfinancial performance: cost reduction for marketing and customer service, improved customer relations and services, and enhanced information accessibility.

Results and Discussions

This study conducted structural equation modeling (SEM) to test the proposed theoretical model, where factor analysis and multiple regression are combined in a single statistical procedure (Hair et al., 2006). A two-step SEM approach was employed with AMOS24. First, confirmatory factor analysis (CFA) was conducted to assess the reliability and validity of the measurement models. Then, a structural model was employed to test the hypotheses.

According to measurement model analyses, this study conducted CFA to evaluate the reliability, convergent validity, and discriminant validity of the constructs, as seen in Table 2 and Table 3. The Cronbach's alpha (α) of all constructs exceeded the suggested level of 0.70 (Hair et al, 2006; ranging from 0.74 to 0.91), signifying that the constructs possessed acceptable reliability and internal consistency. In addition, the constructs' composite reliability (CR) was higher than the recommended value of 0.70 (Dutot and Bergeron, 2016; ranging from 0.76 to 0.93) and the average variance extracted (AVE) scores of all concepts were higher than 0.50 (Dutot & Bergeron, 2016; ranged from 0.50 to 0.69), supporting construct reliability and convergent validity. Moreover, all factor loadings were statistically significant at $p < 0.001$ and ranged from a low of 0.64 to a high of 0.91, verifying construct validity (Hair et al, 2006). This study also evaluated the discriminant validity. The Factor

loadings of each item were greater than the cross-loadings of items of other constructs (Hair et al, 2006; Parveen et al, 2016). Also, based on the Fornell and Larcker (1981), the square root of AVE for each construct exceeded the inter-correlations between the constructs (Foltean et al, 2019). The results confirmed that discriminant validity existed between the constructs.

Table 2 Construct measures and validity measurement

Constructs	Items[a]	Mean	SD	Std. Loadings
MO:	MO2	4.19	0.814	0.66
	MO3	4.05	0.853	0.64
	MO4	4.04	0.861	0.71
	MO5	4.22	0.808	0.78
SM Usage:	SMMKT1	4.20	0.85	0.84
	SMMKT2	4.17	0.87	0.78
	SMMKT4	4.16	0.82	0.73
	SMCUST1	4.25	0.73	0.74
	SMCUST3	4.13	0.79	0.75
	SMCUST4	4.27	0.79	0.77
	SMINFO1	4.15	0.78	0.78
	SMINFO2	4.09	0.84	0.81
	SMINFO3	4.23	0.82	0.82
Cost reduction:	FPCOST1	3.80	0.83	0.70
	FPCOST2	3.78	0.82	0.87
	FPCUST1	4.18	0.73	0.76
Customer relations and service:	FPCUST3	4.17	0.83	0.87
	FPCUST4	4.19	0.81	0.85
Improved information accessibility:	FPINFO1	3.87	0.80	0.64
	FPINFO2	3.97	0.81	0.91

Notes: [a]Item retained during the scale validation process.

To assess the fit indices of CFA, the one-factor model of MO was estimated and the model was modified with modification indices when the data did not fit the model well (Kline, 2005). The revised model of MO showed the data fitted the model well, χ^2 (2) = 2.02, p = 0.36, RMSEA = 0.06, RMR = 0.01, TLI = 0.98, GFI = 0.99, and CFI = 1.00. SM usage was tested in the second-order model, comprising three first-order reflective constructs, the revised model of SM usage showed the data fitted the model well, χ^2 (24) = 24.61, p = 0.43, RMSEA = 0.01, RMR = 0.01, TLI = 1.00, GFI = 0.98, and CFI = 1.00. Since two constructs of nonfinancial performance comprises three indicator items, thus, all three constructs were tested in the full cluster measurement model in the first-order model (Kline, 2005), the revised model of MO showed the data fitted the model well, χ^2 (11) = 13.01, p = 0.29, RMSEA = 0.02, RMR = 0.01, TLI = 1.00, GFI = 0.99, and CFI = 1.00.

Table 3 Descriptive statistics, reliability, and validity of the constructs

	Mean	SD	AVE	Alpha	CR	1	2	3	4	5
1. MO	4.13	0.65	0.50	0.79	0.79	***0.70***				
2. SM usage	4.18	0.61	0.61	0.93	0.93	0.63	***0.78***			
3. Cost	3.79	0.74	0.62	0.76	0.77	0.31	0.34	***0.79***		
4. Customer	4.18	0.70	0.69	0.87	0.87	0.53	0.65	0.44	***0.83***	
5. Information	3.92	0.72	0.62	0.74	0.76	0.40	0.47	0.31	0.52	***0.79***

Note: Numbers on the diagonal represent the square root of AVE of each construct. Numbers below the diagonal indicate the correlation between the constructs. The inter-construct correlations are below the diagonal.

Following the establishment of the measurement models, this research evaluated a full structural equation model and found that it did not fit the data: χ^2 (6) = 46.65, p = 0.00, RMSEA = 0.15, RMR = 0.03, TLI = 0.87, GFI = 0.94, and CFI = 0.92. An assessment of the modification indices based on theory validation could improve the model: χ^2 (4) = 12.28, p = 0.02,

RMSEA = 0.08, RMR = 0.02, TLI = 0.98, GFI = 0.98, and CFI = 0.98. Thus, the adjusted model presented in Figure 2 was considered acceptable.

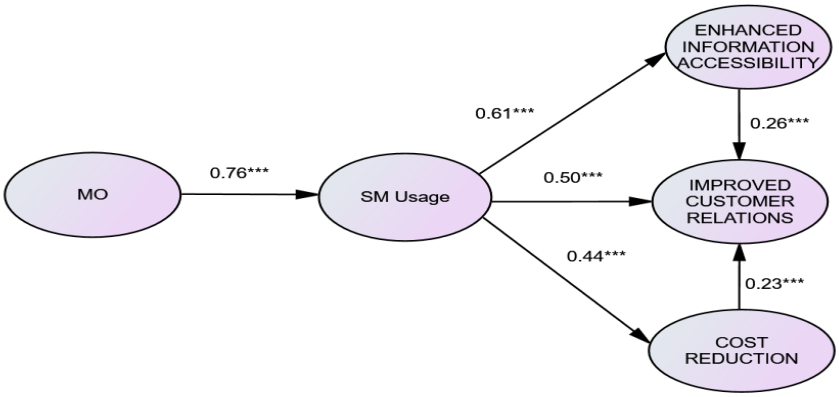

Figure 2 Final model of SM usage and performance

Note: ** significant at $p > 0.05$, ***significant at $p < 0.001$

This study found that MO positively affected SM usage ($\beta = 0.76$, $p < 0.001$); thus, H1 was supported. This finding supports those of previous studies. Dutot and Bergeron (2016) indicated that firms' MO encourages SM use through customer orientation. In addition, Uribe-Saavedra et al. (2013) reported that companies with a strong MO could develop an SM marketing strategy and invest in SM actions. Thus, increased interaction with customers and competition through online SM platforms allow firms to be innovative and proactive in response to market changes.

Furthermore, SM usage was found to have a positive impact on all dimensions of performance, namely cost reduction ($\beta = 0.44$, $p < 0.001$), improved customer relations and service ($\beta = 0.50$, $p < 0.001$), and enhanced information accessibility ($\beta = 0.61$, $p < 0.001$); thus, H2, H3, and H4 were supported. These results are similar to those of previous studies, such as that of Parveen et al. (2016), who demonstrated that SM usage helps to reduce costs and enhance customer relations and service as well as information accessibility of SMEs in Malaysia. Moreover, Franco et al. (2016) discovered that SMEs can obtain benefits from SM usage in terms of

information sharing, communication, and innovation, which in turn improve customer service and satisfaction. This result confirmed the study of Uribe-Saavedra et al. (2013), who suggested that improved customer awareness, management, and competency through SM usage could improve firm performance.

The results showed that the indirect effects of SM usage on the links between MO and nonfinancial performance, namely cost reduction (β = 0.21, $p < 0.01$), improved customer relations and service (β = 0.38, $p < 0.01$), and enhanced information accessibilities (β = 0.28, $p < 0.01$) were significant. Thus, the significant relationships between MO, SM usage, and nonfinancial performance, as showed in Table 4, indicating the mediating role of SM usage on SME performance in Thailand.

Table 4 Indirect effect of SM usage on MO–nonfinancial performance

Relationships	Direct effect	Indirect effect	Total effect
MO -> SM Usage -> Cost reduction	0.43	0.21	0.64
MO -> SM Usage -> customer relations	0.50	0.38	0.88
MO -> SM Usage -> information accessibility	0.60	0.28	0.88

Interestingly, the findings indicated that SM usage also has indirect impacts (through cost reduction and enhanced information accessibility) on improved customer relations. Some studies (Dutot and Bergeron, 2016; Foltean et al., 2019) have reported that different business objectives may have different impacts on the various aspects of performance. Moreover, multiple indicators could be valuable in evaluating the impact of SM usage as they may be interrelated (Franco et al., 2016). Therefore, this study suggested that paying attention to the multidimensional performance measures would clarify the understanding of the relationship between SM usage and performance. Firms can fully capture the value of SM usage when multidimensional measures are included in the explanation of SM (Dutot and Bergeron, 2016, p. 1169).

Conclusion and Contributions

The main objective of this study was to advance the knowledge about the mediating effect of SM usage in the relationship between MO and firm performance. This research highlighted that the effects of the dynamic capabilities of MO on the multiple dimensions of nonfinancial performance require SM usage as an effective marketing tool for firms to achieve competitive advantage.

This research provides several theoretical contributions. First, this study represents the first effort to explain the effect of MO as another typology of SO on SM usage in response to the suggestions of previous research to consider different SOs (Dutot and Bergeron, 2016). Second, the findings revealed that the adoption of a marketed-oriented approach to enhance performance is not sufficient; rather, the implementation of MO can contribute to performance through the use of SM. Therefore, this research strengthens dynamic capabilities theory by considering the importance of firms' ability to adapt to business environmental changes, particularly the rapid changes in IT. In addition, this study advances the knowledge regarding the crucial role of SM usage and its benefits by considering multidimensional measures of nonfinancial performance (as suggested by Dutot and Bergeron, 2016; Foltean et al., 2019; Franco et al., 2016).

The results of this study also yield practical implications for the owner-managers or CEOs of SMEs. This study suggests that firms must focus on market-driven business activities in combination with the intensive use of SM. By doing so, they will obtain the maximum value from SM's contribution to firm performance, especially SME performance. More specifically, this research suggests that SMEs could consider nonfinancial measures to evaluate the success and failure of their activities on online platforms. Based on the results, this study suggests that SMEs may need to adopt marketing strategies to develop critical resources and capabilities because of their limited resources. SM platforms are suited to SMEs as low-cost marketing tools for reaching a larger number of potential customers anywhere and expanding their business. Furthermore, SM has the

potential to allow organizations to gather information about the market as well as new trends, which would help them to customize their marketing campaigns and activities to suit customer expectations. SM is also a critical channel for communicating, exchanging ideas and information with customers, and developing relationship with them. In this study, SM was confirmed as being a critical means of improving performance.

This study has some suggestions for future research. First, future research could perform a longitudinal study as well as repeat the present study to identify cross-industry similarities and differences regarding the effect of SM usage on the MO–performance relationship. Second, future studies should use both financial as well as nonfinancial indicators to fully understand the value of SM's contribution to organizational performance. Lastly, future research might employ a contingency approach to consider the potential mediating or moderating roles of other factors.

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