

# Empowering SME Performance Through Social Media: The Mediating Role of Entrepreneurial Orientation in Malaysian Manufacturing SMEs

Nur Hidayah Ayob, Mohd Safwan Ramli\*, Zaidatul Nadhirah Roslan, Noor Junaini Arwin Yaacob, Nurul Izzat Kamaruddin

Faculty of Business and Management, University Technology MARA Jengka, Pahang, Malaysia.

\*Corresponding Author

DOI: <https://dx.doi.org/10.47772/IJRISS.2025.910000001>

Received: 30 September 2025; Accepted: 05 October 2025; Published: 31 October 2025

## ABSTRACT

The role of social media in the digital era extends far beyond personal communication, evolving into a multifaceted tool that shapes social, economic, and organizational dynamics. It plays a critical role in business and marketing, providing firms particularly SMEs with cost-effective avenues for brand promotion, customer engagement, and market intelligence. This study investigates the impact of social media usage on the financial and non-financial performance of Malaysia SMEs, with evidence drawn from manufacturing SMEs in the Klang Valley, Malaysia, the research highlights how entrepreneurial orientation leverages digital resources to enhance business performance. Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed to test the proposed model, based on survey responses from 351 manufacturing SMEs selected through stratified random sampling. The findings indicate that social media usage for customer relations has a significant positive impact on both customer relations and sales. Moreover, Entrepreneurial Orientation act as partial mediators in the relationship between social media usage and Financial Performance and SME non-financial Performance. This calls for further investigation into other factors, such as digital literacy or resource availability, may play a more crucial role in leveraging digital tools effectively.

**Keywords:** Social media usage, Small and Medium Enterprises (SMEs), Entrepreneurial Orientation (EO)

## INTRODUCTION

In recent years, digital transformation has altered how businesses function, and social media has appeared as one of the most noteworthy tools—especially for Small and Medium Enterprises (SMEs). These platforms help SMEs upgrade customer interaction, promote their brand, collect consumer insights, and innovate their services. In Malaysia, digital platforms have become fundamental to business operations as over 56% of the population uses social media.

Despite these opportunities, the effectiveness of social media on SME performance is not guaranteed unless firms adopt adaptive business strategies. The Entrepreneurial Orientation (EO) which characterized by innovativeness, proactiveness, and risk-taking, can act as a vital bridge between digital tools and business success.

Focusing on the mediating role of EO, this study targets to discover how social media usage impacts the financial and non-financial performance of Malaysian SMEs. Empirical evidence from manufacturing SMEs in Klang Valley in Malaysia applied to present insights into how EO leverages digital resources for upgraded business performance.

## Problem Statement

While social media is extensively accessible, SMEs struggle to fuse it effectively into their operations, especially

in evolving economies. Many SMEs deal obstacles such as confined digital literacy, insufficient resources, and a lack of strategic orientation.

Current literature inclines to isolate EO as either an independent or dependent variable. However, its mediating role in associating social media usage to performance continue underexplored. This study addresses this gap, suggesting that EO acts as an essential enabler that translates social media engagement into tangible financial results as well as intangible performance benefits such as customer satisfaction.

Including Malaysia, Small and Medium Enterprises (SMEs) are integral to the economic landscape in many countries, where they contribute greatly to employment and national GDP. In Malaysia, SMEs report for over 98% of businesses and contribute around 38% to the country's GDP, appearing them as the key driver of economic growth (SME Corp Malaysia, 2020). In spite of the potential benefits of harnessing digital tools, many SMEs continue to battle significant obstacles in successfully utilizing these platforms to boost their, specifically social media. Social media provide SMEs a cost-effective way to engage customers, boost marketing, and ease information exchange (Kaplan & Haenlein, 2010), yet many SMEs fail to fully employ its potential due to a lack of digital literacy, resources, and strategic planning (Alalwan et al., 2017).

While existing literature highlights the significance of social media usage in enhancing business performance, restricted study has discovered how social media decipher into tangible end results such as sales growth, cost minimization, and customer satisfaction in the context of manufacturing SMEs. In particular, the role of Entrepreneurial Orientation (EO) that includes characteristics like innovativeness, proactiveness, and risk-taking, in mediating the relationship between social media usage and performance outcomes remains understudied. In dynamic environments where innovation and adaptability are crucial, EO is generally recognized as a factor of SME success (Lumpkin & Dess, 1996; Zahra & Covin, 1995). However, there is a gap in understanding how EO traits, particularly innovativeness and proactiveness, enhance the effectiveness of social media strategies in fulfilling financial and non-financial performance improvements.

Thus, this study aims to investigate and explore how social media usage affects the performance of Malaysian manufacturing SMEs and the mediating role of Entrepreneurial Orientation (EO) in this relationship. Specifically, thus study seeks to examine how innovativeness and proactiveness can strengthen the positive effects of social media on sales growth, cost reduction, and customer satisfaction. This study will serve insights for SME owners and policymakers, facilitating them to comprehend the importance of digital tools and entrepreneurial behaviour in propelling business success in an increasingly digital economy.

## **Theoretical Review**

### **Innovation Diffusion Theory (IDT)**

IDT demonstrates how new innovations are implemented based on their recognized usefulness, complexity, and compatibility with organizational values (Rogers, 2003). SMEs vary broadly in their social media adoption depending on internal preparedness, owner perception, and resource availability.

### **Resource-Based View (RBV)**

RBV asserts that firms gain a sustainable competitive benefit by successfully managing their internal resources including human capital, organizational capabilities, and technological assets. In this situation, social media is perceived as a resource and EO as the organizational capability required to harness it for improved performance.

## **LITERATURE REVIEW FOR EACH VARIABLE**

### **Social Media Usage**

Defined as internet-based applications that support content sharing, social media enables SMEs to market their products proficiently and directly connect with customers. The SMEs in Malaysia that actively utilize social media present improved market penetration and lower advertising costs.

---

## **Entrepreneurial Orientation (EO)**

EO consists innovativeness, risk-taking, and proactiveness—capabilities necessities for SMEs to prosper in the midst of uncertainty. Studies determine that EO boosts both innovation and adaptability, upgrading long-term growth.

### **Business Performance**

Business performance is identified in both financial like profit and revenue metrics, as well as non-financial like customer satisfaction metrics. Social media affects both, and EO reinforce this impact by driving strategic resource utilization.

#### **H1: Social media usage positively influences SME financial performance**

##### **H1 Relationship**

Social media utilizations enable SMEs to conduct cost-effective marketing, retain customer relationships, and reach new markets. These activities directly contribute to minimizing operational costs and maximizing sales revenue. As reported by Parveen et al. (2016), social media marketing greatly decreases advertising costs and boosts sales growth in Malaysian SMEs which align with Malaysian SME behaviour. Kemp (2019) underscores that 56% of the Malaysian population uses social media which giving them extensive reach at least cost. Moreover, financial performance indicators such as cost reduction and sales increases were validated to improve with higher levels of social media engagement in SMEs.

#### **H2: Social media usage positively influences Entrepreneurial Orientation (EO)**

##### **H2 Relationship**

Social media stimulate innovative thinking, faster decision-making, and a proactive approach in business processes. Social media fosters entrepreneurial behaviour by revealing SME owners to new ideas, customer feedback, and competitive trends. Empirical results from the research presented that social media utilizations have a statistically notable influence on all three EO dimensions among SME leaders which are innovativeness, risk-taking, and proactiveness. This aligns with the study by Kiss et al. (2012), who explored that digital tools are vital for developing entrepreneurial capabilities in SMEs operating in emerging markets.

#### **H3: Social media usage positively influences SME non-financial performance**

##### **H3 Relationship**

SMEs benefit from actively engaging on social media are enhanced customer satisfaction, loyalty, and access to information. Meanwhile, non-financial performance is identified in better service, more responsive communication, and stronger customer relationships. The study verified that social media greatly improves non-financial outcomes like customer relations and information accessibility, with moderate  $R^2$  values around 0.54. Supporting this, Ainin et al. (2015) discovered similar effects on customer experience and service satisfaction in Southeast Asia.

#### **H4: Entrepreneurial Orientation positively influences SME financial performance**

##### **H4 Relationship**

EO characteristics such as innovativeness, risk-taking, and proactiveness furnish SMEs with tools to chase growth opportunities, streamline operations, and adapt to market demands consequently maximizing sales and minimizing costs. The study found that EO dimensions notably contributed to improved profitability, particularly cost diminishing and sales boosting in Malaysian SMEs. This is reinforced by Fadda (2018), who stated that innovativeness and proactiveness were determinant factor of financial outcomes in SMEs.

## H5: Entrepreneurial Orientation positively influences SME non-financial performance

### H5 Relationship

Non-financial aspects are moulded by the innovativeness and proactive behaviour of SME leaders, such as service quality and stakeholder engagement. EO further customer-centric thinking and continuous improvement. The study's data showed notable links between EO dimensions and improved customer service, as well as better access to relevant information. Milanovic & Wittine (2014) and Effendi et al. (2013) similarly studied this in SMEs where EO led to greater customer satisfaction and communication effectiveness.

## H6: EO mediates the relationship between social media usage and SME financial performance

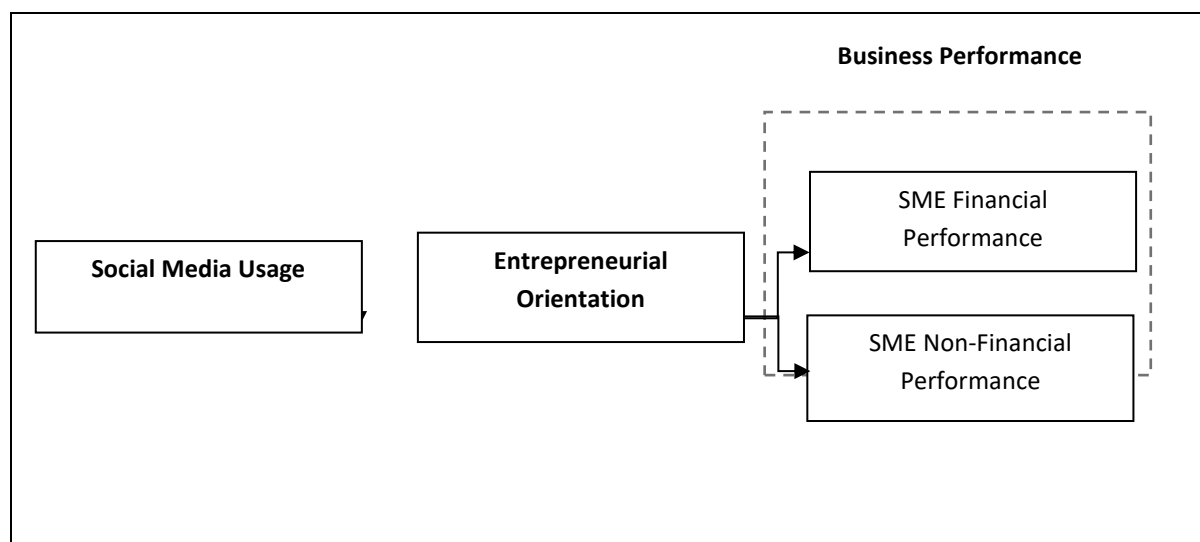
### H6 Relationship

EO transform these digital inputs into strategic business actions while social media facilitates operational and marketing improvements. Thus, the presence of EO strengthen the effectiveness of social media in improving financial results. The study confirmed partial and full mediating effects of EO between social media usage and financial results such as sales growth, which shows that EO acts as a bridge by improving the conversion of social media efforts into financial gains.

## H7: EO mediates the relationship between social media usage and SME non-financial performance

### H7 Relationship

EO improve how SMEs explain and use social media for customer engagement and information management. Businesses can infer more relational and experiential value from their social media activities with strong EO traits. The study presented that EO, mediates the association between social media and non-financial gains such as improved service quality and stakeholder trust, specifically proactiveness and innovativeness. These findings mirror observations by Rodriguez et al. (2014), who highlighted EO's role in converting digital interactions into meaningful customer experiences.



Note: Contribution of the current study

## RESEARCH FRAMEWORK

The conceptual framework places **social media usage** as the independent variable, **business performance** (financial and non-financial) as the dependent variable, and **EO** as the mediating variable. This framework incorporates IDT and RBV to discover and determine how innovation adoption and resource optimization drive SME outcomes.

## METHODOLOGY

A quantitative design utilizing Partial Least Squares – Structural Equation Modelling (PLS-SEM) is utilized in this study to test the proposed model. Data were obtained from manufacturing SMEs located in the Klang Valley, Malaysia, applying a stratified random sampling method to assure a representative sample across various SME sizes and types. The study centres on multiple key variables and indicators, including social media usage (measuring marketing, customer service, and accessibility), entrepreneurial orientation (EO) (assessing dimensions such as innovativeness, risk-taking, and proactiveness), and performance (capturing outcomes like cost reduction, sales growth, and customer satisfaction). The data analysis utilizes bootstrapping methods to examine the relationships between the variables and test the hypothesized pathways in the model by including evaluating model fit indices, calculating path coefficients, and performing mediation testing.

## RESULTS

### Demographic Characteristics of Respondents

Table 1: Demographic Characteristics of Respondents (Frequency & Percentage)

| Demographic Variable | Category              | Frequency | Percentage (%) |
|----------------------|-----------------------|-----------|----------------|
| Gender               | Male                  | 254       | 72.5%          |
|                      | Female                | 97        | 27.5%          |
| Age Group            | 18-22                 | 244       | 69.5%          |
|                      | 23-30                 | 70        | 20.0%          |
|                      | 31+                   | 37        | 10.5%          |
| Income Level         | Less than MYR 4,000   | 266       | 75.7%          |
|                      | MYR 4,000 - MYR 6,000 | 54        | 15.3%          |
|                      | Above MYR 6,000       | 31        | 9.0%           |
| Education Level      | Undergraduate         | 292       | 83.0%          |
|                      | Postgraduate          | 59        | 17.0%          |

The demographic characteristics of the respondents in this study are summarized in Table 1. A total of 351 respondents participated in the survey. The 72.5% of the participants were male, while 27.5% were female. The largest group of respondents in the term of age with 69.5% fell within the 18-22 age range, which indicates a younger demographic of SME owners or managers. 20.0% of the participants represents 23-30 age group, as well as 10.5% of respondents were aged 31 or older. Further, regarding the income levels, 75.7% respondents reported earning less than MYR 4,000 per month, which reflects the financial realities of many SMEs. A smaller segment of respondents (15.3%) earned between MYR 4,000 and MYR 6,000, while 9.0% reported an income above MYR 6,000. Moreover, a large majority with 83.0% of respondents were undergraduates, suggesting that many SME leaders in the study had graduated with higher education. Meanwhile, postgraduates made up 17.0% of the sample, indicating a smaller proportion of SME leaders with advanced degrees.

With this, the demographic profile emphasized that the study's sample is predominantly young, male, and with relatively low income, which is typical of many SMEs in evolving economies. Also, the high percentage of undergraduates suggests that educational background may play an important role in shaping the entrepreneurial orientation and social media utilization of SMEs.

### Hypothesis Testing Results

The **Hypothesis Testing** table illustrates the relationships between social media usage, entrepreneurial

orientation (EO), and performance outcomes. The results of the hypothesis testing are summarized below:

Table 2: Hypothesis Testing

| Hypothesis                  | Path Coefficient ( $\beta$ ) | p-value | Result    |
|-----------------------------|------------------------------|---------|-----------|
| SM $\rightarrow$ EO         | 0.617                        | <0.001  | Supported |
| SM $\rightarrow$ FPerform   | 0.620                        | <0.001  | Supported |
| SM $\rightarrow$ NonPerform | 0.127                        | 0.038   | Supported |
| EO $\rightarrow$ FPerform   | 0.173                        | 0.008   | Supported |
| EO $\rightarrow$ NonPerform | 0.191                        | 0.032   | Supported |

These results indicate that social media usage for customer relations (SM4CR) has a strong and great impact on both **Better Customer Relations (BTCR)** and **Sales** ( $p < 0.001$ ), which confirms the idea that social media assists SMEs in improving customer relations and increasing sales. The path from **SM4IA (social media for Information Accessibility)** to **Sales** is also supported, with a coefficient of 0.127 and a p-value of 0.038, presenting that social media for information accessibility plays a moderate role in driving sales.

However, **social media for Marketing (SM4MK)** did not show great relationships with the dependent variables. It suggests that these aspects of entrepreneurial orientation and social media utilization have a more limited impact on performance in the context of this study.

Indirect Effects: Social Media Usage  $\rightarrow$  Performance Mediated by EO

The **Indirect Effects** table shows how the dimensions of **Entrepreneurial Orientation (EO)** mediate the relationship between social media usage and performance outcomes, which this mediation underscores the importance of EO in leveraging social media for improved business performance.

Table 3: Indirect Effect

| Pathway                                          | Indirect Effect ( $\beta$ ) | p-value | Result    |
|--------------------------------------------------|-----------------------------|---------|-----------|
| SM $\rightarrow$ EO $\rightarrow$ Fperformance   | 0.049                       | 0.027   | Supported |
| SM $\rightarrow$ EO $\rightarrow$ Nonperformance | 0.081                       | 0.032   | Supported |
| SM $\rightarrow$ INNO $\rightarrow$ SALES        | 0.057                       | 0.010   | Supported |
| SM $\rightarrow$ INNO $\rightarrow$ SALES        | 0.047                       | 0.011   | Supported |
| SM4IA $\rightarrow$ PROAC $\rightarrow$ COST     | 0.046                       | 0.033   | Supported |

These results implies that **Entrepreneurial Orientation** mediate the impacts of social media on both **SME Financial Performance and Non-financial Performance**. For instance, the path from **SM (social media)** to **SME financial Performance and Non-financial performance** is partially mediated by **Innovativeness**, with an indirect effect of 0.049 ( $p = 0.027$ ), illustrating that innovation plays a important role in transforming social media efforts into increased sales.

### Mediating Role of Entrepreneurial Orientation (EO)

The **Mediating Role of EO** table presents insights into how the different dimensions of EO (Innovativeness, Risk-taking, and Pro-activeness) mediate the effects of social media usage on SME performance.

Table 4: Mediating Role of EO

| Mediator (EO Dimension) | Independent Variable → Dependent Variable | Type of Mediation |
|-------------------------|-------------------------------------------|-------------------|
| Mediating               | SM → Fperform                             | Partial           |
|                         | SM → Nperform                             | Partial           |
|                         | SM → EO                                   | Partial           |

From this table, it is clear that **Entrepreneurial orientation** serves as **partial mediators** in the relationship between social media usage and Financial Performance SME. For instance, **Entrepreneurial Orientation** assists translate social media for marketing (SM4MK) into increased sales, while **Pro-activeness** mediates the effect of social media on reducing costs. On the other hand, **Risk-taking (RISK)** did not show any significant mediation effects, proposing that this dimension may not be as vital in leveraging social media for performance improvement in this study's context.

## DISCUSSION

The study presents valuable insights into how social media can be utilized by SMEs to improve both financial and non-financial performance. It validates that the role of social media is not limited to marketing. Social media extends to enhancing customer relations, driving sales, and improving information accessibility, which are pivotal to SMEs in competitive markets. The importance of consistent engagement and communication with customers through digital platforms highlighted with the significant influence of social media for customer relations (SM) on sales and customer relations. Additionally, the need for SMEs to adopt a multifaceted approach to social media usage, targeting both customer engagement and access to information indicated with the social media for information accessibility (SM), though having a lesser impact than customer relations, also contributes to sales.

Moreover, the importance entrepreneurial orientation (EO), specifically innovativeness and proactiveness, in transforming social media efforts into tangible results includes sales growth and cost reduction is demonstrated in this study. Innovativeness was discovered to mediate the effect of social media marketing on sales, verifying the literature that innovation is necessities for businesses to adapt and thrive in a rapidly evolving digital landscape. Likewise, proactiveness plays a significant role in cost reduction by reinforcing the notion that proactive decision-making is essentials to optimize the advantages of social media in operational processes.

On the other hand, the absence of a significant mediation effect for risk-taking. Within the context of this study, it suggests that the willingness to take risks may not be as directly related to social media utilizations and performance end results as other aspects of entrepreneurial orientation. This finding calls for further investigation into whether other factors, like digital literacy or resource availability, may play a more crucial role in leveraging digital tools effectively.

## CONCLUSION

This study highlights the interlinked roles of digital tools and entrepreneurial behaviour in driving SME triumph. By utilizing social media and developing EO, SMEs in Malaysia can improve both financial outcomes and non-financial stakeholder relationships. Policymakers and SME development agencies should centre on building EO capacity alongside digital training for sustainable growth.

The findings of this study emphasize the critical role that social media usage and entrepreneurial orientation (EO) play in operating the performance of SMEs. Specifically, the results align with the hypothesis that social media enhances the way SMEs engage with their customers and market their products which indicate that social media usage for customer relations (SM) has a significant and positive impact on both better customer relations and sales growth. Furthermore, social media utilizations for information accessibility (SM) also contributed to increased sales, albeit to a lesser extent. These findings suggest that social media is an influential tool that

consistent with the growing importance of digital platforms in business strategies, which can drive both relational and financial outcomes for SMEs.

Moreover, the study reveals that entrepreneurial orientation (EO) plays a pivotal mediating role in leveraging social media usage to accomplish performance outcomes, particularly the dimensions of innovativeness and proactiveness. The indirect effects highlight the importance of proactive decision-making in leveraging digital tools by presenting the innovativeness helps transform social media marketing efforts into higher sales, while proactiveness facilitates cost reduction. Yet, the study suggests that this dimension of EO might have a more limited role in this context where it found that risk-taking did not mediate the relationship between social media usage and performance

Overall, this study proves that entrepreneurial orientation boosts the effectiveness of social media strategies in improving SME performance. Specifically in innovativeness and proactiveness, with a strong EO traits, SMEs are better positioned to employ the benefits of social media, which correlates with existing literature on the relationship between digital tools and business success.

### Theoretical Contribution

This study provides multiples theoretical contributions to the fields of entrepreneurship and digital marketing. Firstly, it amplifies on the existing literature by demonstrating the mediating role of entrepreneurial orientation (EO) in associating social media usage to SME performance specifically in innovativeness and proactiveness. While prior studies have targeted on the direct impact of social media on business outcomes, this study underlines the importance of EO traits in reinforcing the effectiveness of digital tools. It proves that innovativeness facilitates the translation of social media marketing efforts into sales growth, while proactiveness improve cost reduction with the better use of social media for customer connections and service optimization.

Secondly, the study illustrates how SMEs with strong entrepreneurial capabilities (innovative and proactive traits) are better equipped to leverage digital resources, such as social media, for competitive advantage with providing empirical evidence that supports the Resource-Based View (RBV) and Innovation Diffusion Theory (IDT). The results highlight that social media is not solely a tool for marketing but a strategic resource where it can drive performance improvements in both financial and non-financial metrics when it combined with the right entrepreneurial behaviours.

Lastly, this study advances the comprehension of how different dimensions of social media usage influence different aspects of SME performance such as marketing, customer relations, and information accessibility. It suggests that SMEs should adopt a comprehensive and strategic approach to social media to balance both marketing and customer service activities in maximizing benefits by emphasising the subtle ways in which digital platforms impact sales and customer satisfaction.

In conclusion, this study contributes to the theoretical understanding of how social media can be a powerful driver of SME success by combined with entrepreneurial orientation, offering new perception for both researchers and practitioners in the digital and entrepreneurial domains.

### REFERENCES (2019–2025)

1. Alalwan, A. A., Rana, N. P., Dwivedi, Y. K., & Simintiras, A. C. (2017). Social media in marketing: A review and analysis of the existing literature. *Telematics and Informatics*, 34(7), 1177-1190. <https://doi.org/10.1016/j.tele.2017.04.009>
2. Kaplan, A. M., & Haenlein, M. (2010). Users of the world, unite! The challenges and opportunities of social media. *Business Horizons*, 53(1), 59-68. <https://doi.org/10.1016/j.bushor.2009.09.003>
3. Kaplan, A.M., & Haenlein, M. (2010). Users of the world, unite! *Business Horizons* Kemp, S. (2019). *Digital 2019: Malaysia*. [Datareportal](#)
4. Kietzmann, J.H., Hermkens, K., et al. (2011). Social media building blocks. *Business Horizons*
5. Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1), 135-172.



---

<https://doi.org/10.5465/amr.1996.9602161568>

6. Lumpkin, G.T., & Dess, G.G. (1996). Clarifying entrepreneurial orientation. *Academy of Management Review*
7. Miller, D. (1983). The correlates of entrepreneurship. *Management Science*
8. Muchiri, M., & McMurray, A. (2015). EO and RBV. *Management Decision*
9. Parveen, F., Jaafar, N.I., & Ainin, S. (2016). Social media and SME performance. *Telematics and Informatics*
10. SME Corp Malaysia. (2020). The SME Annual Report 2020/2021. Retrieved from <https://www.smeCorp.gov.my>
11. Zahra, S. A., & Covin, J. G. (1995). Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of Business Venturing*, 10(1), 43-58. [https://doi.org/10.1016/0883-9026\(94\)00019-P](https://doi.org/10.1016/0883-9026(94)00019-P)
12. Zahra, S.A. & Covin, J. (1995). Corporate entrepreneurship and performance. *Journal of Business Venturing*
13. Zehir, C. et al. (2016). EO and performance. *Social and Behavioral Sciences*