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Barriers of Venturing into Facebook Commerce among SMEs

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ABSTRACT

The study investigates the barriers of venturing to Facebook commerce among small and medium entrepreneurs. A total of 134 small and medium entrepreneurs were involved in this study. The study revealed that the perceived risk and the personal characteristics of the entrepreneurs are the major factors that prevent them from venturing into Facebook commerce. This study will help the government to formulate more policies to provide assurance of more security policies that can encourage small and medium enterprises to explore Facebook commerce in the global marketplace.

KEYWORDS: Facebook commerce; Perceived risk; Personal characteristics; Legal procedure

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INTRODUCTION

Increased social network sites, such as LinkedIn, Facebook and Twitter have unlock traditional business and offered new platform for business. One of most popular social media network is Facebook which is attracted by present generation simultaneously provides a new platform for entrepreneurs to reach out their customers. Facebook commerce differs from e-commerce in many aspects, specifically communication and system interactions. Facebook platform allows

bidirectional communication, community built in conversation and it helps the entrepreneurs to timely interact with their customers [1].

STATEMENT OF THE PROBLEM

Based on report of Wong [2] from Department of Statistics Malaysia population of Malaysia is 30.4 million. Among the population 10.4 million people are using Facebook in Malaysia of which 3.5 million are youth aged between 18 and 24 and it is ranked top among the social media network in Malaysia [3]. Furthermore, the report confirmed that these youngsters spend one third of their time in the Facebook [2]. It clearly predicts that Facebook is a platform for current generation for socializing. Therefore, it is worthy platform for SMEs to advertise their products to capture their customers.

Traditional e-commerce through blogs and websites faces difficulties in identifying the customers who visit the storefront. By contrast, Facebook commerce allows the identification of potential customers through the additional information provided.

Moreover, Facebook commerce tracks the number of interested customers and their interests. Despite of the encouragement and incentives from the Malaysian government with regard to online business, many SMEs in Malaysia do not have websites. Furthermore, most of the studies investigated customers the point of view rather than vendors issues on Facebook commerce. Therefore, the study investigates the reasons among SME's for not venturing into Facebook commerce.

Discovery Theory of Entrepreneurship

Entrepreneurship theory examines how entrepreneurs make decision on venturing in to new business. This study examines application of Discovery theory into Facebook commerce. Discovery Theory has a long history in the study of entrepreneurship and is recently summarized by Shane and Venkatraman. The theory explains the entrepreneur's assumptions of decision making on opportunities. According to Discovery theory people differs in their abilities to see such opportunities exist in the market. The Discovery theory states that entrepreneurs often identify the opportunities quickly and exploit it. The theory assumes that entrepreneurs who discover opportunities are significantly different from others in their ability to either see opportunities, once they are seen, they exploit these opportunities. However, decision making is risky because the theory assumes the opportunities are objective in nature. Entrepreneurs should have the knowledge to identify the opportunities in the external world [4]. The discovery theory formally integrated internal conceptions and emergent external data. Morphy categorized the theory into three parts. First part consists of material objects such as physical resources. Second categories include personal characteristics such as attitudes or individual perceptions. Third part describes developed technologies, software programs. In this study focused on first and second categories because third category is subjective aspects outside of the first two categories. Women entrepreneurs who have the ability to see the opportunities in social media commerce exploit the opportunities. Others cannot perceive the opportunity and may lack of personal traits or organizational factors to enable to recognize opportunities. Discovery theory offers a rich outlook, more featured and promote applicable frame work. Therefore, and this study examines the

application of discovery theory to venturing into social commerce among women entrepreneurs.

Research Question

What are factors that prevent into venturing into Facebook commerce among SMEs?

LITERATURE REVIEW

Social media commerce, especially Facebook commerce, is a new area. In Malaysia, only a few studies have been conducted on this topic. Social media commerce is an extension of e-commerce. The study utilizes the output of e-commerce research. SMEs in developed countries start their ventures through Facebook commerce. However, Facebook commerce among SMEs is still in the infancy stage in Malaysia. This study deals with entrepreneurial challenges issues related to venturing into Facebook commerce.

Figure 1 shows the frame work of the study. The study is to investigate role of personal characteristics of entrepreneurs Organisational Factors, Legal procedures and Perceived Risk as independent variable in venturing into Facebook commerce.

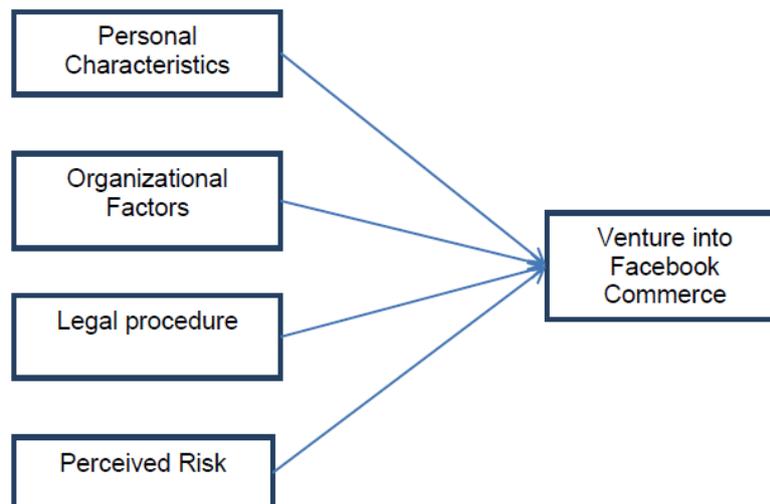


Figure 1: Frame work of the Study

PERSONAL CHARACTERISTICS

Personal characteristics refer to entrepreneurial characteristics, which have an effect on venturing into Facebook commerce. The owners' management styles are expected to influence the adoption of Facebook commerce [5]. Owners' characteristics refer to knowledge, prior experiences, resistance to change, and education level. They are important factors in the adoption of Facebook commerce [6]. Corbett [4] argued that entrepreneurs require prior knowledge and education on Facebook. They also need cognitive abilities that increase entrepreneurial alertness and opportunity identification [7]. Cognitive styles are distinct from personality, which can be defined as the consistent and persistent profile of beliefs, feelings, and

actions that make one person distinct from another. Both personality type and trait are seen as innate, and no real evidence suggests a single “entrepreneurial personality”. However, cognitive approaches are subject to learning and may be modified, either intentionally or unintentionally. McCline et al. observed that attitude and related belief about the opportunity and cognition influence entrepreneurial venture into new business opportunities.

H1: Personal characteristics are likely to influence the entrepreneurs in venturing into Facebook commerce

Organizational Factors

Organizational barriers refer to technological barriers and cost of investment. Prior literature on organizational factors mainly focused on top management support, firm size, and implementation cost of e-commerce adoption [8,9]. Organizational readiness is one of the factors that predict adoption innovation [10,11]. Technological barriers are related to a firm’s technical capabilities [12] and preexisting knowledge [13]. The lack of knowledge and manpower with IT skills results in the less likely venturing into Facebook commerce. Facebook platform offers free organizational needs, skilled digital writers, and image creators for e-content. Hiring skilled professionals to maintain a Facebook site is a difficult process. One of the barriers is the lack of IT professionals. The maintenance by IT professionals significantly affect the adoption of Facebook commerce [14]. Moreover, cost is one of the major factors that negatively affect the venture into Facebook commerce [15-17]. Stansfield et al. [18] suggested that the lack of knowledge, time, IT skills, and stability of network are the main barriers to the adoption of electronic commerce among SMEs in Scotland.

H2: Organizational factors significantly influence the entrepreneurs in venturing into Facebook commerce.

PERCEIVED RISK

Perceived risk is major concern when venturing into Facebook commerce. Phishing, which refers to the attempt of syndicates to collect, utilize, and abuse customer data and organizational information for illegal activities, is another problem. Security is an ongoing issue in Facebook commerce, and it is a key factor in venturing into Facebook commerce. Many studies argued that perceived risk is the element that prevents entrepreneurs from venturing into Facebook commerce. Debrick et al. [19] contended that logistical infrastructure, uncertain tax rules, and payment processing are factors that influence e-commerce business venture. Major apprehensions on venturing into e-commerce are related to the security and privacy of online transactions processing and the trust on online vendors [20]. Perceived security prevents the adoption of Internet banking [21]. Khatibi et al. [22] mentioned that online transactions are open to hackers and virus, and existing laws do not address security issues on online transactions. Vendors are also concerned with losing the trade secrets of their businesses [23]. Social media has created immense changes in our lives and businesses in the past few years and as a result, many researchers have focused on social media commerce. Nevertheless, security is a factor that prevents a company from adopting online business through Facebook [24].

H3: Perceived security risks decrease the likelihood of venturing into Facebook commerce.

Legal Procedures

Legal procedure refers to the lack of information on government tax. Many SMEs are unaware of the cyber polices and laws. Many studies argued that legal procedure prevents entrepreneurs from venturing into Facebook commerce. Transaction cost [25] and third-party involvement (e.g. PayPal), which leads to disclosure of information about their organizations and their customers, are the major concerns in adopting Facebook commerce [26,27]. Technical issues, lack of infrastructure, and resistance to change are the barriers to electronic commerce in Finland [5]. Cloete et al. [5] reported that the lack of information options, lack of time to investigate options, lack of access to computers, lack of access to hardware and software, and limited knowledge of e-commerce models and methodologies are barriers.

H4: Perceived legal procedures decrease the likelihood of venturing into Facebook Commerce.

RESEARCH METHODOLOGY

The study was conducted in Selangor and the Klang Valley in Malaysia because of their wireless connection and cloud network facilities and infrastructure. The sample data were collected from 134 SMEs. Quantitative method was used in the study. Questionnaires, as the survey instrument, were developed based on the framework.

Data Analysis

A total of 134 respondents participated in this study. Table 1 shows the profile of the respondents. Among the respondents, 67.2% were males and 32.8% were females. Among the respondents, 45.5% were non-graduates, and 55.5% were graduates. 26.12% of respondents are less than one year in the business, 29.85% respondents are running the business from 1 to 5 years and 22.39% respondents are 5 years and less than 10 in the business.

Table 2 shows the attitude of the respondents towards Facebook commerce. Among the respondents, only 15.7% have an account on Facebook and 67.2% intend to have a Facebook account. Moreover, 88.8% are interested in advertising their products on Facebook, 67.2% believe that their advertisement on Facebook increases customers, 44% do not believe in Facebook commerce, and 71.6% emphasize that Facebook is only for personal sharing of data and not for business.

Table 1: Demographic profile and descriptive statistics

Gender	Frequency	Percentage
Male	90	67.2
Female	44	32.8
Respondents Education level		
Non-graduate	61	45.5
Graduate	73	55.5
Years in business operation		
Less than 1 year	35	26.12
1 year to less than 5 years	40	29.85
5 years to less than 10 years	30	22.39
10 years and above	29	21.64

Table 2: Respondent attitude toward Facebook commerce

		Yes (Percentage)	No (Percentage)
1	Have Facebook accounts for business	15.7	84.3
2	Intend to open Facebook accounts for business	67.2	32.8
3	Advertise products through Facebook	88.8	11.2
4	Gain customers through Facebook	67.2	32.8
5	Do not believe in Facebook commerce	44	56
6	Use Facebook not for business	71.6	28.4

Table 3 shows that F value sig. indicates model fit. Sig. is <05. Therefore, the dependent variables and independent variables fit the model. Table 4 shows that the condition index value exceeds 30. Therefore, no multicollinearity exists.

Table 3: ANOVA^a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.971	4	2.493	13.86	.000 ^b
	Residual	23.203	129	0.18		
	Total	33.174	133			

a. Dependent Variable: VFC

b. Predictors: (Constant), LP, PR, PC, OF

Table 4: Collinearity diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	PC	OF	PR	LP
1	1	4.902	1	0	0	0	0	0
	2	0.049	10.045	0.04	0	0	0.1	0.4
	3	0.027	13.581	0	0.7	0	0.2	0
	4	0.015	18.325	0.05	0.1	0.7	0.2	0.3
	5	0.008	24.197	0.9	0.1	0.3	0.5	0.2

a. Dependent Variable: VFC

DISCUSSION

The Table 5 shows the result of hypothesis. The study investigates the barriers to venturing into Facebook commerce. The study finds that the personal characteristics of the entrepreneurs are a significant predictor of Facebook commerce (Beta.166; t-value 2.370 significant at $p < 0.05$). The findings support the studies of Mirchandani et al. [6] confirm that the personal characteristics of the entrepreneurs, such as knowledge, education, and attitude toward technology, play a major role in Facebook commerce venture.

Table 5: Results of hypothesis test.

Model	B	Std. Error	t	Sig.	Supported	
1	(Constant)	1.03	0.319	3.224	0.002	
	PC	0.17	0.07	2.37	.019*	Yes
	OF	-.033	0.089	-.372	0.71	No
	PR	0.54	0.076	7.061	.000**	Yes
	LP	-.081	0.061	-1.319	0.19	No

Level of significance of the t-value: * $p < 0.05$; ** $p < 0.001$

Organizational factors are not significantly preventing businesses from venturing into Facebook commerce (Beta .033, T-value .372, $p > 0.05$). Previous researches have shown that the lack of knowledge and lack of manpower with IT skills are barriers to the adoption of Facebook commerce [8,9,14]. However, the result confirms that the above mentioned factors do not affect the adoption Facebook commerce.

Perceived risk is another important factor that significantly prevents businesses from venturing into Facebook commerce (Beta .536, $t = 7.061$, $P < 0.05$). The result is in agreement with those of Dedric [19], Ahmed [20], Khatibi [22] and Bharadwaj [24]. The results confirm that security is a major concern among entrepreneurs in relation to venturing into Facebook commerce. The result highlights the need for the government to implement some policies that can encourage entrepreneurs to venture into Facebook commerce.

Legal procedures are not a major issue (Beta .081, t value 1.319, $p > 0.05$) when venturing into Facebook commerce. Many entrepreneurs are aware of the legal procedure. The result contradicts those of Mutz [25], Gefen [26], and Pavlou [27]. The result concludes that personal characteristics of the entrepreneurs and perceived risk are the factors that prevent them from venturing into Facebook commerce.

CONCLUSION

SMEs have been the backbone of every country's economic growth. The study identified various reasons that determine entrepreneurs from venturing into social media commerce. To address this issue, the government should create security policies and provide concrete guidelines that could encourage entrepreneurs to explore Facebook commerce. The government also conducted awareness programs to gain confidence among entrepreneurs.

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