The Innovation Impact on Marketing Performance: The Case of SMEs in Developing Countries

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Abstract: Despite the growing body of literature on social media adoption in marketing, there appears to be a lack of research on the specifics and ramifications for small and medium-sized enterprises (SMEs), which are an important segment of the business world. This study aims to address this gap by investigating the use of Facebook and Instagram in marketing among fast-food SMEs in Pakistan, a developing country. To achieve this goal, the study employs the technology-organisation-environment (TOE) framework and a multiple case study approach to analyse the antecedents of Facebook and Instagram adoption and their impact on marketing performance. Data was collected through semi-structured interviews with thirty fast-food SMEs in Pakistan and analysed using thematic analysis. The study reveals that several antecedents influence the adoption of Facebook and Instagram in marketing among SMEs, including interactivity, cost-effectiveness, owner support, customer pressure, and market scope. Furthermore, the adoption of these social media platforms impacted marketing performance, as it enhances brand awareness and customer buying interest. The study’s findings offer a conceptual framework on the antecedents of Facebook and Instagram adoption in marketing among fast-food SMEs in Pakistan, with implications for their marketing performance. The study’s conceptual framework can serve as a foundation for future research exploring social media adoption in other SMEs and industries. This study has both practical and theoretical contributions. At the practical level, it provides suggestions for fast-food SMEs in Pakistan on how to adopt social media platforms effectively for marketing purposes. At the theoretical level, it enriches the existing literature on social media adoption in SMEs.

Keywords: Small and Medium-sized Enterprises; Social media adoption; Marketing performance; technology-organisation-environment (TOE) framework; Developing Economies

1. Introduction

Small and Medium-sized Enterprises (SMEs) are crucial in driving the economies of developing countries, and adopting technological innovation is key to achieving marketing success of SMEs (U.N. Conference on Trade and Development, 2022). However, the adoption of Facebook and Instagram by SMEs and its impact on marketing performance remain largely unexplored (Wadhwa, et al., 2023). To address this gap, we utilise the technology-organisation-environment (TOE) framework (Izaak, Khristi & Kusumawardhani, 2022) to investigate how fast-food SMEs in Pakistan, a developing country, adopt Facebook and Instagram for marketing. Specifically, we evaluate the antecedents in their adoption, including elements of technology, organisation, and environment, and evaluate the implications on their marketing performance.

SMEs in developing countries struggle due to limited resources, poor information systems management, volatile market demand, and high marketing costs (Wadhwa et al., 2023). Facebook and Instagram offer an affordable marketing opportunity for these businesses (Chipambwa et al., 2023; Khan & Zhang, 2022; Riaz, Ahmed, & Akhtar, 2019). Fast-food SMEs are among those utilising Facebook and Instagram for marketing (Small & Medium Enterprises Development Authority, 2021). However, the antecedents influencing adoption and impact on marketing performance in developing countries are unknown (Kwon et al., 2021). Our study addresses this gap in literature (Alzougool, 2019; Kwon et al., 2021; Qalati et al., 2021).

This study provides novel insights to assist developing economy SMEs in comprehending the adoption of Facebook and Instagram for marketing and enhancing their marketing performance. The utilisation of the TOE framework in the study can be extended to other SME types in developing countries, and the study’s discoveries on the determinants of Facebook and Instagram adoption can contribute to a more comprehensive understanding of SMEs’ social media adoption in developing economies.

2. Literature Review

The adoption of ICT based innovations led to frequent changes in SME business models (Henao-García & Montoya, 2023). Mariani, Machado & Nambisan (2023) asserted that SMEs found themselves in a technologically changing world, ICT based innovation adoptions became a catalyst for organisational change. In a similar vein, the adoption of social media among SMEs for marketing purposes was a growing phenomenon (Dwivedi &
As social media platforms like Facebook and Instagram became increasingly popular among customers, SMEs in developing countries began to adopt these for marketing purposes (Cahyono, 2023). Prior research has produced varying results regarding the antecedents and impact of Facebook and Instagram adoption on business performance, leaving significant gaps in the social media adoption literature (Kanth & Prasad, 2023). While some research has examined Facebook and Instagram adoption among SMEs, more focused investigations are required to determine the antecedents that influence the adoption of Facebook and Instagram in marketing and their impact on marketing performance of SMEs in developing countries (Khan & Zhang, 2022).

The Public Authority for SMEs Development in Pakistan, Small and Medium Enterprise Development Authority (SMEDA) defines SMEs as business entities that employ up to 250 employees (SMEDA, 2021). Social media platforms are characterised as a group of internet-based applications that enable the creation and exchange of user-generated content and built on the technological and ideological foundations of Web 2.0 (Kaplan & Haenlein, 2010). Cesaroni & Consol (2015) and Michaelidou, Siamagka, & Christodoulides (2011), argue that Facebook and Instagram are cost-effective marketing tools. Borah, Iqbal, & Akhtar (2022) and Tajvidi & Karami (2021) believe that the adoption of Facebook and Instagram helps SMEs to better understand their customer needs. Dahnil (2021) and Nyamboli (2021) assert that Facebook and Instagram enhance SME performance.

3. Conceptual Framework

To understand the antecedents in the adoption of Facebook and Instagram in marketing among SMEs, we examine existing theories in ICT based innovation adoption, including the TOE framework, Diffusion of Innovation (DOI) Theory, Dynamic Capabilities View (DCV), Technology Advancement Model (TAM), Resource Based View (RBV), Institutional Theory, Social Network Theory (SNT), Social Presence Theory (SPT), and Actor-Network Theory (ANT). The TOE framework is widely used to comprehend the antecedents in ICT based innovation adoption in SMEs (Raj & Jeyaraj, 2023).

We use the TOE framework (Eze, Chinedu-Eze, & Awa, 2022; Pradifera et al., 2022), to examine the antecedents of Facebook and Instagram adoption, including technology, organisation, and environment. The framework includes technology context elements such as interactivity (Alsoud, Al-Muani, & Alkhazali, 2022) and cost-effectiveness (Nair et al., 2022); organisation context elements such as firm size (Dirgiatmo, Abdullah, & Ali, 2020) and owners’ support (Ramdani, Raja, & Kayumova, 2022); and environment context elements such as customer pressure (Maroufkhani et al., 2020) and market scope (Ramdani, Raja, & Kayumova, 2022). Figure 1 represents the conceptual framework for this study.

3.1 Technology Context

Martínez-Caro, Cegarra-Navarro, & Alfonso-Ruiz (2020) argue that technological elements impact SMEs’ adoption of technological innovations, implying that interactivity (Lew & Stohl, 2022) and cost-effectiveness (Shauri, Magaria & Masanyiwa, 2023) affects the adoption of Facebook and Instagram by fast-food SMEs in Pakistan.

3.1.1 Interactivity

The term ‘interactivity’ refers to the level of engagement between SMEs and potential customers on Facebook and Instagram (Kim, Chung & Fiore, 2023). Ainin et al. (2015) suggest that the interactive nature of Facebook and Instagram allows businesses to establish new connections with their customers (Ciuchita et al., 2022; Jevremovic et al., 2022).

3.1.2 Cost-Effectiveness

The concept of cost-effectiveness is associated with the costs of adoption (Shauri, Magaria & Masanyiwa, 2023). According to Wibawa et al. (2022), Facebook and Instagram have been considered cost-effective for SME marketing as creating an account is free, quick, and provides a cheaper way to advertise. Pradifera et al. (2022) noted that Facebook and Instagram enables SMEs to market their products at a low cost.
3.2 Organisation Context
Organisational resources and characteristics play a crucial role in the adoption of technological innovation (Hashmi & Siddiqui, 2020). Firm size (Bharati, Zhang, & Chaudhury, 2015; Borgi, 2023) and owner support (Wamba & Carter, 2016) are among the key organisational elements that are expected to influence the adoption of Facebook and Instagram among fast-food SMEs in Pakistan.

3.2.1 Firm Size
Borgi (2023) opines that the flexible nature of SMEs enables them to adopt technological innovations regardless of their size. Mohammed et al. (2023) suggest that firm size does not act as a barrier in Facebook and Instagram adoption among businesses. Dirgiatmo et al. (2020) assert that SMEs adopt Facebook and Instagram regardless of their size.

3.2.2 Owners Support
Creating a supportive environment and providing resources for the adoption of technological innovations in businesses requires the crucial support of owners (Lawal & Adejuwon, 2023). In Thailand, Rhee, Park & Shin (2020) find that owner support is important for the adoption of technological innovations in businesses. Effendi et al. (2020) discover that owner support influences the adoption of web 2.0 technologies in businesses. Tajudeen, Jaafar, & Ainin (2018) report that owner support influences the adoption of Facebook and Instagram in SMEs.

3.3 Environment Context
External circumstances in which businesses operate influence the adoption of technological innovations (Srivastava et al., 2022). Environment elements, including customer pressure (Tajudeen, Jaafar, & Ainin, 2018) and market scope (Ramdani, Raja, & Kayumova, 2022), are suggested to affect the adoption of Facebook and Instagram among SMEs.

3.3.1 Customer Pressure
Customer pressure continues to influence SMEs in adopting technological innovations to meet customer demands (Ur Rahman et al., 2020). Al-Qirim (2007) found that customer pressure drove SMEs in New Zealand to adopt e-commerce. Maroufkhani et al. (2020) suggest that customer pressure affects the adoption of Facebook and Instagram, as most SMEs adopt these platforms to satisfy their customers.

3.3.2 Market Scope
The proportion of an enterprise's operational scope that has been local, regional, and/or international has been referred to as market scope (Ramdani, Raja, & Kayumova, 2022). Erind (2015) found that SMEs market scope has been enhanced with the adoption of technological innovations.

3.4 Marketing Performance
Ali Abbasi et al. (2022) argue that adopting Facebook and Instagram in marketing enhances SMEs' marketing performance. It is expected that the adoption of Facebook and Instagram enhances brand awareness (Hermina, Rahma & Gusnia, 2021) and customer buying interest (Curana et al., 2022).

3.4.1 Brand Awareness
Ananda & Wisudawati (2022) assert that the adoption of Facebook and Instagram by businesses enhances brand awareness among customers. Khanam, Al-Zadid & Ullah (2023) opine that Facebook and Instagram strengthens a brand reputation. Kalkautsar & Listiani (2022) assert that SMEs enhance their brand awareness through the adoption of Facebook and Instagram in marketing.

3.4.2 Customer Buying Interest.
Adopting social media in marketing positively influences interest in purchasing business products (Eman, 2022; Erdiyana, 2022). Ananda & Wisudawati (2022) opine that adopting Facebook and Instagram in marketing...
enhances customer buying interest. Asi & Hasbi (2021) assert that Facebook and Instagram increase customers’ interest in buying products.

Figure 1: Framework for the Adoption of Facebook and Instagram in Marketing Performance.

4. Methodology

Researchers commonly use semi-structured interviews (Tonaka, 2015) to gather interview data. Castillo-Montoya (2016) claims that following an interview schedule (see Appendix 1) for semi-structured interviews achieves rigour and reliability. We interviewed thirty fast-food SME owners in Lahore, Pakistan, using a semi-structured interview schedule to examine personal accounts and analyse their perspectives (Kallio et al., 2016). Gudmundsdottir & Brock-Utne (2010) argue that piloting is advantageous because it increases the validity and dependability of a study. We piloted the study with an academic, a context specialist, and an SME owner to prepare for handling jargon, justifying questions, and facilitating smooth conversation. Braun & Clarke (2022) adopt a thematic approach to analyse the data collected through interviews. We conducted thematic analysis on interview data from thirty fast-food SMEs selected through purposive sampling via Facebook and Instagram marketing (Kumala & Sijabat, 2022) with fewer than 250 employees classified as SMEs by SMEDA and registered as an SME with the Securities and Exchange Commission of Pakistan (SECP). After rigorous reading and analysis of interview transcriptions, we identify the themes and sub-themes. We use NVivo 12 plus, qualitative software, to identify key themes for data analysis (Maher et al., 2018). We conduct member checking with study participants to ensure clear and unbiased data interpretations, validate responses, and assess transcribed interview data (Levitt et al., 2017; Yin, 2018). We code the interview transcripts as potential interpretations and investigate themes to present the findings (Corbin & Strauss, 2008; Guest, MacQueen & Namey, 2012).

5. Findings

SMEs in developing countries utilise Facebook and Instagram as a means to interact with customers, receive feedback, and respond to inquiries. These platforms are preferred due to their cost-effectiveness, allowing SMEs of the developing countries to maximise their marketing efforts with limited resources and reach their target audience at a lower cost. Firm size is not an important element in the adoption of these platforms for marketing. However, the owner’s support and customer pressure play crucial roles in their adoption. The study highlights the case of fast-food SMEs in Pakistan who use Facebook and Instagram to expand their market scope. Moreover, these platforms enhance brand awareness and generate customer interest in purchasing products.

6. Discussion

SMEs owners in developing countries recognise the importance of leveraging Facebook and Instagram as a means of interacting with customers. The work of Ciuchita et al. (2022), and Jevremovic et al. (2022) supports this finding, emphasising the interactive capabilities of social media platforms to foster new connections and open two-way communication channels between SMEs and customers. SME owners in developing countries perceive the adoption of Facebook and Instagram in their marketing efforts as a cost-effective strategy. This finding corroborates Kusumadewi et al. (2022), Sangi, N., Shuguang, L., & Sangi, A. R. (2018), and Wibawa et al.
(2022), who argue that the financial implications of utilising social media platforms for business marketing are relatively low. SME owners in developing countries do not view firm size as an integral element when considering the adoption of Facebook and Instagram for marketing. These findings align with the perspectives of Dirgiatmo et al. (2020) and Mohammed et al. (2023), who argue that business size is not a hindrance to social media adoption. SME owners consider their support as critical in their decision to adopt Facebook and Instagram for marketing purposes. This viewpoint is shared by Effendi et al. (2020) and Rhee, S. Y., Park, J., & Shin (2020), who contend that owner support is a key element in the adoption of technological innovations among SMEs. SMEs in developing countries place significant emphasis on customer pressure as a driving force behind their decision to adopt Facebook and Instagram for marketing purposes. These findings align with the assertions made by Al-Qirim (2007) and Maroufkhani et al. (2020), who suggest that SMEs are inclined to embrace social media as a response to customer pressure. We discover that market scope holds great importance for SMEs in developing countries when deciding to adopt Facebook and Instagram for their marketing endeavours. These findings are consistent with the viewpoints of Erind (2015) and Ramdani, Raja, & Kayumova (2022), who state that the integration of technological innovations has the potential to broaden the market scope of SMEs. Our research reveals that the use of Facebook and Instagram enhances the brand awareness of SMEs. This finding is supported by the assertions made by Ananda & Wisudawati (2022) and Kalkautsar & Listiani (2022), who believe that social media adoption in marketing is effective in enhancing brand awareness. Our research findings suggest that the adoption of Facebook and Instagram has a favourable impact on the customer interest in buying SMEs’ products. These findings corroborate Eman (2022), and Erdiyana (2022), who assert that social media adoption in marketing enhances customer buying interest.

7. Conclusion

We extended the theoretical base of the TOE framework to analyse Facebook and Instagram adoption among fast-food SMEs in Pakistan, and recommend that SMEs in Pakistan and other developing countries adopt these platforms to enhance marketing performance. Future research can compare the importance of Facebook and Instagram in other developing countries, and explore the adoption of other social media platforms and their impact on marketing performance.

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Appendix 1 (Interview Schedule)

General Information (SME background)

1. Could you please tell me about your enterprise’s background?
   - How long have you been in the business of fast-food?
   - What is your role in the enterprise?
   - What are your main products?
     - How many employees do you have?
     - Who is your target audience (s)?

2. How do you perceive Facebook and Instagram for business marketing?
   - How long have you been using Facebook and Instagram?
   - Why did you decide to use Facebook and Instagram in marketing?
   - How often do you use Facebook and Instagram for marketing purposes?
   - How has the usage of Facebook and Instagram affected your business marketing?
   - How effective is Facebook and Instagram in marketing?

Technology Context

3. What technology elements influenced the adoption of Facebook and Instagram in marketing your business?
   - Do you think Facebook and Instagram enable interaction with customers? Did it influence the adoption? If so, how?
   - Do you think Facebook and Instagram are cost-effective for marketing? Did it influence the adoption? If so, how?

Organisation Context

4. What organisation elements influenced the adoption of Facebook and Instagram in marketing your business?
   - Do you think your firm size influenced the adoption of Facebook and Instagram in marketing? If so, how?
   - Do you think that as a business owner, your support influenced the adoption of Facebook and Instagram in marketing? If so, how?

Environment Context
5. What environment elements influenced the adoption of Facebook and Instagram in marketing your business?
   - Do you think pressure from customers influenced the adoption of Facebook and Instagram in marketing? If so, how?
   - Do you think market scope influenced the adoption of Facebook and Instagram in marketing? If so, how?

Marketing Performance

6. Did the adoption of Facebook and Instagram impacted the marketing performance of your business?
   - Did the adoption of Facebook and Instagram enhance brand awareness? If so, how?
   - Did the adoption of Facebook and Instagram enhance customer buying interest? If so, how?