



**ANTECEDENTS OF SOCIAL MEDIA ADOPTION AND ITS
IMPACT ON SERVICE PERFORMANCE OF UAE SMEs
SERVICE INDUSTRY**



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**ANTECEDENTS OF SOCIAL MEDIA ADOPTION AND ITS
IMPACT ON SERVICE PERFORMANCE OF UAE SMEs SERVICE
INDUSTRY**

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Master of Science in Technology Management

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**ANTECEDENTS OF SOCIAL MEDIA ADOPTION AND ITS
IMPACT ON SERVICE PERFORMANCE OF UAE SMEs SERVICE INDUSTRY**

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**A thesis submitted
in fulfillment of the requirements for the degree of
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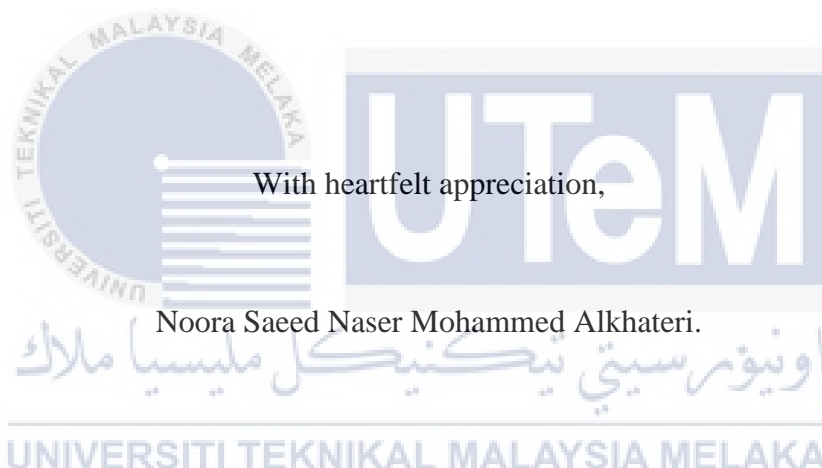
UNIVERSITI TEKNIKAL MALAYSIA MELAKA

2024

DEDICATION

This work is dedicated to the inspiring people in my life, my dear father and my dear mother. Their unwavering support and boundless love have always driven me to strive for the best. I am profoundly grateful for the countless prayers they've offered on my behalf.

To my great guide and mentor, Datin Dr. Suraya Binti Ahmad, your guidance and wisdom have illuminated my path throughout this endeavor. Your mentorship has been invaluable, and I am indebted to your expertise and encouragement.



ABSTRACT

Small and Medium Enterprises (SMEs) are pivotal contributors to the global economy, fostering innovation, entrepreneurship, and employment generation. The United Arab Emirates (UAE) recognizes the significance of SMEs, given their substantial presence in the private sector. As the business landscape evolves, the adoption of social media has emerged as a critical factor influencing SMEs' performance. However, empirical research on this topic in the Middle East, specifically in the UAE, is limited, highlighting the need for an in-depth investigation. By integrating the Resource-Based View (RBV) theory and the Diffusion of Innovation (DOI) theory, this study aims to explore the relationship between social media adoption and the performance of SMEs in the UAE, with a focus on the service industry. By examining the intricate dynamics between the Technology-Organization-Environment (TOE) framework and social media adoption, the research seeks to provide valuable insights into how SMEs can leverage social media for improved performance. The study utilizes a quantitative research approach, collecting data through surveys and interviews from a sample of 500 small enterprises operating in the UAE. The data analysis involves regression analysis and mediation analysis to assess the direct and mediating effects of social media adoption on SMEs' performance. For quantitative analysis, data collected from the respondents are analyzed using widely recognized statistical tools, namely the Statistical Package for the Social Sciences (SPSS) version 29 and Smart-Pls 3.3.9. A total of 374 valid questionnaires serve as the basis for statistical data analysis. The results reveal that social media adoption partially mediates the relationship between each respective independent variable (Technology-Organization-Environment framework) and SMEs' performance within the UAE service industry. This mediation signifies that social media adoption plays a discernible role in influencing the impact of these independent variables on SMEs' performance. Furthermore, this research addresses a significant research gap by providing empirical insights into the relationship between social media adoption and SMEs' performance in the UAE, offering practical implications for SMEs, policymakers, and industry stakeholders. Understanding how SMEs can harness social media for a competitive advantage is vital in today's rapidly evolving business landscape.

**ANTESEDEN PENGGUNAAN MEDIA SOSIAL DAN KESANNYA TERHADAP
PRESTASI INDUSTRI PERKHIDMATAN PERUSAHAAN KECIL DAN
SEDERHANA UAE**

ABSTRAK

Perusahaan Kecil dan Sederhana (PKS) merupakan penyumbang penting kepada ekonomi global, memupuk inovasi, keusahawanan dan penjanaan pekerjaan. Emiriah Arab Bersatu (UAE) mengiktiraf kepentingan PKS, memandangkan kehadiran mereka yang besar dalam sektor swasta. Apabila landskap perniagaan berkembang, penggunaan media sosial telah muncul sebagai faktor kritikal yang mempengaruhi prestasi PKS. Walau bagaimanapun, penyelidikan empirikal mengenai topik ini di Timur Tengah, khususnya di UAE, adalah terhad, menonjolkan keperluan untuk penyiasatan mendalam. Dengan menyepadukan teori Pandangan Berasaskan Sumber (RBV) dan teori Penyebaran Inovasi (DOI), kajian ini bertujuan untuk meneroka hubungan antara penggunaan media sosial dan prestasi PKS di UAE, dengan fokus pada industri perkhidmatan. Dengan mengkaji dinamik rumit antara rangka kerja Teknologi-Organisasi-Persekitaran (TOE) dan penggunaan media sosial, penyelidikan ini bertujuan untuk memberikan pandangan berharga tentang cara PKS boleh memanfaatkan media sosial untuk prestasi yang lebih baik. Kajian ini menggunakan pendekatan penyelidikan kuantitatif, mengumpul data melalui tinjauan dan temu bual daripada sampel 500 perusahaan kecil yang beroperasi di UAE. Analisis data melibatkan analisis regresi dan analisis pengantaraan untuk menilai kesan langsung dan pengantaraan penggunaan media sosial terhadap prestasi PKS. Bagi analisis kuantitatif, data yang dikumpul daripada responden dianalisis menggunakan alat statistik yang diiktiraf secara meluas iaitu Statistical Package for the Social Sciences (SPSS) versi 29 dan Smart-Pls 3.3.9. Sebanyak 374 soal selidik yang sah menjadi asas untuk analisis data statistik. Hasilnya mendedahkan bahawa penggunaan media sosial sebahagiannya menjadi pengantara hubungan antara setiap pembolehubah bebas masing-masing (rangka kerja Teknologi-Organisasi-Persekitaran) dan prestasi PKS dalam industri perkhidmatan UAE. Pengantaraan ini menandakan bahawa penggunaan media sosial memainkan peranan yang ketara dalam mempengaruhi kesan pembolehubah bebas ini ke atas prestasi PKS.

Tambahan pula, penyelidikan ini menangani jurang penyelidikan yang ketara dengan memberikan pandangan empirikal tentang hubungan antara penggunaan media sosial dan prestasi PKS di UAE, menawarkan implikasi praktikal untuk PKS, penggubal dasar dan pihak berkepentingan industri. Memahami cara PKS boleh memanfaatkan media sosial untuk kelebihan daya saing adalah penting dalam landskap perniagaan yang berkembang pesat hari ini.



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LIST OF ABBREVIATIONS

AVE	-	Average variance extracted
CFA	-	Confirmatory factor analysis
CR	-	Composite reliability
EC	-	Environment characteristics
EFA	-	Exploratory factor analysis
GCC	-	Gulf cooperation council
GoF	-	Goodness of fit
HTMT	-	Heterotrait-Monotrait ratio
OC	-	Organization characteristics
PLS	-	Partial least squares
RBV	-	Resource-based view
SEM	-	Structural equation modelling
SMA	-	Social media adoption
SMEs	-	Small and medium-sized enterprises
SPSS	-	Statistical package for the social science
TC	-	Technological characteristics
TOE	-	Technology, Organization, And Environment
UAE	-	United arab emirates
VIF	-	Variance inflation factor
VRIN	-	Valuable, rare, inimitable, and non-substitutable

LIST OF SYMBOLS

- f^2 - Effect Size
- \mathcal{R}^2 - Coefficients of Determination
- Q^2 - Predictive Relevance



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LIST OF PUBLICATIONS

The followings are the list of publications related to the work on this thesis:

Alkhateri, N.S., Ahmad, S., 2023 Enhancing SME performance in the UAE services sector: Challenges and strategies. *The International Journal of Business & Management*, 11(8), pp. 56-63.

Alkhateri, N.S., Ahmad, S. and Hussein, S.A., 2022. Conceptual framework of the social media adoption and its impact on small and medium-sized enterprises (SMEs) service performance in UAE. *Journal of Positive School Psychology*, 6(3), pp.4737-4746.



CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter starts with the research background, including a brief introduction of Small and Medium-sized Enterprises (SMEs), particularly in the United Arab Emirates (UAE) context. Moreover, the problem statement is presented regarding the described topic, followed by the research questions and objectives construct. Furthermore, the significance of the study, scope, and definition of key terms is also presented. Finally, the chapter ends with the research structure.

1.2 Background of the Study

In the ever-evolving tapestry of the contemporary business landscape, the significance of Small and Medium Enterprises (SMEs) transcends mere economic participation; rather, they stand as dynamic catalysts propelling economic growth and fostering a culture of innovation. This role becomes particularly pronounced within the unique context of the United Arab Emirates (UAE), where SMEs emerge as integral players in steering the nation's economic trajectory (Haddad et al., 2020).

Against the backdrop of an ambitious drive to diversify its economic foundations, the UAE positions SMEs as linchpins in realizing this strategic objective. These enterprises, constituting a remarkable 94% of the business landscape, wield a considerable influence on the nation's Gross Domestic Product (GDP), contributing significantly to its overall

economic vitality (UAE's Ministry of Economy, 2022). In essence, SMEs in the UAE transcend traditional business roles, embodying the essence of economic diversification and serving as cornerstones in the nation's pursuit of a robust and multifaceted economy. Furthermore, in the dynamic landscape of the vibrant SME sector, the contributions extend far beyond economic development alone, encompassing pivotal roles as sources of entrepreneurship and employment creation (Haddad et al., 2020). This sector emerges as a driving force behind not only the economic tapestry but also the cultivation of a robust entrepreneurial ecosystem, fostering innovation and employment opportunities.

Within the United Arab Emirates, a nation marked by its pursuit of economic diversification and innovation, the SME sector takes center stage in shaping the service industry. This sector's influence is particularly pronounced, constituting a predominant force that characterizes the landscape of service-oriented businesses in the region (Alsharari et al., 2020). In this context, the SMEs become key players in defining the trajectory of the UAE's service industry, presenting a dynamic mix of challenges and opportunities within the framework of a competitive business environment. However, despite their significance, SMEs in the service industry encounter various challenges that necessitate strategic responses. These challenges include intense competition, limited resources, client acquisition and retention difficulties, keeping up with technological trends, regulatory compliance, and talent acquisition and retention challenges (Bashir et al., 2023; Nuseir and Aljumah, 2022). Notably, SMEs operating in the social media agency sector face distinctive challenges within this dynamic environment (Bashir et al., 2023). The thriving business landscape in the UAE has led to significant competition among social media agencies, creating hurdles for SMEs to differentiate themselves (Ghak and Zarrouk, 2022). Limited

resources further compound the challenges, making it difficult for SMEs to invest in advanced social media tools and compete with larger agencies (Nuseir and Aljumah, 2022).

Within this context, the present research aims to address the multifaceted challenges faced by SMEs in the services industry in the UAE. The focal point is understanding the antecedents of social media adoption and assessing its impact on service performance. The study will investigate the relationship between technology, organizational factors, environmental factors, and social media adoption, with a specific focus on their collective influence on SMEs' performance. This research endeavor seeks to delve into the intricate dynamics shaping the operational landscape of SMEs in the UAE's social media agency sector. By identifying and understanding the challenges faced by these enterprises, particularly in the realm of technology adoption and organizational adaptability, the study aims to contribute nuanced insights to the existing body of knowledge. The following section will detail the problem statement.

1.3 Problem Statement

In the intricate tapestry of the United Arab Emirates (UAE) business landscape, where Small and Medium Enterprises (SMEs) stand as pivotal drivers of economic growth, constituting foundational contributors to the nation's GDP, and serving as primary catalysts for innovation, entrepreneurship, and employment creation (Haddad et al., 2020), there lies a pressing challenge. Defined by thresholds of 'Employee Headcount' and 'Turnover,' SMEs form the stalwarts of the UAE's economic structure, representing over 94% of businesses and contributing more than 60% to the nation's GDP, with expectations of reaching 70% by 2021 (UAE's Ministry of Economy, 2022). However, recognizing their strategic importance,

the UAE government actively supports SMEs through various initiatives aimed at enhancing their contribution to the nation's economic vitality.

In the context of the UAE, where SMEs predominantly populate the service industry, these enterprises face a myriad of challenges pertaining to technology, organizational structures, and environmental factors. In the niche domain of the UAE's social media agency sector, SMEs encounter distinctive challenges that may impede their growth and success. Despite the vibrant business environment fostering significant competition among agencies, posing challenges for SMEs to distinguish themselves, especially when competing against larger, established agencies (Bashir et al., 2023), and constrained by limited financial and human resources, SMEs find it challenging to invest in advanced social media tools, hire specialized talent, and allocate sufficient budgets for marketing and advertising campaigns (Nuseir and Aljumah, 2022). Additionally, SMEs face difficulties in acquiring and retaining clients, necessitating effective networking, competitive proposals, and consistent high-quality service delivery. Retaining clients in a competitive market is particularly challenging if agencies fail to meet client expectations (Alkaabi, 2022).

Amidst these challenges, SMEs may struggle to keep pace with emerging platforms, features, and trends in the rapidly evolving field of social media, impacting the relevance of their strategies and techniques (Ghak and Zarrouk, 2022). Moreover, attracting and retaining skilled social media professionals pose challenges for SMEs, given the resource advantages of larger agencies. Creating attractive work environments, offering competitive compensation packages, and providing opportunities for professional growth are crucial strategies for talent management (Li et al., 2023).

While these challenges are prevalent, this scholarly inquiry aims to underscore the latent potential for SMEs in the social media agency sector in the UAE to overcome obstacles and flourish in the market. The research diligently focuses on opportunities for SMEs to harness technology, including ICT infrastructure and digital tools, to streamline operations, enhance customer experiences, and elevate service performance, yet the extent to which UAE SMEs currently leverage technology and its precise impact on their service performance remains an enigma (Alsharari et al., 2020). It delves into the intricate role of organizational culture, employee skills, and adaptability in shaping service performance. A nuanced understanding of how these factors influence UAE SMEs' performance is quintessential for devising effective strategies and fortifying competitiveness (Kaabous Alzaabi et al., 2021). Furthermore, it systematically analyzes the influence of the dynamic and competitive business environment in the UAE, encompassing the competitive landscape and customer expectations, on SMEs' performance. Crafting strategies aligned with market demands emerges as a strategic imperative for navigating these multifaceted challenges (Polas et al., 2023).

Moreover, this academic inquiry undertakes the exploration of the largely uncharted territory: the mediating role of social media adoption in the intricate relationship between technology characteristics, organizational characteristics, environmental characteristics, and SMEs' performance in the UAE (Qalati et al., 2022; Alkhateri et al., 2022; Qalati et al., 2021; Ghanem and Hamid 2021). The nuanced understanding of this mediating role assumes paramount importance given the escalating significance of social media platforms as potent tools for customer engagement, brand promotion, and market visibility.

1.4 Research Questions

In exploring the intricate dynamics of SMEs in the United Arab Emirates, this study seeks to unravel crucial connections that underpin their performance and adaptation to contemporary business landscapes. Specifically, this study aim to investigate the interplay between technology characteristics, organizational characteristics, environmental characteristics, and SMEs' performance. Additionally, this study aim to scrutinize how these factors relate to the adoption of social media by SMEs. Finally, this study delve into the potential mediating role of social media adoption in influencing the relationship between technology characteristics, organizational characteristics, environmental characteristics, and SMEs' performance. Therefore, the following research questions were formulated:

- i) What is the relationship between technology characteristics, organizational characteristics, environmental characteristics, social media adoption and SMEs' performance?
- ii) What is the relationship between technology characteristics, organizational characteristics, environmental characteristics, and social media adoption?
- iii) Does social media adoption mediate the relationship between technology characteristics, organizational characteristics, environmental characteristics, and SMEs' performance?

1.5 Research Objectives

This research aims to determine the relationships technology characteristics, organizational characteristics, environmental characteristics on SMEs' overall performance. Additionally, aim to examine how these factors correlate with social media adoption by

SMEs. Finally, the study delves into understanding the potential mediating role of social media adoption in influencing the relationship between technology characteristics, organizational characteristics, environmental characteristics, and SMEs' performance. Specifically, the objectives are as follows:

- i) To analyze the relationship between technology characteristics, organizational characteristics, environmental characteristics, social media adoption and SMEs' performance.
- ii) To examine the relationship between technology characteristics, organizational characteristics, environmental characteristics, and social media adoption.
- iii) To study the mediation effect of social media adoption on the relationship between technology characteristics, organizational characteristics, environmental characteristics, and SMEs' performance.

1.6 Significance of Research

The significance of this study lies in its contribution to a nuanced understanding of the challenges and opportunities faced by small SMEs in the UAE, particularly within the dynamic context of the social media agency sector. The UAE government recognizes the vital role of SMEs, constituting over 94% of businesses and contributing significantly to the nation's GDP (UAE's Ministry of Economy, 2022). As SMEs form the backbone of the UAE's economy, their sustained growth and success are imperative for the nation's economic well-being.

In the competitive landscape of the UAE's service industry, dominated by SMEs, the study addresses the multifaceted challenges encountered by social media agencies within