Chapter 44
Social Media and SMEs:
A Study of Drivers of Adoption of Innovation in Organizational Setting

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ABSTRACT

This article addresses a research lacuna in the literature with regard to determinants of attitudes and adoption of an innovation (Facebook) in the SMEs sector in emerging economies with particular reference to Indonesia. To this end, five support dimensions: government support, management support, motivational support, technological support and training support were developed basing on existing literature and the established theories in the relevant field. The impact of these support dimensions on managerial attitudes and adoption of innovation were then examined in an organizational setting. Data was collected from a sample of senior managers representing Indonesian SMEs through a structured questionnaire and analyzed using multivariate statistical tools, such as multiple regression analysis. The research revealed significant effects of government support, management support, technological support and training support dimensions on the managerial perception of innovation and direct effects of management and training support on the adoption of innovation. Interestingly, government support dimensions have significant impacted the commitment of SMEs to innovation but not on the adoption behavior of innovation, suggesting that governments' main role would be to ensure commitment of SMEs. This is because commitment is a crucial precondition of adoption behavior. Furthermore, managers' physical maturity (age) was found to moderate the relationship between government support and the perception of innovation. The implications of these interesting findings for SMEs and for the governments in emerging economies to designing an appropriate strategy for effective implementation of social media as an innovation are highlighted in this article.

1. INTRODUCTION

Businesses are increasingly becoming technologically innovative in a globalized economy marked by unprecedented growth and application of information and communication technology. This is particularly the case in developing countries where innovation is considered instrumental in accelerating the pace of economic development and social communication networks. The 1990s witnessed enormous advances in technology that led many organizations/businesses to seriously consider adopting advanced ICT innovation in their operations (Venkatesh, Morris & Ackerman, 2000). The application of innovative technology in business practices has the potential for substantially improving business performance (Talukder, 2011). Thong (1999) noted that superior technology can help business perform better in a changing business landscape driven by globalization. Advance technology, if used effectively, enhances the effectiveness of supply chain especially in the context of marketing, advertising and direct distribution of goods and services at global level (Shiels, McIvor, & O'Reilly, 2003).

The Ministry of Cooperative and Small and Medium Enterprises in Indonesia defines small enterprises as the profit-oriented organizations with assets less than 200 million of rupiah (AU\$ = 10,500), less than 1 million rupiah of annual sales volume, number of employees between 5-19. Also, Indonesian Central Bureau of Statistics defines medium enterprises as the profit-oriented organizations which have 200 million to 10 billion rupiah of assets, have less than 1 billion rupiah of annual sales volume and have 20-99 employees. Small and medium-size enterprises (SMEs) are increasingly implementing innovative technology in their business processes. Research shows that technological innovation has the potential to improve the competitive advantage of SMEs in their target markets (Morgan, Colebourne & Thomas, 2006; Southern & Tilles, 2002). Levy and Powell (2003) argue that adoption of technological innovation will enable SMEs to increase their customer base, leading to the creation and maintenance of a larger market for their products/services. Overall, innovation has been found to be instrumental for the growth and development of SMEs (Becheikh, Landry & Amara, 2006; Acs & Audretsch, 1990).

With emergence of SMEs as a powerful force in both developed and developing countries, the issue of how new technologies are accepted and used in this vital sector is currently attracting a great deal of research attention. Indonesia is a developing country where ICT is likely to play an important role in the survival and growth of SMEs and ultimately the country's economic development. Indonesian SMEs constitute 99.8% of all enterprises and contributes to 56% of national GDP (Quoted in Somamora & Ukar, 2009). Although innovation adoption has been studied extensively, the drivers of this adoption and the issue of Indonesian SMEs' acceptance of ICT innovation remained largely unexplored (Kartiwi, 2006; Shiels, McIvor & O'Reilly, 2003; Talukder, Harris & Mapunda, 2008). This study is designed to fill this gap in the extant literature.

1.1. Rationale and Objectives of the Study

While there has been extensive research focusing on technology adoption and firm performance in large organizations in developed countries, specific research on technological innovation adoption in the SMEs sector in developing countries has remained limited in the extant literature (Kula & Tatoglu, 2003; Berry, Rodriguez & Sandee, 2001; Kartiwi, 2006). Since SMEs are increasingly playing a significant role in the economic growth of developing countries including Indonesia, a study of the determinants of ICT adoption in this vital sector warrants investigation. The main objectives of this study are to:

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