

The effect of competitive intensity and management support on social media adoption and its impact on business performance of the culinary SMEs in Bali Province, Indonesia

El efecto de la intensidad competitiva y el apoyo administrativo en la adopción de las redes sociales y su impacto en el desempeño comercial de las PYME culinarias en la provincia de Bali, Indonesia

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Abstract

The purpose of this study is to explain the effect of competitive intensity and management support on social media adoption and its impact on business performance. Data collection was carried out using a questionnaire method on the managers of the culinary sector SMEs in Bali. The results showed that adoption of social media had a positive and significant effect on business. Therefore, going forward, adoption of social media is very important to be implemented to improve business performance.

key words: competitive intensity, management support, social media adoption, business performance

Resumen

El propósito de este estudio es explicar el efecto de la intensidad competitiva y el apoyo administrativo en la adopción de las redes sociales y su impacto en el rendimiento empresarial. La recopilación de datos se realizó utilizando un método de cuestionario sobre los gerentes del sector culinario de las PYME en Bali. Los resultados mostraron que la adopción de las redes sociales tuvo un efecto positivo y significativo en los negocios. Por lo tanto, en el futuro, la adopción de las redes sociales es muy importante para implementar para mejorar el rendimiento empresarial.

Palabras clave: intensidad competitiva, soporte administrativo, adopción de redes sociales, desempeño comercial

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1. Introduction

The Small and Medium Enterprises (SMEs) of the culinary sector in Bali fluctuated during 2015 to 2018. From the interview results with 15 culinary business people in Bali, information can be obtained that most of the culinary businesses they manage have stagnated or even experienced a decline in sales turnover. This indeed can be caused by several factors, both external and internal factors. The phenomenon of business performance achievement has been studied by many, among others: Paniagua and Sapena (2014); Ainin et al. (2015); Rodriguez et al. (2015); Kenly and Poston (2016); Ahmad et al. (2018); and Wijaya et al. (2019).

The external environment analysis of business activities takes a very important place in the development of any organization. This is due to the fact that the modern external environment of enterprises is characterized by an extremely high degree of dynamism, complexity, and uncertainty.

Decreased or increased business performance achievement can indeed be influenced by external environmental factors. These external environmental factors include, among others: industrial structure, supplier pressure, existing competitive pressures, government regulations, and technological development, as well as economic factors. Among these external environmental factors, the intensity of competition is very influential on business performance. Tighter competitive intensity can lower business performance (Yasa et al., 2017). This is due to the intensifying competition, only smaller market share can be achieved, sales transaction will decrease, sales volume will also decrease. Therefore, the culinary sector SMEs make efforts to find solutions by developing promotion strategies through the adoption of social media. Social media adoption in the digital age is the use of social media as one of the effective promotion strategies to improve business performance (Gera and Gu, 2004; Paniagua and Sapena, 2014; Hakala and Kohtamäki, 2011; Ainin et al., 2015; Paniagua and Sapena, 2014; Parveen et al., 2014; Rodriguez et al., 2012). Social media adoption is already popular among SMEs. The adoption of social media enables SME businesses to develop through increased sales transactions, sales turnover, customer satisfaction, closeness to consumers, and brand strength. This phenomenon has been carried out by most of the culinary business SMEs in Bali. However, the adoption of social media in terms of intensity, duration of use, social media expansion as a marketing tool, and the budget allocation of each SME still varies (Dewan and Kraemer, 2000).

In addition to the intensity of competition, there are still other internal factors that determine the intensity of the use of social media, namely organizational factors. An internal factor that can greatly determine the use of social media as a business strategy is the support of management itself (Ahmad et al., 2015; Maduku et al., 2016; Nguyen, 2009; Zhu et al., 2003). Culinary sector SME management in Bali has largely adopted social media as a business strategy or promotion strategy. From observations and interviews of social media adoption for the culinary sector SMEs, it has indeed brought out a positive influence on the performance achievements. Social media adoption for culinary SMEs provides information to consumers about products, prices, business locations, and promotions that are being carried out so it can encourage consumers to make buying decisions. Because consumers make buying decisions, it ultimately has an impact on the performance of the SME business itself. Based on the existing background, the objective of this research is to explain the effect of competitive intensity and management support on social media adoption and its impact on the business performance of the culinary sector SMEs in Bali.

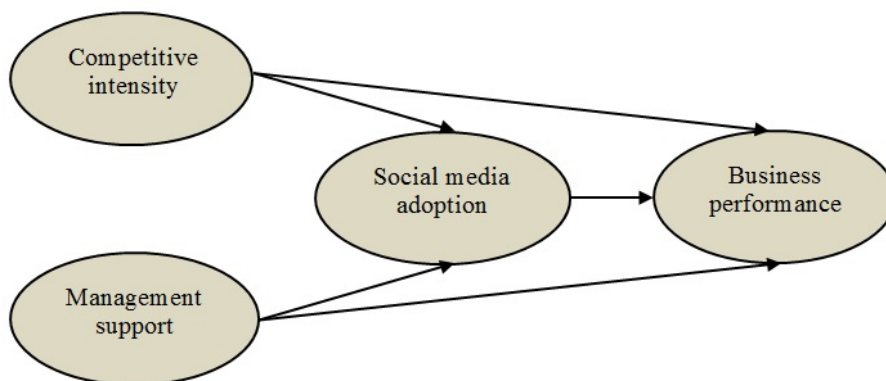
1.1. Conceptual framework

Every business always makes efforts to improve business performance. Improved business performance can be influenced by many factors, but in current conditions, the factors that largely determine business performance are the intensity of competition and the presence of company management support (Yasa et al., 2017; Hosain, 2019). Competitive intensity, in general, has a negative influence on business performance, because more and more companies in the industry are showing increasingly intense competition, then the business performance decreases. Besides, factors within the company itself such as management support will have a positive impact on business performance achievement. Furthermore, besides being influenced by an external factor (competitive intensity) and internal factor (management support), surely business performance is also crucial. Therefore, companies always implement business strategies that are suitable in accordance with the development of the external and internal environment. Nowadays, in the era of high-speed IT development, the choice of a popular strategy among SMEs is the promotion strategy through social media. It is in general more economic and easy to start advertisement and promotional campaigns over social media than any other media available for SMEs.

Various studies have shown that technology can improve business processes and performance (Gera and Gu, 2004; Paniagua and Sapena, 2014; Hakala and Kohtamäki, 2011). Some researchers found that adoption of company social media provides benefits, and some have shown that there is a positive effect of social media adoption on company performance (Ainin et al., 2015; Paniagua and Sapena, 2014; Parveen et al., 2014; Rodriguez et al., 2012). Rodriguez et al. (2015) found that the use of social media has a positive and significant effect on increasing customer activity and ultimately has an impact on sales performance. Ferrer et al. (2013) note that adoption of social media positively influences an organization’s social capital, which in turn affects performance. Both Wong (2012) and Kwok and Yu (2013) found that using Facebook has a positive influence on SME sales performance. Hassan et al. (2015) note that social media can have a positive and significant impact on business, which is an increase in purchasing decisions. These studies are consistent with previous technology adoption which found that technology adoption has a positive impact on both financial and non-financial performance (Scupola and Nicolajsen, 2013; Thong, 2001; Zhu et al., 2003).

Based on the conceptual framework that explains the relationship of each variable, a conceptual framework is arranged as shown in Figure 1.

Figure 1
Conceptual Framework



1.2. Research hypothesis

Based on the results of empirical studies, hypotheses can be arranged as follow:

H1 : Competitive intensity has a negative and significant effect on business performance.

H2 : Competitive intensity has a positive and significant effect on social media adoption.

H3 : Management support has a positive and significant effect on business performance.

H4 : Management support has a positive and significant effect on social media adoption.

H5 : Social media adoption has a positive and significant effect on business performance.

2. Methodology

This research was conducted in all regencies in Bali, namely: Badung, Gianyar, Klungkung, Karangasem, Buleleng, Jembrana, Tabanan, Bangli, and Denpasar City. The population of this study are all culinary sector SMEs in the Bali region (296 units of SMEs) registered with the Bali Provincial Industry and Trade Office. Determination of the number of representative samples according to Hair et al. (1995) is dependent on the number of indicators multiplied by 5 to 10. Because the number of indicators in this study is 17, the number of samples is as many as 170 units of culinary SMEs (17 indicators multiplied by 10). This way, it is expected that all representative samples to represent culinary sector SMEs in each regency/city and ultimately can represent the Bali region.

Variable indicators of the competitive intensity, management support, and social media adoption, and also business performance variables are measured by the perception of the culinary SMEs owners or managers as organizer of business strategies using a five-level Likert scale, from strongly disagree = 1, disagree = 2, slightly agree = 3, agree = 4, and strongly agree = 5. The measurement of variables will be carried out from April 2019 to May 2019.

The data collection technique is carried out through questionnaire distribution. Basically, conducting research is measuring the research phenomena. A tool to measure this phenomenon is called a research instrument. Measurement or determination of indicators of the variables in this study adopted the indicators used in the research of Ahmad et al. (2018). The form of the research instrument used was a list of questions or questionnaires because the nature of this study is survey research that required primary data. The questionnaire used was tested before conducting a total study with a total sample of thirty people to be able to represent each region in all regions/cities in Bali.

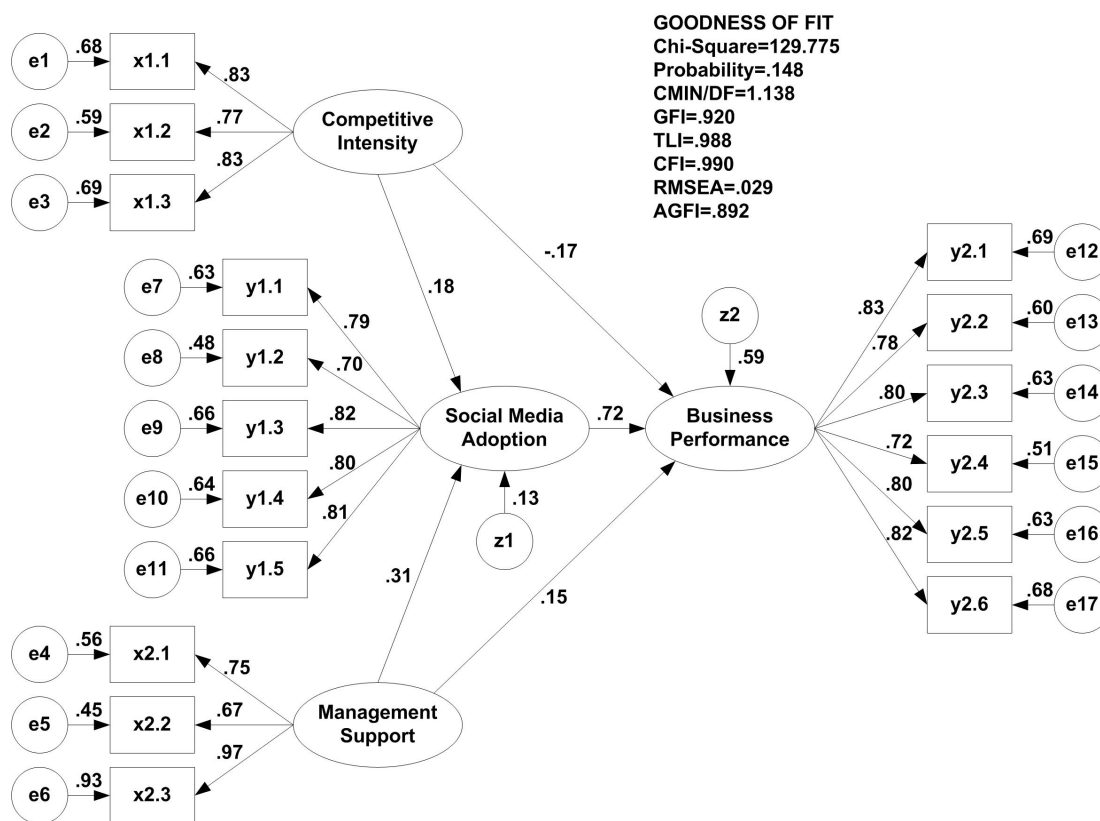
The instrument used was tested for validity and reliability to measure what researchers want to measure and to know the consistency of responses given by respondents. Validity testing of instruments using the Pearson product-moment correlation technique with a minimum limit of $r = 0.3$ (Sugiyono, 2017: 150). Instrument's reliability testing is done by calculating the reliability coefficient of Cronbach's Alpha with a minimum limit of $\text{Alpha} > 0.6$ (Sekaran, 2003:312; Malhotra, 1999:282). The data analysis technique used is Structural Equation Modeling (SEM) with AMOS.

3. Results and discussion

3.1. Results of SEM analysis

SEM analysis results show that the results of the goodness of fit overall model testing to determine whether the hypothetical model is supported by empirical data are contained in Figure 2.

Figure 2
SEM Modelling



Where:

- x1.1; ...; x1.3 : indicators of competitive intensity variable
- x2.1; ...; x2.3 : indicators of management support variable
- y1.1; ...; y1.5 : indicators of social media adoption variable
- y2.1; ...; y2.6 : indicators of business performance variable
- e1; ...; e17 : error to each measurement variable (indicator)
- z1; z2 : disturbance to each latent variable

(The complete of measurement variables can be seen in the Appendix)

Hypothesis testing is done by t-test on each path of direct influence partially. Table 1 presents the results of direct effect.

Table 1
Path Coefficient (Direct Effect)

Independent variable	Dependent variable	Path coefficient	p-value	Description
Competitive intensity (X1)	Business performance (Y2)	-0.166	0.012	Significant
Management support (X2)	Business performance (Y2)	0.152	0.020	Significant
Competitive intensity (X1)	Social media adoption (Y1)	0.183	0.032	Significant
Management support (X2)	Social media adoption (Y1)	0.312	0.000	Significant
Social media adoption (Y1)	Business performance (Y2)	0.720	0.000	Significant

3.2. Hypothesis testing results

Hypothesis testing is done by evaluating the value of the regression coefficient, t-value, and p-value on each relationship of influence. If the regression coefficient is positive, the effect is positive, whereas if the regression coefficient is negative, the effect is negative. Then to test the significance of the effect, t-value must be greater than t-table (1.97) and p-value must be smaller than α (0.05). Based on these criteria and the results of data analysis as Table 1, the results of hypothesis testing are as follows:

H1 : Hypothesis accepted (Competitive intensity has a negative and significant effect on business performance).

H2 : Hypothesis accepted (Competitive intensity has a positive and significant effect on social media adoption).

H3 : Hypothesis accepted (Management support has a positive and significant effect on business performance).

H4 : Hypothesis accepted (Management support has a positive and significant effect on social media adoption).

H5 : Hypothesis accepted (Social media adoption has a positive and significant effect on business performance).

3.3. Discussion

From the results of the validity and reliability calculation, it can be seen that each indicator has been able to measure the variables and concepts tested, and also among one concept and the others is independent. By performing confirmatory factor analysis (goodness of fit test and significance test of factor weight), it has been proven that the observed variables can reflect the analyzed factors. By testing the overall suitability of the model (goodness of fit test and causality test of regression weight), it has been proven that the overall model is fit and the causality built can be tested.

The effect of competitive intensity on business performance of culinary sector SMEs in Bali Province

Based on Table 1, it can be seen that the variable of competitive intensity has a negative and significant effect on the business performance of the culinary sector SMEs in Bali. This result is proved by the existence of p-value with 0.012 which is smaller than 0.05. The relationship between the competitive intensity variable with the business performance variable of the culinary sector SMEs shows a negative influence marked by the existence

of an inner weight of -0.166. This result can be interpreted that the higher competitive intensity can reduce the business performance achievements of the culinary sector SMEs in Bali. This is because the existing market share is shared by many SMEs playing in the culinary sector.

In this study, competitive intensity indicators formed by indicators of existing competition, competitor pressure, and customer pressure variables have an important role on the business performance achievements of the culinary sector SMEs in Bali. The result of this study is in accordance with the conditions faced by the culinary sector SMEs in Bali. The competitive condition affects the business performance achievement of the culinary sector SMEs in Bali which has increasingly declined. This condition occurs because the competitive intensity, in general, has an impact in which the contested market portion decreases so that the impact on business performance achievements also declined. The results of this study are consistent with the results of the study of Yasa et al. (2017) on ikat weaving SMEs in Bali. Ikat woven SMEs have a character similar to the culinary sector SMEs because they are both a type of creative industry that is also developing in Bali.

The effect of management support on the business performance of culinary sector SMEs in Bali Province

Table 1 shows that management support has a significant influence on the business performance of the culinary sector SMEs in Bali. This result is proved by the p-value obtained at 0.020 which is smaller than 0.05. The relationship between management support and business performance variables shows a positive influence marked by an inner weight of 0.152. This result can be interpreted that the higher the management support, the higher the business performance of the culinary sector SMEs in Bali.

This result is in accordance with the conditions in the field that the higher management support causes the business of the culinary sector SMEs in Bali increases. In this study, indicators of management support variable formed by variable indicators consider social media as something interesting, which is very important and a must to have an important role in business performance enhancement of culinary sector SMEs in Bali. The results of this study are in line with the results of research conducted by Hosain (2019) where management support is proven to have a positive and significant effect on the performance of SMEs organizations in Bangladesh.

The effect of competitive intensity on social media adoption of culinary sector SMEs in Bali Province

Table 1 shows that competitive intensity has a significant influence on social media adoption. This result is proved by p-value obtained at 0.032 which is smaller than 0.05. The relationship between competitive intensity with social media adoption variable shows a positive influence marked by an inner weight of 0.183. This result can be interpreted that the higher competitive intensity causes the culinary sector SMEs in Bali to becomes more intensive to adopt social media.

This research result is in accordance with the conditions on the field that the higher competitive intensity causes social media adoption by culinary sector SMEs in Bali increasing. In this study, competitive intensity indicators formed by variable indicators of existing competition, competitor pressure, and customer pressure have an important role regarding the level of social media adoption. The result of this study supports the result of Derham et al. (2011) research, which stated that tighter competition, such as globalization, encouraged businesses to develop technology more quickly, including the adoption of social media.

The effect of management support on social media adoption of culinary sector SMEs in Bali Province

Table 1 shows that management support has a significant influence on social media adoption. This result is proved by p-value obtained of 0.000 which is smaller than 0.05. The relationship between management support

and social media adoption variables, the higher the management support, the more intensive the media social adoption of culinary sector SMEs in Bali.

This study's result is in accordance with the conditions in the field that the higher management support causes social media adoption more intensive. In this study, management support indicators formed by variable indicators of feeling interested, feeling important, and becoming a necessity to adopt social media have an important role in the increasingly intensive level of social media adoption. This result is consistent with the result of studies conducted by Ahmad et al. (2015) and Maduku et al. (2016).

The effect of social media adoption on business performance of culinary sector SMEs in Bali Province

Table 1 shows that social media adoption has a significant effect on business performance. This result is proved by p-value obtained at 0.000 which is smaller than 0.05. The relationship between social media adoption and business performance variables shows a positive influence marked by an inner weight of 0.720. This result can be interpreted that the more intensive the social media adoption, the more business performance of the culinary sector SMEs in Bali will increase.

The result is in accordance with conditions in the field that the more intensive the adoption of social media causes the business performance of the culinary sector SMEs increases. In this study, the variable indicators of social media adoption formed by the level of usefulness, age of use, intensity of usage, use of various types of social media, and marketing cost efficiency through social media is indeed able to improve the business performance of culinary sector SMEs in Bali. The result of this study is consistent with the results of studies of Ainin et al. (2015); Paniagua and Sapena (2014); and Rodriguez et al. (2015).

3.4. Research implication

As stated in the analysis and discussion that this research could theoretically find a relationship between the latent variables of competitive intensity and management support on social media adoption and business performance.

This research can contribute ideas for business in the culinary sector SMEs in Bali. The referred contribution is that the culinary sector SMEs must always increase the adoption of social media as a marketing strategy to be able to improve business performance.

3.5. Research limitations

Various limitations were also found in this study, mainly due to the following things: 1) This study only used a manager or business person of culinary sector SMEs in Bali as respondents, hence the results of the study could not be generalized as a whole. 2) Mediating variable studied is a social media adoption variable, which in fact, in this study has a significant effect on business performance, therefore in the future, it is necessary to consider mediating variables from other marketing strategies, such as innovation strategies, differentiation strategies, and blue ocean strategies. Besides, it can also be supplemented by other variables that can influence the adoption of social media, such as management characteristics, company characteristics, and company capabilities.

4. Conclusions

Based on the results of research, discussion, and interpretation that has been described in the previous sections concerning several theories and results of previous studies, then some conclusions can be drawn as follows. 1) Competitive intensity has a negative and significant effect on the business performance of culinary sector SMEs in Bali, meaning that the higher the competitive intensity faced by culinary sector SMEs in Bali, the business performance will decline. 2) Management support has a positive and significant effect on the business performance of culinary sector SMEs in Bali, meaning that the higher the management support of culinary sector SMEs in Bali, the business performance will increase. 3) Competitive intensity has a positive and significant effect on social media adoption in culinary sector SMEs, meaning that higher competitive intensity is pushing the culinary sector SMEs in Bali to adopt social media. 4) Management support has a positive and significant effect on social media adoption, meaning that the higher the management support of culinary sector SMEs in Bali, then social media adoption will increase. 5) Social media adoption has a positive and significant effect on the business performance of culinary sector SMEs in Bali, meaning that the higher the adoption of social media, then the business performance will increase.

Based on the results of this study, several recommendations can be suggested as follows. With the existence of empirical evidence that the use of social media can improve the business performance of culinary sector SMEs in Bali, the manager or owner of the culinary sector SMEs must always increase the use of social media by diligently following developments in information technology, specifically to improve marketing communication. By empirical evidence that management support is able to increase social media adoption, the culinary sector SMEs manager needs to have a mindset that supports the adoption of social media, such as developing the use of various types of social media, like Instagram, Facebook, and Line to improve business performance and in the future always seek and use other social media. Based on the limitations of the results of this study, it can be suggested to future research the following matters. Subsequent studies can expand the research respondents not only limited to culinary sector SMEs managers, but also with the government (Cooperatives and Small and Medium Enterprise Office) who has the authority to formulate policies to improve the performance of SMEs businesses, especially in the culinary sector. The next researchers can conduct studies from different perspectives, from the perspective of consumers and continue the study on the impact of social media utilization to the enhancement of consumer value perception and enhancement of other business performance. Going forward, research can be done by looking at the perspective of customers about social media adoption. Besides, it also can develop the type of social media that is mostly used by the culinary sector SMEs.

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Appendix

Measurement variables and factor loadings

Label of indicator	Measurement items	Variables			
		Competitive intensity	Management support	Social media adoption	Business performance
x1.1	The intensity of competition getting higher	0.825			
x1.2	The new competitor using social media	0.770			
x1.3	Consumer pressure to use social media getting higher	0.828			
x2.1	Top management in my organization is interested in adopting social media		0.751		
x2.2	Top management in my organization considered social media adoption important		0.668		
x2.3	Top management in my organization has shown support for social media adoption		0.966		
y1.1	Firm's level of utilization with social media			0.793	
y1.2	Years organization has been using social media			0.696	
y1.3	Extent social media is used as a marketing tool in organization			0.815	
y1.4	Hours per week company uses social media			0.802	
y1.5	Total marketing budget allocated to social media			0.812	
y2.1	Sales transaction				0.831
y2.2	Sales volume				0.777
y2.3	Customer satisfaction				0.796
y2.4	Service quality				0.715
y2.5	Customer engagement				0.797
y2.6	Brand quality				0.824