

**SUPPLIER SELECTION IN MALAYSIAN  
SOCIAL COMMERCE MICROENTERPRISES**

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**SUPPLIER SELECTION IN MALAYSIAN  
SOCIAL COMMERCE MICROENTERPRISES**

by

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## LIST OF SYMBOLS

%	Percentage
&	And
<	Less Than
$f^2$	Effect Size
GoF	Goodness of Fit
$Q^2$	Predictive Relevance
$R^2$	Predictive Power
VIF	Collinearity Statistic
B	Standard Beta

## LIST OF ABBREVIATIONS

AHP	Analytic Hierarchy Process
AVE	Average Variance Extracted
CFA	Confirmatory Factor Analysis
CMV	Common Method Variance
CR	Composite Reliability
e-commerce	Electronic Commerce
EFA	Exploratory Factor Analysis
HTMT	Heterotrait-Monotrait Ratio of Correlations
LL	Lower Limit
MCMC	Malaysian Communications and Multimedia Commission
OSN	Online Social Networking
PhD	Doctor of Philosophy
PLS-SEM	Partial Least Squares Structural Equation Modeling
RM	Ringgit Malaysia
s-commerce	Social Commerce
SPM	Sijil Pelajaran Malaysia
SPSS	Statistical Package for the Social Sciences
SSM	Companies Commission of Malaysia
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action
UL	Upper Limit

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# **PEMILIHAN PEMBEKAL PERUSAHAAN MIKRO PERDAGANGAN SOSIAL DI MALAYSIA**

## **ABSTRAK**

Perkembangan pesat jaringan sosial dalam talian (OSN) selaras dengan evolusi Web 2.0 telah mengubah platform tersebut daripada menjadi alat penghubung antara rakan-rakan kepada medium pembelian produk dan perkhidmatan. Ramai usahawan terutamanya perusahaan mikro telah memanfaatkan potensi perdagangan sosial untuk menjalankan operasi perniagaan dan aktiviti pengkomersialan serta pemasaran produk. Namun, ketidaktentuan teknologi yang sentiasa mengubah suasana perdagangan sosial telah meningkatkan ketidakpastian dan mengubah trend tingkah laku pembelian pengguna dan organisasi B2B. Banyak perkara akan berubah dengan pantas ekoran tindak balas terhadap permintaan, pilihan dan gaya hidup masyarakat yang menghasilkan trend baharu sumber pembekalan yang lebih mencabar dan tidak boleh diabaikan. Oleh itu, perusahaan mikro sama seperti syarikat perniagaan yang lain menghadapi masalah untuk menangani tekanan keadaan, permintaan, dan persaingan yang berubah dengan cepat dalam pasaran tempatan dan antarabangsa berikutan perubahan teknologi yang drastik dan gelombang sporadis pembeli dalam landskap perdagangan digital. Untuk bertahan dalam lingkungan yang kompetitif ini, perusahaan mikro perlu mempertimbangkan semula dan menambahbaik amalan pembelian mereka. Oleh itu, proses pemilihan pembekal memainkan peranan penting dalam aktiviti pembelian. Dengan mengambil kira sifat perusahaan mikro dan suasana perdagangan sosial, kajian ini akan memberikan fokus kepada faktor-faktor yang mempengaruhi tingkah laku pemilihan pembekal perusahaan mikro perdagangan

sosial. Berdasarkan teori Tingkah Laku Terancang (TPB), kajian ini mengembangkan dan merangkumkan lima atribut prestasi pembekal iaitu jaminan perkhidmatan, penghantaran, hubungan, kualiti, dan harga. Daripada pengembangan teori TPB ini, lapan pemboleh ubah dikaji untuk mengenalpasti hubungan penyebab antara pemboleh ubah berkenaan dengan niat dan tingkah laku pemilihan pembekal. Soal selidik tinjauan digunakan untuk mengumpul data 392 perusahaan mikro perdagangan sosial di Malaysia. Model pengukuran PLS-SEM telah digunakan untuk mengesahkan model yang dikembangkan. Hasil kajian menunjukkan bahawa norma subjektif sangat menentukan tingkah laku responden dalam pemilihan pembekal. Hasil seterusnya mengesahkan kesahihan TPB, iaitu, sikap dan norma subjektif mempunyai kesan yang signifikan terhadap niat untuk memilih pembekal. Sementara itu, faktor kawalan tingkah laku dan faktor hubungan dilaporkan tidak signifikan untuk membentuk niat dan tingkah laku responden dalam pemilihan pembekal. Penemuan kajian ini memberikan sudut pandang penting mengenai peranan norma subjektif kepada perusahaan mikro yang beroperasi menggunakan perdagangan sosial. Hasil kajian ini juga berpotensi untuk menyumbang kepada kajian lanjut pemilihan pembekal perusahaan mikro perdagangan sosial di Malaysia.

# **SUPPLIER SELECTION IN MALAYSIAN SOCIAL COMMERCE MICROENTERPRISES**

## **ABSTRACT**

The rapid expansion of Online Social Networking (OSN) in line with the evolution of Web 2.0 has transformed this platform from being just a means of engagement with friends to a medium of purchasing products and services. Many entrepreneurs especially microenterprises have embarked on the massive potential of social commerce to operate and conduct their commercial activities and product marketing. However, volatility in technology continues to evolve social commerce, rising complexities and uncertainties, and changes buying behaviour of consumers and B2B buying organisation. Many things rapidly change in response to people demands, preferences, and lifestyle, which result in a new nature of sourcing that is more challenging and not to be ignored. Thus, microenterprises, like any other businesses, are facing similar issues of addressing the pressures of coping with rapidly changing conditions, demands, and competition in local and global market following drastic technological changes and sporadic waves of shoppers in the digital commerce landscape. To be able to survive in this competitive environment has forced microenterprises to reconsider and improvise their purchasing practice. In lieu of that, the supplier selection process plays an important role in purchasing activities. Considering the nature of microenterprises and social commerce, the main purpose of this study is to examine factors that influence supplier selection behaviour of social commerce microenterprises. Based on the Theory of Planned Behaviour (TPB), this study extended and included five supplier performance attributes which are service

warranty, delivery, relationship, quality, and price. From this extended TPB, eight variables were investigated to examine the causal relationships among the variables with respect to selection intention and supplier selection behaviour. A survey questionnaire was utilised to collect data on 392 social commerce microenterprises in Malaysia. Partial least square (PLS-SEM) was used to validate the proposed model. The findings showed that subjective norm significantly determined respondents' behaviour in supplier selection. The results further confirmed the validity of TPB, i.e., attitude and subjective norms were reported to have significant impacts on intention to select supplier. Meanwhile, perceived behaviour control and relationship were reported to be insignificant to shape respondents' intention and behaviour in supplier selection. The results of this study also contributed to the further development of literature on supplier selection in social commerce microenterprises in Malaysia.

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Chapter Overview**

This chapter provides a prelude to the chapters involved in this thesis which begins with a brief description of the background of the study. After that, this chapter further discusses on social commerce in Malaysia and supplier selection in Malaysia social commerce microenterprises. This chapter is then followed by problem statement, research objectives, and research questions. It then moves on to significance of the study, definition on key terms, and finally the structure of the thesis.

### **1.2 Background of Research**

The evolution of Web 2.0 technologies has revolutionary changed not only the way people live, communicate, and collaborate, but also how businesses are conducted (Kaur, Sahdev, Chaturvedi, & Rajawat 2020; Winarsih, Indriastuti, & Fuad, 2021). Online Social Networking sites (OSNs) are among the most prevalent instances of Web 2.0 technologies which have developed rapidly in recent years recording hundreds of millions of users for the purpose of connecting with friends and exchanging network information (Zheng & Li, 2017; Zheng, Luo, & Cai, 2018). Commonly known as social media in general, the OSN platforms have been around in various forms for nearly a decade, keep growing every day, and create opportunities to people all over the world (Maia, Lunardi, Dolci, & D'Avila, 2019).

OSNs or social media may sound like something casual and informal as the social networking platforms that allow users to post status updates, tag friends, share images, and join groups with other users that share common interests (Zheng et al., 2018). However, the rapid diffusion and expansion of OSNs has also transformed these platforms from being just a means of engagement with friends to a place for purchasing products and services (Wang, Tajvidi, Lin, & Hajli, 2020). Through highly detailed analytics, social media platforms are now implementing features such as ‘buy’ and ‘checkout’ functions to transform users’ browsing habits into new seamless shopping experiences (Appel, Grewal, Hadi, & Stephen, 2019). These features have also created massive business possibilities translating OSNs into real benefits for entrepreneurs.

OSNs provide a plethora of opportunities for retailers to reach consumers in a more economical and convenient way besides other benefits of lowering the operating cost and greater flexibility (Appel et al., 2019). In addition, other than functioning as a marketing tool for businesses, endless coverage of OSNs offers myriads of chances for local, small-scale retailers in promoting their products and services locally and globally, providing business information and support, as well as providing a database for businesses to gather feedback, data, and updates from the consumers; all these benefits can be obtained via a single OSN platform (Maia et al., 2019). As the growth of OSNs, it is inevitable that many entrepreneurs transform and incorporate online presence in their businesses to reap the benefits of this revolutionary trend of business. Businesses which did not jump aboard this Web 2.0 bandwagon would find themselves losing their competitive edge (Kaur et al., 2020).

Technological innovations of Web 2.0 give birth to the modern OSN sites exist today such as Facebook, Instagram, and Twitter which have given users more control over content and connectivity (Maia et al., 2019). The popularity of these social media platforms has fundamentally influenced the behaviour of users, who can now enjoy socializing while making informed purchases. Users now can use social media to obtain better products and services at affordable prices through the exchange of reliable information with other OSNs' users (Appel et al., 2019).

Gradually, the increase of social media platforms used by billions of people around the world has resulted in the creation of internet virtual societies who have the power to influence buying behaviour of social media users. The voice of consumers is rising, shifting purchasing power from the retailers to the shoppers (social media users), which can be observed through focused communities on Facebook, customer reviews on Instagram, and community dialogue on LinkedIn; users want to belong and to be heard, they crave a better buying experience (Appel et al., 2019; Hajli & Sims, 2015). Facebook, for example, reported having over 2.70 million monthly active users as of November 2020, making it the biggest social network worldwide followed with YouTube for 2 million, and Instagram with 1 million users (Statista, 2020). Globally, the total number of active social media users reported is 4.14 billion as of October 2020, covering 53% social media penetration for the whole population (Kemp, 2020). (Figure 1.1).

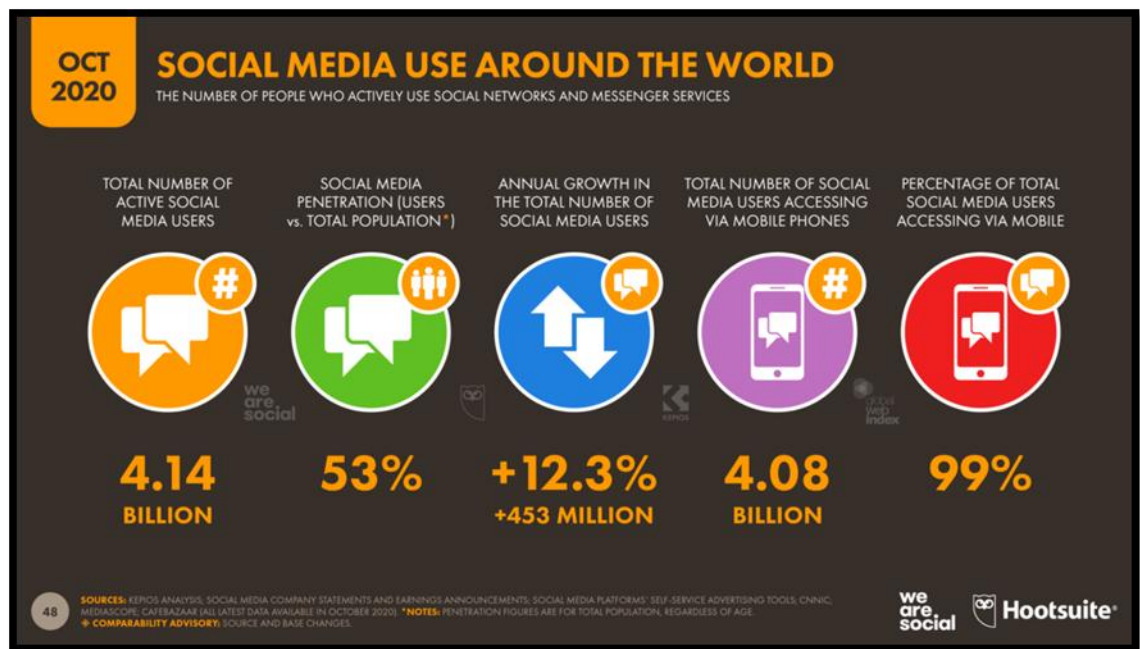


Figure 1.1: Social media use around the world (Kemp, 2020).

Given the massive potential audience available who are spending many hours a day using social media across various platforms (Figure 1.2), it is not surprising that businesses have embraced social media as a business and marketing channel (Appel et al., 2019). The exponential growth of these phenomenally popular platforms together with big shifts in users' purchasing behaviour have given rise to a new type of electronic commerce, modifying the way in which online purchases have been made (Hajli, Sims, Zadeh, & Richard, 2017; Lin, Li, & Wang, 2016). This euphoria is what people knew now as social commerce, which uses social media and social interaction as measures in all activities involving buying and selling goods and services.



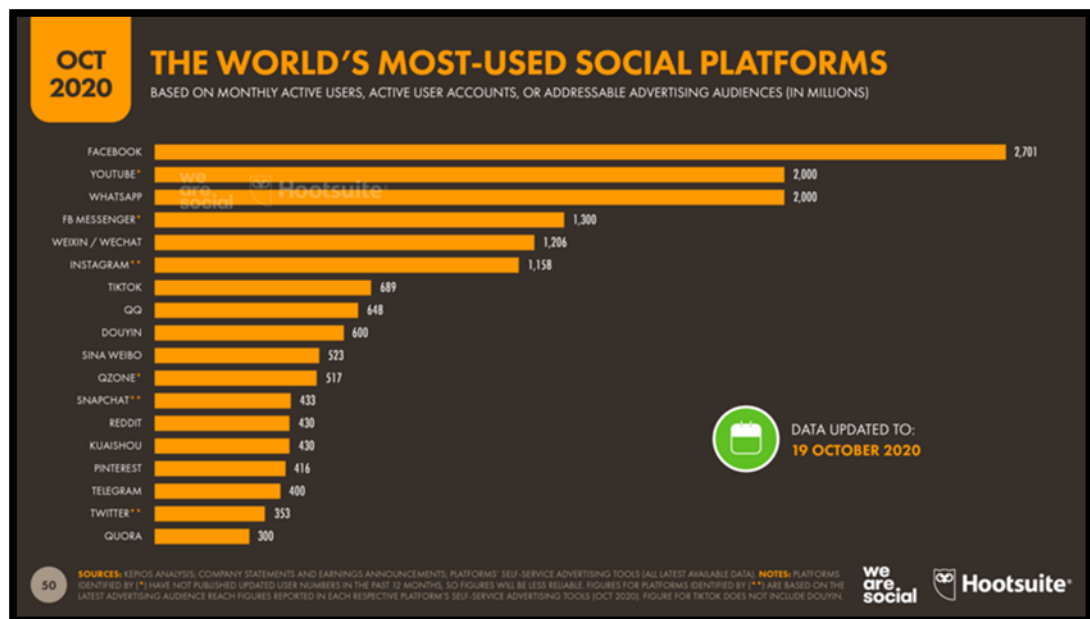


Figure 1.2: Most popular social networks worldwide as of October 2020, ranked by number of active users (in millions) (Kemp, 2020)

Social commerce is commonly referred as a subset of e-commerce that involves the use of social media to assist in online business transactions (Maia, Lunardi, Longaray, & Munhoz, 2018; Zhang & Benyoucef, 2016). It comprises of these three main attributes: (i) it must have social media technologies, (ii) it allows interactions and social participation between community, and (iii) it enables execution of commercial activities (Hajli et al., 2017; Lin et al., 2016). The main peculiarity of social commerce is in providing interactive environment and social participation where activities such as networking, information sharing, and collaborating exist to facilitate communication among consumers (Li & Ku, 2018). Users can ask for information, share opinions, and become an important source of information, while browsing and comparing goods and services, related to features, price, and suppliers, which can influence their purchase decision (Hajli et al., 2017).

The presence of social commerce redefines buying experience, where guided shopping and virtual reality become a new way of enhancing interaction, filling the void between clicks and bricks to deliver consumers a personalised experience (Abdel Karim, Abbass, & Farid, 2020; Maia et al., 2019). Social media platforms used during the commercial activities enhance consumers' participation, allow them to collect socially rich information and exchanging knowledge, which resulting a more reliable online transaction environment (Lu, Fan, & Zhou, 2016; Maia et al., 2018). Likewise, through social commerce, retailers can engage with consumers and gather information on latest demand and purchase habit of consumers via the social media platforms.

Real benefits await successful adopters of social commerce which bring significant gains to companies of all sizes and in all industries to seize all possible sources of advantage. From the perspective of organisations, social commerce has a great potential to generate value from social interactions carried out with consumers in virtual universe, proving to be an important marketing and sales channel (Lu et al., 2016; Wang et al., 2020). It is reported that more than 87% largest companies worldwide are present in at least one social media network (Social Network Users and Penetration in Worldwide, 2020), dominating the global online market together with distributors such as Alibaba and Amazon. However, rapid expansion of OSNs has also allowed the entry of start-ups, microenterprises, and smaller businesses given the nature of this market with low entry barrier (Maia et al., 2019).

Driven by millennials, the broad business platform of Facebook, Instagram, and Twitter create spaces for local microentrepreneurs to market their products, find business opportunities, and explore potential suppliers for their business sourcing (Christopher & Manuela, 2018). Social media channels allow smaller businesses to

sell their products to consumers globally and mark a tectonic shift in the retailer-consumer dynamic. It was reported that more than 67% of online business-to-consumer (B2C) sales would take place via virtual marketplaces by 2022 (Forrester, 2020). Social media helps more people to learn about products and services in a much faster and more cost-effective way than traditional media does, while at same time, online retailers can keep in touch with customers and keep them updated (Hajli et al., 2017).

Furthermore, social commerce has enabled micro, small, and medium enterprises (SMEs) to scale up their business weight and to compete against bigger brands on the market in a very cost-effective way (Appel et al., 2019). Now people are seeing the next wave of SMEs driving opportunity and growth in e-market. SMEs can benefit from 24/7 availability of services, reaching consumers directly, satisfying their needs, promoting relationship with customers, and exchanging information while increasing sales and improving productivity (Awa, Baridam, & Nwibere, 2015). Therefore, this scenario demonstrated that not only large organisations can run business via online medium, but SMEs can also set up online stores and offer online transactions to their customers.

Moving on, while this notion of technological advancement is cogent to explain the growth of social commerce, another potential impetus of social commerce spur is as a consequence of the world crisis. Before the global health crisis in 2020, a survey conducted by Avionos (Figure 1.3) reported that more than 80% of the US buyers expressing their concern about a recession in 2020 (Ryan, 2020). This issue became more concerning since the massive outbreaks of Coronavirus in late 2019 which posited a serious threat with profound consequences for the global economy. The

financial market is predicted to collapse with this sudden change of a new global recession (Majid, 2020).

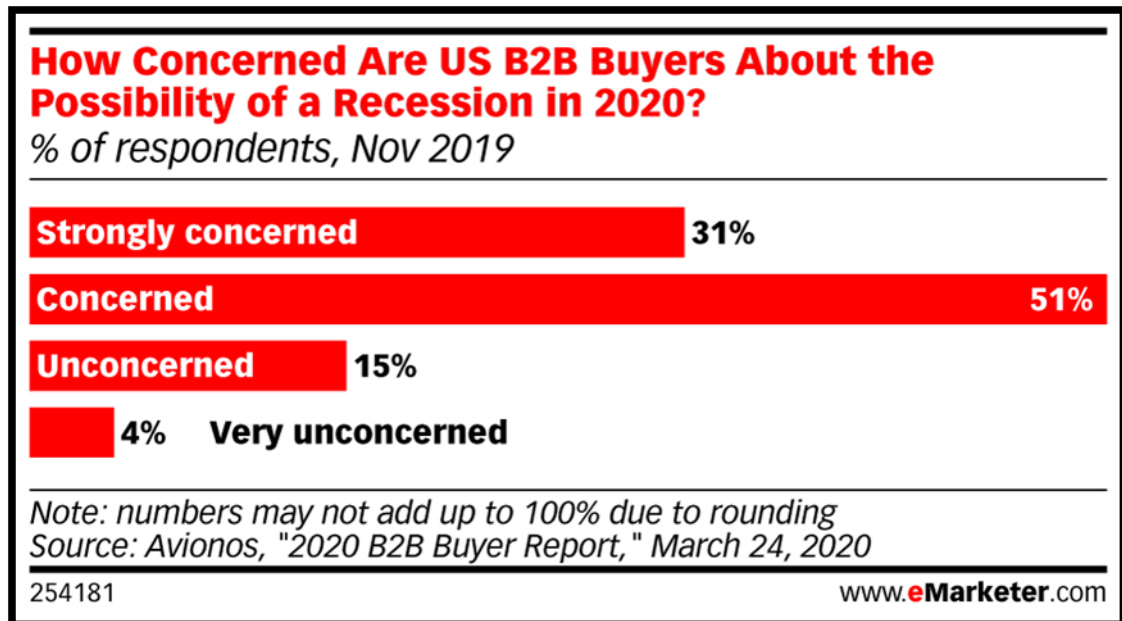


Figure 1. 3: Respond of US B2B buyers about the possibility of recession in 2020 (Ryan, 2020).

As the economic fallout progresses worldwide along with the pandemic concern, the consumers' behaviour has shifted; they became more aware of prices, practised selective buying, and preferred to purchase online (Kaur et al., 2020; Pärson & Vancic, 2020). The same goes for business buyers' buying behaviour who became more price-conscious, altering their spending categories and priorities to survive during Covid-19 pandemic (Pärson & Vancic, 2020). The sudden enforcement of Movement Restriction Order (MCO) by the government as a preventive measure causing various economic sectors to be in jeopardy and this circumstance not only impacted the larger businesses and distributors but also inhibited the income earned by the SMEs (Abdul Rashid, Hassan, & Ahmad, 2020; International Trade Centre, 2020). Tremendous contingency stimulus funding was offered by most countries to

support business sector and their workers who faced difficulties affected by the Covid-19 pandemic including tax and loans moratorium as well as incentives for SMEs to digitalise their business operation via social commerce (OECD, 2020).

The lockdown has already had a huge effect on people habits and may be a catalyst for permanent lifestyles changes. Many learn to communicate via video call and practice online purchasing through Instagram, Facebook, Twitter, and more (Maia et al., 2019). The continued upward trend for online social buying as a result of technological improvement as well as global health and financial crisis indicates that social commerce is on the brink of snowballing despite already being around for nearly a decade. It is therefore necessary to acknowledge social commerce considering the rapid shift of current technology, business trends, and global economic health which intensify the demands of digital economy. Thus, it can be concluded that social commerce defines the future, and therefore, retailers may need to make the shift catering to this trend of social commerce or else risk losing their business to migrating shoppers.

### **1.2.1 Social Commerce in Malaysia**

Malaysia social commerce market also shows positive development with the continuous increase of social media users annually (Abed, 2018; Yang, 2019). Statistics revealed that the number of social media users in Malaysia increased by one million between April 2019 and January 2020 (Social Media Ethics, 2020). As of January 2020, there were 26 million social media users in Malaysia with 81% social media penetration (Figure 1.4). Facebook, as the latest top global social media site, is also the most-used social media platform in Malaysia (Figure 1.5), with 26.5 million users as of November 2020, which accounted for 79.6% of its entire population, and a

huge increase from 25.5 million users in January 2020 (NapoleonCat, 2020). This is followed by Facebook Messenger with 22.1 million, and Instagram with 13.3 million users (NapoleonCat, 2020).

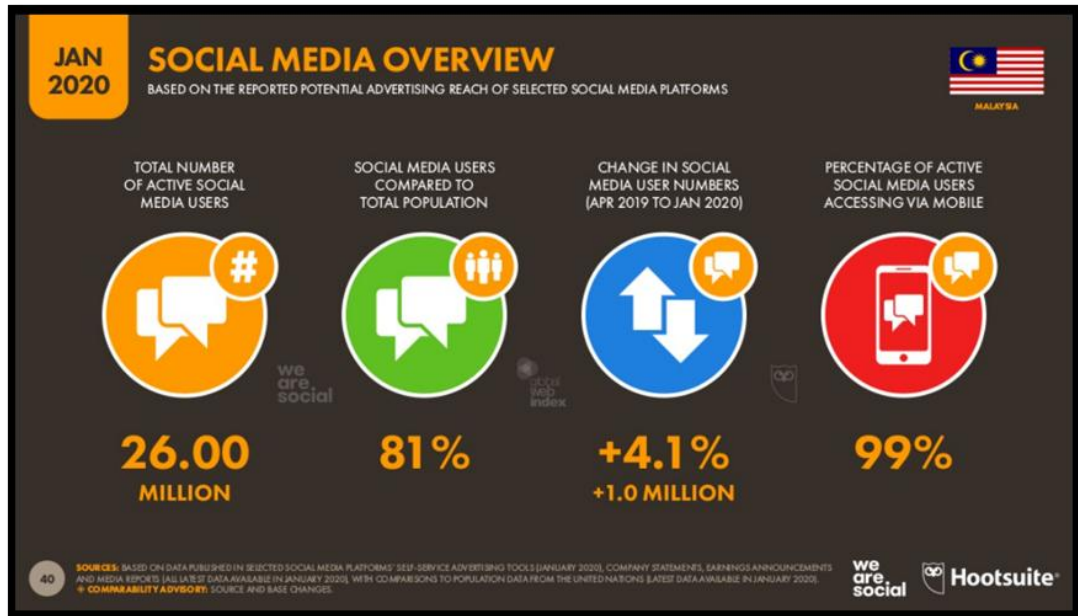


Figure 1.4: Social Media Overview in Malaysia (Social Media Ethics, 2020)

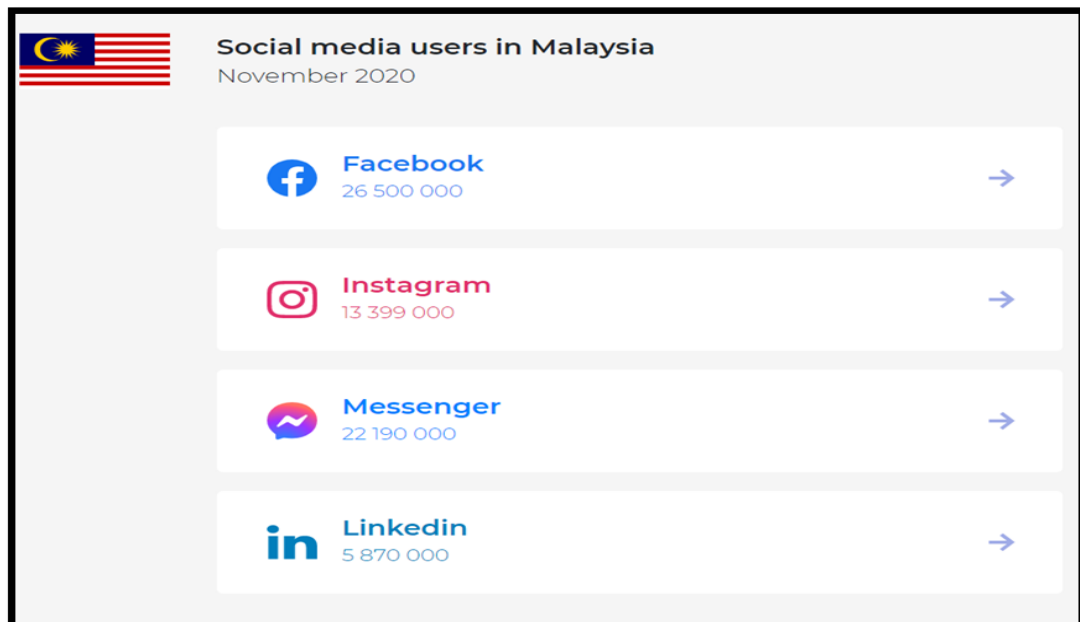


Figure 1.5: Most-used social media platforms in Malaysia (NapoleonCat, 2020).

This rising usage of social media users in Malaysia since the last few years has also led to a spike in social commerce and acknowledged by many entrepreneurs as a channel to start their business since no significant capital is required (Noor Azuan, Shifa, & Hawati, 2016). Noorshella et al. (2017) revealed that many young entrepreneurs have embarked on this phenomenal trend of utilising social media as a platform to sell products and it is reported that, as of July 2016, there were a total of 37,732 companies who operated their businesses online have registered with Companies Commission of Malaysia (SSM) (Astro Awani, 2017) and in 2019 the total number of new businesses has exceeded the earlier projection. According to the records of SSM, for the period of April to July 2019, a total of 82, 555 new businesses registered exceeding 95% the number of business closure applications received by SSM which is 4542 (The Sun Daily, 2020). This increase is therefore showcasing great potential of social commerce as a promising platform by retailers and entrepreneurs in Malaysia.

Microenterprises and other small and medium businesses have also started to incorporate social media, some even leapfrogging from their physical stores to social commerce knowing the significant gains their companies would receive (Noorshella et al., 2017; Wang et al., 2020). In order to improve the prospect of social commerce growth in Malaysia, the government provides widespread infrastructure as to allow more opportunities for Malaysians to access social commerce facilities. Micro-entrepreneurs and small businesses are encouraged to provide their goods and services via social commerce platforms to increase its usage. Incentives and subsidies are provided to support the novice along with ensuring technologies needed for social commerce development are available and aligned to the latest trend (Noor Azuan et al., 2016). The government has allocated RM140 million for training sessions, vendor

subsidies and sales assistance to support the SMEs and unleash their untapped potential in social commerce (SME Annual Report 2018/19, 2019). The global health crisis in has also affected local businesses including microenterprises in Malaysia and due to the enforcement of the Movement Control Order (MCO), many entrepreneurs could not open their stores, hence, began to shift to alternative approaches to ensure continuous operation of their businesses (Ahmad Raflis, Suraiya, & Mohd Abdullah, 2020).

One of the strategies employed by these businesses was by using digitalised selling and marketing through social media such as Facebook and WhatsApp due to the increasing demands and changes of consumers' purchase behaviour (Fabeil, Pazim, & Langgat, 2020; Palmatier, Sivadas, Stern, & El-Ansari, 2019). The Malaysian government responded to the coronavirus threat by launching Prihatin Rakyat Economic Stimulus Package (PRIHATIN) on March 2020 with the purpose to ease financial burdens of the individuals and businesses (Prihatin Rakyat Economic Stimulus Package 2020, 2020). A total of RM3.3 billion budget was allocated to assist SMEs in sustaining business operations, employment, and domestic investment. An allocation of RM 1000 grants was provided to 10,000 e-commerce entrepreneurs, and RM 20 million was given to Malaysian Digital Economy Corporation to transform the rural internet centers into e-commerce hubs (Team, 2020). In addition, The PRIHATIN SME+ package amounted to RM10 billion was also allocated to SMEs for their survival through the MCO phases (Team, 2020). The new financing facility of RM2.1 billion was also announced in terms of microenterprises loan with the maximum amount of RM3000 per eligible company (Ahmad Raflis et al., 2020; Shah et al., 2020). Therefore, all the initiatives provided by the government discussed above



indicate the importance of social commerce and digital economy to the SMEs especially microenterprises to survive in current economic situation.

### 1.2.2 Supplier Selection in Malaysia Social Commerce Microenterprises

Microenterprises, like their small and medium businesses counterparts, continue to proliferate and play important roles in achieving sustainable economic growth in Malaysia, providing a strong foundation for the development of new industries as well as strengthening existing ones. It is reported that, out of the total number of 693 SMEs establishments reported, 76.5% of them are microenterprises (Yong, 2019). Despite the proliferation, microenterprises generally are facing many constraints ranging from financial issues, supply sourcing challenge, poor management, lack of sales and marketing skills, as well as inadequate knowledge and latest tools of technology (Ahmad Raflis et al., 2020; Kavak, Tunçel, & Özyörük, 2015). The challenges faced are relatable given their nature with the least sales turnover and limited capital (Figure 1.6).

<b>Size</b>	<b>Manufacturing</b>	<b>Services and other sectors</b>
Medium	Sales turnover between RM15 mil and RM50 mil <b>OR</b> Between 75 and 200 employees	Sales turnover between RM3 mil and RM20 mil <b>OR</b> Between 30 and 75 employees
Small	Sales turnover between RM300,000 and RM15 mil <b>OR</b> Between 5 and 75 employees	Sales turnover between RM300,000 and RM3 mil <b>OR</b> Between 5 and 30 employees
Micro	Sales turnover below RM300,000 <b>OR</b> Less than 5 employees	Sales turnover below RM300,000 <b>OR</b> Less than 5 employees

Figure 1.6: Definition of small and medium enterprises in Malaysia. (Official National SME Definition, 2020).

To overcome these challenges, many microenterprises have started to incorporate social media knowing the significant gains it offers to their companies (Noorshella et al., 2017; Wang et al., 2020). Social commerce channels allow these businesses to sell their products to consumers locally and globally as well as purchase supplies from multi-level vendors in the supply chains (Maia et al., 2019). However, the decision in choosing social commerce as the medium of business and marketing platform posits another challenge to microenterprises in Malaysia.

Due to the volatility in technology, social commerce continues to evolve, rising complexities and uncertainties. Many things would rapidly change in response to people demands, preferences, and lifestyle, which result in a new nature of sourcing that is more challenging and not to be ignored (Abed, 2018). Hence, microenterprises, like any other sorts of business companies, are facing similar issues of addressing the pressures of rapidly changing conditions, demands, and competition in the local and global market following drastic technological changes and sporadic waves of shoppers in the digital commerce landscape (Appel et al., 2019).

To be able to survive this competitive environment, social commerce microenterprises need to constantly revisit their offerings and refine their current supply sources or risk getting lost in the shuffle (Kaushik, Kumar, Gupta, & Dixit, 2020). As discussed in the previous section, social commerce ushered in a revolution in buying behaviour in the B2C market, simultaneously, take hold a similar change in the business-to-business (B2B) market. B2B buying behaviour is also undergoing a step change adapting to this transformation; one area that is hugely impacted is supplier selection and purchasing function (Pärson & Vancic, 2020). It is a necessary for social commerce microenterprises to reassess their decision in supplier selection

and examine factors that shaped their selection behaviour of choosing suppliers to retain a competitive edge and remain relevant to consumers (Prayoga, Setiawan, & Rohman, 2018). Due to the competitive nature of social commerce, microenterprises would favour suppliers who possess the capacity of supplying products that meet customers' ever-changing demands. Since there are myriads of attributes and aspects of suppliers, the criteria that is decided upon needs to be carefully evaluated as improper analysis may cause social commerce microenterprises to suffer the cost of sourcing changes and the delay on product delivery (Pärson & Vancic, 2020).

Among the potential criteria is suppliers who can provide the best terms of price suitable to the capability of microenterprises (Ivanova & Slavova, 2020). Besides, venturing their business in social commerce which connoted fast and convenient shopping experience, the aspect of supplier delivery performance would be prioritised by microenterprises along with product warranty to ensure safe online shopping experience to the consumers (Kaushik et al., 2020). Moreover, the volatility of social commerce and rapid shift in global market environment calling for consideration of factors other than supplier performance and products attributes. These factors could be the shift of consumers' purchasing behaviour, societal demands, environmental changes, and so on. Even more so, it is worth to note the distinction of operation and purchasing behaviour of social commerce microenterprises and their other business counterparts since buying behaviour of organisations are likely to vary because their objectives, resources, and abilities are different and affected by different factors (Pandey & Mookerjee, 2018). Therefore, since supplier selection and organisational purchasing behaviour are contextually driven, it is imperative for social commerce microenterprises to consider proper evaluations and examinations to ensure their survival and remain competitive in the market.

### **1.3 Problem Statement**

Social commerce continues to be a critical hub of product sourcing for both businesses and individuals, as mentioned in the previous section, it is projected that 67% of online sales would take place via virtual marketplaces by 2022 (Forrester, 2020). In regard of B2B, the past years have witnessed the evolution of a global market environment, which traditionally has been the battlefield of large, multinational corporations dominating the online space.

Today, the result of technological advancement and globalisation resulting in a dramatic inclusion of small businesses and microenterprises, driven by millennials who are reaping the opportunity of social commerce by offering a fast, easy, and frictionless online shopping experience to the consumers (Maia et al., 2019; Wang et al., 2020). Microenterprises are typically characterised by limited financial resources which affect their business marketing activities and supply sourcing to compete with larger business organisations (Kavak et al., 2015). Thus, operating via social commerce has become a potential strategy which help these companies to connect with customers and gain competitive advantage (Fabeil et al., 2020).

This situation is even more prevalent given the fact that these microenterprises have contribute significantly to a country's gross domestic product, export performance, and national employment. Hence, there is a need for microenterprises to review their strategy and approach to remain competitive. This includes examining the potential contribution suppliers can make for their businesses and reconsideration of strategic supply chain partnerships to function with maximum benefit (Maia et al., 2019). Thus, supplier selection becomes a central concern and the B2B purchasing

process has established into a critical management discipline and functional practices that are prevalent for microenterprises.

The ability to provide customers satisfaction considered as an essential ingredient of business success. In order to compete effectively in the world market while fulfilling customers' demand, it becomes a necessity for microenterprises to build their knowledge and understanding on purchasing function and develop a network of competent suppliers. Supplier selection is designed to create and maintain such a network and to improve B2B buyer-supplier capabilities that are necessary for B2B buying organisations (microenterprises) to remain competitive. Therefore, evaluation and selection of suppliers are critical for microenterprises today and by developing effective supply base management strategies can help microenterprises to counter competitive pressures brought about by intense global competition.

Comparing with other larger organisations, microenterprises have a greater need to gain competitive advantage by controlling unit cost and for greater interaction with their suppliers. However, the basic problem faced by microenterprises are their size and lack of power, even more concerning, size and experience of an organisation determine the levels of cooperation in seller-supplier relationship (Kavak et al, 2015). While a lot of research on supply chain management and B2B organisation purchasing practice have focused on larger organisations, the strategy and guidelines provided may not be implementable to the microenterprises with their constraints. Given the limited sources they possess, microenterprises would be able to reap the most benefits from supply chain management practices; strategically managing their supply chain can be an effective way to diffuse new technologies and to enter new markets.

Supplier selection involves factors that organisations use when selecting supply providers and the evaluation process often involves simultaneous consideration of supplier performance attributes. Previous studies have proven that suppliers who manage to provide the best in terms of price, quality, delivery, and warranty performance would ensure higher returns to the businesses (Kaushik et al., 2020). The pricing factor plays a prominent role in the selection of suppliers, and there is indeed truth along this view especially in the scope of microenterprises who with their limitation would naturally opt for suppliers who can provide products or services at lower prices (Ivanova & Slavova, 2020).

However, to achieve business efficiency, decision to select suppliers should not be confined to just price factor, instead, should also include other relevant conditions (Pärson & Vancic, 2020). Among other attributes utilized for evaluating vendors performance is quality, followed by delivery, and other criteria of equal importance (Kaushik et al., 2020). Businesses which have preference for quality products or services usually have good relationships with their suppliers. Since both sides do not have to deal with a lot of quality issues, superior supplier delivery performance can be achieved (Kaushik et al., 2020).

Moreover, with the advancement of social commerce, microenterprises can obtain their suppliers with the click of a button and often expect delivery to be equally speedy. To be able to offer instantaneous service to live up to customers' expectations demands modernisation in the supply chain; research showed that the main driver for supply chain innovation is delivering an enhanced customer experience (Alam, 2020). Since social commerce is all about offering a fast, easy, and frictionless online shopping experience, suppliers have to invest heavily in their supply chains as B2B

buyers show an increasingly insatiable appetite for cheaper and faster delivery times in response to the consumers' demands (Kaushik et al., 2020). Suppliers which failed to adapt to modern customer behaviour and demand their places on supply chains would find themselves struggling to compete.

There are other factors apart from suppliers' performance attributes that should be taken into consideration. The changes in B2B buyer behaviour of selecting suppliers can also be contributed from social environment, this includes norms and beliefs of the society (Pärson & Vancic, 2020). With regard to the buyer-seller relationship, the influence of social element has become more relevant and is regarded to be more definitive in the steps of deciding the supplier (Kavak et al., 2015). Meanwhile, the ability for both parties to establish active mutual collaboration which result in strong relationship could also influence supplier selection decision (Famiyeh & Kwarteng, 2018).

Hence, in selecting suppliers, social commerce microenterprises have to decide on the combination of factors which should be given priority and may have to trade off other attributes during the selection process (Asgari, Abbasi, & Alimohamadlou, 2016). Supplier selection is contextual in nature that the selection of criteria depends very much on business condition and requirements with the integration of overall business strategies which support the goals and objectives of the businesses, hence, factors that are critical for one company may not be so important for another company even though they both come from the same industry (Pandey & Mookerjee, 2018). Thus, it is also indicative to consider the overall factors before final selection decision of the supplier since careful consideration of these factors is of high importance in order to ensure better survival of social commerce microenterprises.

In addition, with the changes in the business nature due to technological innovation as well as the shift in buying behaviour, it is rather worth to investigate the factors that influence these changes by specifically looking at purchase behaviour of the social commerce microenterprise since organisations vary in their nature of potential markets and buying behaviour. Nevertheless, within the microenterprises industry in Malaysia, techniques or approaches adopted in understanding supplier selection behaviour and purchasing behaviour of social commerce microenterprises is scarce.

In regard of the issues discussed above, the current study attempts to examine eight constructs believed to be the influencing factors that predict the supplier selection behaviour in regard of social commerce microenterprises in Malaysia namely attitude, subjective norm, perceived behaviour control, service warranty, delivery, relationship, quality, and price. All the factors are examined to determine their merit in influencing social commerce microenterprises' supplier selection behaviour during the purchasing process. Social commerce microenterprises in Malaysia are selected as the scope of study due to their prominence contribution in Malaysia's economy.

#### **1.4 Scope of Study**

The scope of this study is on the factors that influence supplier selection behaviour of social commerce micro enterprises in Malaysia. The participants to this study involve local, SSM registered microenterprises in Malaysia who are actively involved in social commerce and their main business operation is via Online Social Media sites such as Facebook, Instagram, and Twitter. A set of questionnaires was distributed to the respondents by e-mail to measure the variables encompassing



attitude, subjective norm, perceived behaviour control, service warranty, delivery, relationship, quality, price, behavioural intention, and supplier selection behaviour.

### **1.5 Research Questions**

Based on the existing literature, hypotheses are developed to explain the variables' relationship (i.e., attitude, subjective norm, perceived behaviour control, service warranty, delivery, relationship, quality, price, behavioural intention, and supplier selection behaviour).

This study aimed at understanding the proposed framework by attempting to answer the following research questions:

1. Do attitude, subjective norm, perceived behaviour control, service warranty, delivery, relationship, quality, and price influence behavioural intention of social commerce microenterprises in supplier selection?
2. Does behavioural intention influence social commerce microenterprises' behaviour in supplier selection?

### **1.6 Research Objectives**

Research objectives are used in pursuant of the stated research questions and are the basis of which hypotheses used to test the proposed framework would be based on. Referring to the previous section, this study engages in the following research objectives:

1. To study the influence of attitude, subjective norm, perceived behaviour control, service warranty, delivery, relationship, quality, and

price on behavioural intention of social commerce microenterprises in supplier selection.

2. To investigate the influence of behavioural intention on social commerce microenterprises' behaviour in supplier selection.

## **1.7 Significance of the Study**

Since supplier selection is detrimental to ensure business survival and performance, it is important to take an appropriate approach to understand supplier selection behaviour in order to mitigate the risk volatility of suppliers for social commerce microenterprises. Effective supplier selection decision, while ensuring continuous supply of products and services, also have a bearing on the company's bottom line by reducing its cost and increasing profit margin (Kaushik et al., 2020). Therefore, the assessment of factors must be given due emphasis since this measure can help determine the success of social commerce microenterprises. Understanding the factors influencing supplier selection decision would help metacognitive process of the target group during the decision-making process (Pärson & Vancic, 2020). This study has sought to examine the influencing factors determining supplier selection behaviour of social commerce microenterprises in Malaysia. Hence, the significance of this study can be seen from two perspective which are theoretical and practical as elaborated below.

### **1.7.1 Theoretical Significance**

From the theoretical perspective, this research develops the body of literature related to identify and discuss selection intention and supplier selection behaviour when supplier performance attributes and behavioural factors are included as

independent variables in this study. As mentioned in the previous section, there is a scarcity of studies in the area of social commerce microenterprises' supplier selection and purchasing behaviour in Malaysia context. This study attempts to fill this gap by examining important factors which influence social commerce microenterprises decision during supplier selection. Therefore, this study contributes to the understanding of the drives of social commerce microenterprises' intention and behaviour in supplier selection by assessing, analysing, and prioritizing the identified factors.

Using the Theory of Planned Behaviour (TPB) from Ajzen (1991) as the underpinning theory, this study attempts to develop an extension of the theory by integrating five constructs of supplier performance attributes and the three TPB constructs to examine their influence on intention to choose supplier and their significance in determining supplier selection behaviour. The researcher extended the Theory of Planned Behaviour with consideration of factors namely attitude, subjective norm, perceived behaviour control, service warranty, delivery, relationship, quality, and price. This extended TPB is then applied to examine which factor determining social commerce microenterprises' behaviour in supplier selection. Prior literature in Malaysia which study influencing factors of B2B supplier selection decision involving microenterprises scarcely utilized TPB as an effort to understand the drives of this conduct. Hence, this study contributed to the body literature by identifying and highlighting influential factors and possible outcomes of supplier selection behaviour among social commerce microenterprises in Malaysia.

### **1.7.2 Practical Significance**

The study also postulates some practical benefits in providing additional insights about the driving factors influencing purchase intention and supplier selection decision for social commerce microenterprises in Malaysia to formulate strategies and thoroughly examine their verdict when choosing their suppliers. The study on the factors that influence supplier selection of social commerce microenterprises in Malaysia provides valuable know-how regarding the significance of selecting suppliers and enabling them to gain greater profits while productively performing in the supply chain.

This study also provides an empirical guideline to social commerce microenterprises in Malaysia in supplier selection for their business context and therefore encouraging them to invest in these initiatives using the right methodologies, without affecting their business reputation. It is hoped that the findings of this research would help those in the sector especially the novice businesses for better business performance. This study also hopes to provide useful insights for social commerce microenterprises in Malaysia regarding the roles of each factor studied that influence supplier selection decision. It is important for social commerce microenterprises to be able to identify these important factors that can help them to improve their business performance and further enhance their business competitiveness in the marketplace. The results of this study can also be applied by social commerce microenterprises in Malaysia to improvise their objectives and future direction. Therefore, it is hoped that this research would be of benefit to the scholarly practitioners and researchers, at the same time improve the quality of social commerce microenterprises in Malaysia, thus contributes to improving Malaysia's economy.