

**THE MEDIATING ROLE OF MARKETING INNOVATION BETWEEN INTERNAL SOCIAL MEDIA UTILIZATION AND BUSINESS PERFORMANCE OF SMES IN SAUDI ARABIA**

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ARTICLE INFO	ABSTRACT
<p><b>Article history:</b></p> <p><b>Received</b> 20 February 2023</p> <p><b>Accepted</b> 08 May 2023</p>	<p><b>Purpose:</b> The usage of social media (SM) by small and medium enterprises (SMEs) received relatively less attention and the findings in the literature are mixed in terms of the effect of SM on SME performance. The purpose of this study is to examine the effect of SM utilization on SME business performance (SMEBP) in Saudi Arabia.</p>
<p><b>Keywords:</b></p> <p>Internal Social Media Utilization; SME Performance; Marketing Innovation; Profitability; Business Growth.</p> <div data-bbox="172 1041 480 1288" style="text-align: center;">  </div>	<p><b>Theoretical Framework:</b> Based on the resource-based view, this study proposed that SM internal utilization (SMIU) affects positively the SMEBP and marketing innovation (MI). MI is expected to affect the SMEBP and mediate the effect of SMIU on SME performance (profitability (PR) and business growth (BG)).</p> <p><b>Design/Methodology/Approach:</b> The population of this study is the SMEs in Al-Riyadh city in Saudi Arabia. A simple random sampling is deployed. The data was collected using a questionnaire. A total of 451 respondents representing SMEs participated in this study.</p> <p><b>Findings:</b> The finding was derived using Smart PLS version 4. The findings showed that SMIU affected positively PR and BG of SME and MI. MI affected positively the PR and BG of SME and mediated partially the effect of SMIU on PR and BG of SME.</p> <p><b>Research practical Implication:</b> Decision makers are advised to deploy SM more effectively and to create a rewarding culture for innovative ideas to improve performance.</p> <p><b>Originality/Value:</b> This study helps to enhance the understanding regarding the role of marketing innovation and social media internal usage in improving the performance of SMEs in emerging economies.</p> <p>Doi: <a href="https://doi.org/10.26668/businessreview/2023.v8i5.1811">https://doi.org/10.26668/businessreview/2023.v8i5.1811</a></p>

**O PAPEL MEDIADOR DA INOVAÇÃO DE MARKETING ENTRE A UTILIZAÇÃO INTERNA DE MÍDIAS SOCIAIS E O DESEMPENHO COMERCIAL DE PMES NA ARÁBIA SAUDITA**

**RESUMO**

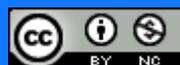
**Objetivo:** O uso de mídia social (SM) por pequenas e médias empresas (PMEs) recebeu relativamente menos atenção e os resultados da literatura são mistos em termos do efeito do SM no desempenho da PME. O objetivo deste estudo é examinar o efeito da utilização de SM no desempenho de negócios de PME (SMEBP) na Arábia Saudita.

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**Referencial Teórico:** Com base na visão baseada em recursos, este estudo propôs que a utilização interna de SM (SMIU) afeta positivamente o SMEBP e a inovação de marketing (MI). Espera-se que o MI afete o SMEBP e medeie o efeito do SMIU no desempenho das PME (rentabilidade (PR) e crescimento dos negócios (BG)).

**Desenho/Methodologia/Abordagem:** A população deste estudo são as PMEs na cidade de Al-Riyadh, na Arábia Saudita. Uma amostragem aleatória simples é implantada. Os dados foram recolhidos através de um questionário. Um total de 451 respondentes representando PMEs participaram deste estudo.

**Descobertas:** A descoberta foi derivada usando o Smart PLS versão 4. As descobertas mostraram que SMIU afetou positivamente PR e BG de SME e MI. MI afetou positivamente o PR e BG do SME e mediu parcialmente o efeito do SMIU no PR e BG do SME.

**Implicação prática da pesquisa:** Os tomadores de decisão são aconselhados a implantar o SM de forma mais eficaz e a criar uma cultura gratificante para ideias inovadoras para melhorar o desempenho.

**Originalidade/Valor:** Este estudo ajuda a melhorar a compreensão sobre o papel da inovação de marketing e do uso interno de mídia social na melhoria do desempenho das PMEs em economias emergentes.

**Palavras-chave:** Utilização Interna de Mídias Sociais, Desempenho de PME, Inovação de Marketing, Rentabilidade, Crescimento de Negócios.

## EL PAPEL MEDIADOR DE LA INNOVACIÓN DE MARKETING ENTRE LA UTILIZACIÓN INTERNA DE LAS REDES SOCIALES Y EL RENDIMIENTO COMERCIAL DE LAS PYME EN ARABIA SAUDITA

### RESUMEN

**Propósito:** El uso de las redes sociales (SM) por parte de las pequeñas y medianas empresas (PYMES) recibió relativamente menos atención y los hallazgos en la literatura son mixtos en términos del efecto de SM en el desempeño de las PYMES. El propósito de este estudio es examinar el efecto de la utilización de SM en el desempeño comercial de las PYMES (SMEBP) en Arabia Saudita.

**Marco teórico:** basado en la visión basada en recursos, este estudio propuso que la utilización interna de SM (SMIU) afecta positivamente a SMEBP y la innovación de marketing (MI). Se espera que MI afecte a SMEBP y medie el efecto de SMIU en el desempeño de SME (rentabilidad (PR) y crecimiento comercial (BG)).

**Diseño/Methodología/Enfoque:** La población de este estudio son las PYMES en la ciudad de Al-Riyadh en Arabia Saudita. Se implementa un muestreo aleatorio simple. Los datos se recogieron mediante un cuestionario. Un total de 451 encuestados que representaban a las PYME participaron en este estudio.

**Hallazgos:** El hallazgo se derivó utilizando Smart PLS versión 4. Los hallazgos mostraron que SMIU afectó positivamente a PR y BG de SME y MI. MI afectó positivamente a PR y BG de SME y medió parcialmente el efecto de SMIU en PR y BG de SME.

**Implicación práctica de la investigación:** se recomienda a los responsables de la toma de decisiones implementar SM de manera más eficaz y crear una cultura gratificante para las ideas innovadoras para mejorar el rendimiento.

**Originalidad/Valor:** este estudio ayuda a mejorar la comprensión sobre el papel de la innovación en marketing y el uso interno de las redes sociales para mejorar el desempeño de las pymes en las economías emergentes.

**Palabras clave:** Utilización Interna de las Redes Sociales, Rendimiento de las Pymes, Innovación de Marketing, Rentabilidad, Crecimiento Empresarial.

### INTRODUCTION

Small and Medium Enterprises (SMEs) are considered the pillar of economic development and sustainable growth in the economy of both developed and developing countries (Chen et al., 2023). The contribution of SMEs to gross domestic product (GDP) and employment in most countries is high. SMEs play a significant role in developing countries (Akpan et al., 2022; The World Bank, 2021). This is a sector that is regarded as a significant contributor to the economy through processes such as creativity, technological advancement,

organizational change and creativity, employment opportunities, business growth, wealth creation, and other aspects of overall social development and industrial expansion (Dey et al., 2019). However, a recent report by the World Bank indicated that SMEs are under pressure to create more jobs as the need for jobs will increase by 600 million by 2030 to meet the growth in the population (The World Bank, 2021). This pressure is associated with the limited capabilities of SMEs to access funds or borrow from banks. In addition, the high competition that SMEs are facing due to increased competition is affecting their survival (Bocconcelli et al., 2017). It becomes clear that SMEs are finding it increasingly difficult to maintain and improve company performance. Moreover, the outbreak of COVID19 has presented the most ever difficult challenge for SMEs and threatened and still threatened their survival (Akpan et al., 2022; Chen et al., 2023). After almost a year since the spread of the pandemic, almost all businesses around the world have been affected by the coronavirus virus. All companies, especially small and medium-sized enterprises, were affected by the COVID-19 pandemic due to their weaknesses in financial and human resources (Patma et al., 2021). According to empirical research from throughout the world, 60% of SMEs are in danger of running out of financial reserves, and 50% of SMEs have temporarily stopped operating due to the shutdown (Bartik et al., 2020; Ramdan et al., 2022). However, the pandemic led to significant changes in business activities and the way companies think. To meet this challenge and survive in this environment, SMEs have to deploy technology to enhance their performance (Baqleh & Alateeq, 2023). Technology can affect business performance both directly and indirectly. At the strategic levels of an enterprise, new technologies alter the risks (Bhunja & Shome, 2023). Information technology (IT) was initially primarily used to automate business processes, but today it is seen as the primary force behind an enterprise's value creation. Social media's influence has altered global producers' and consumers' behaviors (Bitiktas & Tuna, 2020). It enables seamless communication between customers and businesses. Many SMEs are still unaware of the many benefits that social media can offer them. Most SMEs keep struggling to reap the advantages offered by social media due to their lack of technological knowledge, while some SMEs perform better in their marketing through social media channels (Pourkhani et al., 2019). Today, using (SM) as a tool for the company is essential (Bitiktas & Tuna, 2020) and SMEs are under growing pressure to employ techniques such as SM in order to survive (Guo et al., 2020). However, there are internal and external uses of SM in the enterprise. External usage focuses more on relationships with customers and business partners. These include dealing with consumers on social media platforms like Facebook, Twitter, YouTube, and others

(Mpandare & Li, 2020). On the other hand, internal usage is related to internal business processes, communication, and sharing of knowledge. Yammer, IBM Connections, and Skype Business are a few examples of internal social media platforms (Mpandare & Li, 2020). In order for SMEs to improve their performance, they must be able to use SM effectively. Against this background, the use of SM by SMEs is still under researched (Borah et al., 2022; Corral de Zubielqui & Jones, 2022). Prior literature focused on either the external adoption of technology by users, such as the adoption of SM for purchasing products and services (Tien et al., 2019; Zhao et al., 2019) or on the external utilization of SM by companies to meet the expectations of clients and business partners (Ahmad et al., 2018). The internal utilization of SM by SMEs was examined in a few studies (Corral de Zubielqui & Jones, 2022; Mpandare & Li, 2020). More significantly, there is still variability in how enterprise SM affects business performance (Caya & Mosconi, 2022; Kirchner et al., 2022). The utilization of SM is not the only way to improve the performance of firms. Researchers also suggested that SMEs need to be more innovative to meet the challenges of high competition, develop new products and services, identify and meet the expectations of customers and enhance their performance (Evans & Bosua, 2017). Innovations in general have a significant and positive impact on the growth of SMEs, and companies that do not take innovative initiatives put themselves at greater risk (Hu et al., 2020). One of the important types of innovation is marketing innovation (MI) and this type is essential for improving the process and product innovation of companies (Purchase & Volery, 2020). However, prior literature focused more on the process and product innovation and their links with performance, while few have examined MI (Hu et al., 2020; Sethibe & Steyn, 2016). This could be due to the fact that MI was introduced in 2005 in the Oslo Manual and later researchers started to look into the capability of this type of innovation; MI, for improving the performance of companies (Purchase & Volery, 2020). Nevertheless, the results pertaining to innovation and its impact on BP are still mixed (Apanasovich et al., 2017; Hu et al., 2020; Alakrash et al., 2022). For this reason, several studies suggested the need to include MI to understand its effect on performance (Saunila, 2020; Siriram, 2022) or the variables that can affect MI (Yuliana & Kristiana, 2021). This study focuses on SMEs in Saudi Arabia. The contribution of SMEs to GDP reached 20%, which is lower than the Arab region average of 22% or the global average of 34% (Faridi & Malik, 2019; Stepanyan et al., 2019). The country is highly dependent on oil for funding its budget and expenditure. Saudi's Vision 2030 aims to support the development of SMEs and their contribution to economic growth (Tripathi et al., 2020). SMEs in Saudi Arabia are encouraged to be more innovative to meet the challenges of

the current environment. Based on the above, this study aims to examine the effect of the SM internal utilization (SMIU) on MI and the performance of SMEs. The study also aims to examine the direct effect of MI on SME performance. Further, the study examines the mediating role of MI between SMIU and SMEs performance. The remainder of this paper discusses the literature review, methodology, findings, discussions, and conclusions.

## LITERATURE REVIEW

This section discusses the theoretical framework as well as SMEBP along with the MI and SMIU.

### Theoretical Framework

Resource based view (RBV) attributes superior performance to organizational resources and capabilities (Bharadwaj, 2000). RBV views an organization as a bundle of resources and capabilities (Bharadwaj, 2000). RBV suggested that companies can enhance their performance by using their resources and capabilities. Using technology and having innovative practices have the potential to improve SMEBP (Rivard et al., 2014; Soto-Acosta et al., 2016). Innovation is a capability of SMEs that can be utilized to improve SMEBP (Bakar & Ahmad, 2010; Terziovski, 2010). Previous studies in the context of SMEs have deployed the theory to explain the effect of innovation and the usage of technology on performance. For instance, researchers i.e., (Bakar & Ahmad, 2010; Lukovszki et al., 2020; Terziovski, 2010) used the theory to explain the effect of innovation on SMEBP. The impact of the usage of SM on firm performance also was examined using the RBV (Rivard et al., 2014; Soto-Acosta et al., 2016). RBV is deployed in this study to explain the effect on SMIU on MI and the effect of MI on SMEBP. Utilizing SM and using MI are the capabilities of enhancing SMEBP.

### SME Business Performance

BP is one of the key-dependent variables of interest to researchers in all areas of management (Kotane & Kuzmina-Merlino, 2017). BP is the firm's ability to achieve results in a dimension indicated by an objective. As a result, the company must have a goal to accomplish, and performance is assessed based on achieving this goal (Kotane & Kuzmina-Merlino, 2017). Business performance is a firm's capacity to adjust to changes in the market environment, which includes customers, competitors, and other power forces that have the ability to change how business is conducted (Rekarti & Doktoralina, 2017). Therefore, for a good business

performance, proper management, a better marketing strategy, and good financial planning are required (Aragón-Sánchez & Sánchez-Marín, 2005; Kotane & Kuzmina-Merlino, 2017). The performance of (SMEs) is evaluated by Aragón-Sánchez and Sánchez-Marín (2005), with reference to three factors: profitability, productivity, and marketing (business growth).

This study measure BP by profitability (PR) and business growth (BG). PR is the volume of profit or income that a company is capable of producing within its finite capital. Organizations exist to improve their financial performance (Azhar et al., 2019). The second indicator is BG, which has mixed results in the literature as a measure of firm performance. Researchers have emphasized the importance of BG as a significant measure of SMEBP (Rosli & Abdullah, 2015). In particular, the use of growth as a metric of firm performance is based on the conviction that growth is a prerequisite to achieving sustained competitive gains and PR (Markman & Gartner, 2002). Thereby, the performance of Saudi SMEs is measured from two perspectives related to financial performance, namely: PR and BG.

### **Social Media Utilization by SMEs**

The growing popularity of SM among SMEs has drawn the attention of scholars. Previous studies have largely focused on determining what aspects of business settings might be used as predictors of whether or not SMEs would adopt SM (Eze et al., 2021; Patma et al., 2021). The effectiveness of an SM platform and the vast number of its users are two of the most important factors for SME when deciding which one to use. There is evidence from scholarly studies that shows that when SMEs implement SM, it improves SME management in many countries (Belás et al., 2021). A number of studies and observation have gone into documenting and understanding this occurrence. Multiple studies have found that SM has the potential to accelerate an organization's globalization efforts and cut expenses in the process. This may be especially true for new businesses, which face a unique set of difficulties in the current economic climate (Almeida & Santos, 2020).

According to Guo et al., (2020) the use of digital technology aids SMEs in surviving and adjusting to the challenges they face. Their findings highlight the value of information technology in assisting SMEs in overcoming the obstacles brought on by various crises. Similar to this, Gerald et al., (2020) asserted that exercising strategic agility helps SMEs perform better during times of challenge. It is concluded in some studies that, social media may even be a factor that speeds up the internationalization processes and lowers a company's costs,

particularly in the case of startups, which are particularly susceptible to various challenges from the business environment (Almeida & Santos, 2020).

However, in regard to the utilization of SM for internal purposes, the studies in this regard are still limited (Li et al., 2021; Mpandare & Li, 2020). SMEs have recently increased their use of SM to boost their financial results by sharing events, reading habits, and having a better understanding of the perceived advantages of this platform (Belás et al., 2021). Muslim et al., (2020) discovered that distant customers of SMEs convey satisfaction using SM, resulting in a positive increase in brand recognition. While Algharabat et al., (2020) argued that SMEs could benefit from SM to promote and sell their goods and services at a low cost. Therefore, many studies in the past showed that SM commercial practices have important awareness among firms (Aral et al., 2013; Muninger et al., 2022) .

Saudi Arabia has seen a widespread adoption of SM platforms with mainly focus on the individual level. The younger generation of users has embraced SM in numerous facets of their everyday lives. Using SM in the workplace promotes communication and the spread of information. Its centrality in businesses stems from the fact that it improves accessibility, modifiability, permanence, and linking. Therefore, they may encourage creative thinking in businesses (Mpandare & Li, 2020). Despite the growing importance of SM usage to organizational success, there are gaps in the research on how SM usage affects innovation and performance of companies (Caya & Mosconi, 2022). Functions and features of SM such as collaboration, knowledge sharing, organizational learning, and innovation are essential for increasing productivity and enhancing the performance of businesses (Men et al., 2020), all of which may be fostered via the use of internal SM (Mpandare & Li, 2020).

### **Marketing Innovation**

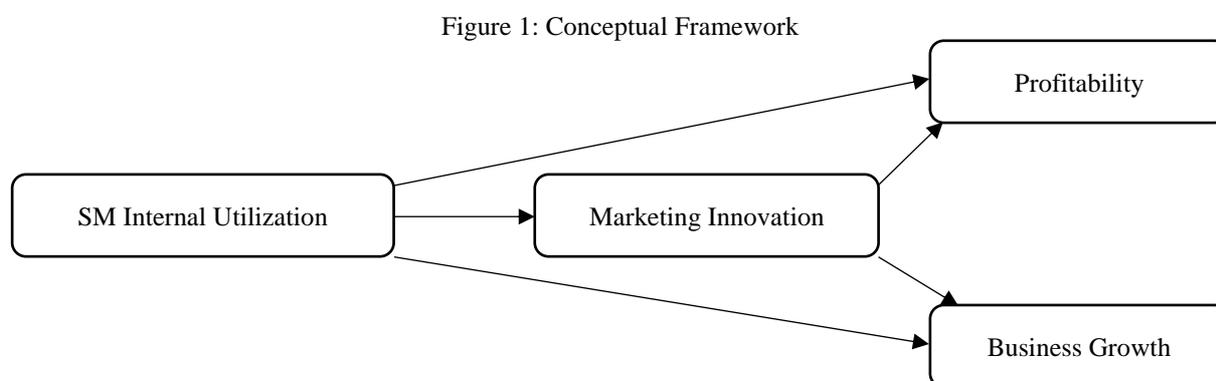
MI is a new concept in the field of marketing. The concept was coined in 2005 when the Oslo Manual provided a definition of MI (Purchase & Volery, 2020). MI is defined as the “implementation of a new marketing method involving significant changes in product design and/or packaging, product placement, product promoting or pricing” (Oslo Manual, 2005). MI includes the process of designing a new product that appeals to the customers’ symbolic and emotional experience. It also includes the promotion of the product on SM and conducting campaigns to make people more aware of the product and services. The distribution of the product and services in a way that allows customization is part of the MI. Therefore, firms must create new products and business plans to satisfy existing customers and draw in new ones if

they want to gain a competitive advantage and perform better. Because of this, innovation as a concept that advances a business is now taking on greater significance. Innovation is the development of something novel and previously undiscovered that has the potential to grab a customer's attention (Ungerman et al., 2018). Furthermore, using SM to brand or rebrand the product and services is a critical part of using MI. Providing an easy payment system, and attractive offers and discounts are one of the several techniques to do pricing strategy in MI (Tien et al., 2019).

Established literature focused on the role of process and product innovation, while the effect of MI on performance has been examined in a few studies (Hu et al., 2020; Sethibe & Steyn, 2016). However, there are still conflicting findings about innovation and how it affects company's performance (Apanasovich et al., 2017; Hu et al., 2020). For this reason, a number of studies (Saunila, 2020; Siriram, 2022) recommended the necessity to incorporate MI to understand its impact on performance or the factors that may influence MI (Wijayanto & Sanaji, 2021). The utilization of SM by SMEs can improve their MI and enhance their capability to reach more customers and new markets (Corral de Zubielqui & Jones, 2022). Therefore, prior literature has suggested examining the link between performance and MI (Saunila, 2020; Siriram, 2022).

### Conceptual Framework Hypotheses Development

Based on RBV, this study proposes that the effect of SMIU on MI, BG, and PR is positive. In addition, the study proposes that MI affects positively the BG and PR. MI also is proposed to mediate the effect of SMIU on PR and BG. Figure 1 shows the proposed conceptual framework.



Source: Prepared by the Author (2023)

### **SM Internal Utilization and SME Business Performance**

The use of internal SM has been steadily increasing in recent years, as more organizations look to improve communication and collaboration within their teams. By providing a platform for employees to communicate and collaborate, internal SM can help to increase productivity and efficiency within the organization (Mpandare & Li, 2020). SMIU has a significant effect on communication as well as teamwork and exchange of knowledge, which in turn lead to better performance of SMEs (Kahil, 2021; Muninger et al., 2022; Zhang et al., 2022). Kahil (2021), indicated that SMIU by SMEs enables knowledge sharing among teamwork during COVID-19 and this has resulted in a positive increase in the performance of SMEs. Muninger et al. (2022) reviewed the literature and concluded that SM is an effective tool for managing the knowledge of SMEs and leading to better performance. Consequently, employee interpersonal communication behaviours and strategic communication management are connected by internal social media. In light of recent advancements in internal communication digitization, academics and professionals have given priority to studying the advantages of internal SM for businesses. Internal SM facilitates horizontal and vertical communication within the organisation (Men et al., 2020).

The increased usage of information technology in business has made a significant shift in the business processes of SMEs and provided better growth opportunities (Belás et al., 2021). In the study of Gavino et al., (2019) the use of SM did not affect the revenue of companies in the US. Similarly, Ahmad et al. (2019) in UAE found that the usage of SM did not affect the BP of SMEs. Therefore, using internal social media for professional purposes can improve job performance (Chen et al., 2020). Internal social media platforms simplify things for workers to share information about their jobs, track tasks and events, manage formal communications among themselves, and create resources (Mpandare & Li, 2020). Nevertheless, this study expects that the effective SMIU will result in a positive performance of SMEs in Saudi Arabia. Therefore, the following is hypothesized:

H1: Internal utilization of SM positively influences PR of SMEs.

H2: Internal utilization of SM positively influences BG of SMEs.

### **SM Internal Utilization and Marketing Innovation**

The key to success on Internal social media is effective communication (Mpandare & Li, 2020). In fact, there are numerous circumstances in which internal SM can spur innovation or reduces businesses' performance (Alhaimer, 2021). A number of studies for example (Ali et

al., 2020; Corral de Zubielqui & Jones, 2022) suggest that internal social media has an ambiguous impact on organizational performance and innovation. For instance, internal social media may boost innovation and business performance (Corral de Zubielqui & Jones, 2022). Similar to this, companies that use internal social media platforms wisely may see an improvement in performance (Pourkhani et al., 2019). Additionally, additional research for instance (Chen et al., 2022), have found that using SM could lead to both innovation and increase performance among businesses.

The RBV suggested that companies can use their capabilities to create a competitive advantage (Barney, 2001). Several studies in the past revealed a strong link between SM utilization and innovation. Internal SM is used to facilitate and enhance internal communication, speed up access to data and knowledge management, and higher worker collaboration (Corral de Zubielqui et al., 2019). The use of SM has correlated with the levels of creativity and innovation (Muninger et al., 2019; Wu et al., 2020). Organizations that wish to pursue innovation in the business strategy should use SM networks, leveraging their value in knowledge assimilation and generation (Mpandare & Li, 2020). Internal information dissemination, sharing, and exchange, as well as collaboration among internal users of SM, could well produce new knowledge-creating business benefits, thereby improving work and performance (Corral de Zubielqui & Jones, 2022). SM marketing affected positively the process innovation in Indonesia (Khamaludin et al., 2022). Nevertheless, few studies examined the link between SMIU and MI. Based on the above discussion, this study assumes that SMIU will have a positive effect on MI of SMEs. Accordingly, the following is hypothesized:

H3: SMIU positively affects the MI of SMEs.

### **Marketing Innovation and SMEBP**

Innovation is widely viewed as a crucial component of competitive advantage, as it is embedded in a company's organizational structure, operations, services, and products (Purchase & Volery, 2020; Saunila, 2020). In a company, innovation and soft skills are inextricably linked (Valmohammadi et al., 2019). In order to close the "gap" between innovation and market positioning and gain a long-term competitive advantage, marketing's role in innovation is to offer the concepts, techniques, and infrastructure required. This advantage goes far beyond that, incorporating innovative developments in other non-core areas of marketing, even though it is based on innovation and SME marketing. It has been suggested that innovative marketing encompasses all SME marketing initiatives and is unmistakably driven by financial objectives.

The operations involving and concentrating on marketing variables, marketing strategy, customer orientation, adaptation, and a distinctive proposition are the essential components of innovative marketing (O'Dwyer et al., 2009).

Therefore, studies of MI is still limited in the literature and prior literature indicated that there are mixed findings in terms of the effect of MI on BP (Apanasovich et al., 2017; Hu et al., 2020). Additionally, prior literature suggested to examine the effect of this type of innovation (MI) on the performance of companies (Saunila, 2020; Siriram, 2022). Some studies emerged in the literature pertaining to MI. For instance, MI affected positively the customer value creation (Sánchez-Gutiérrez et al., 2019). MI also affected positively the firm value in Europe (Tang et al., 2021). Similarly, several studies found that MI is critical for the marketing performance (Breesama et al., 2019; Lee et al., 2016) and it has also a significant effect on innovation performance (Medase & Barasa, 2019). MI also has a positive significant effect on the performance of companies (Peng et al., 2021), as well as customer satisfaction (Nwachukwu & Vu, 2022). On the other hand, studies also found that MI has no effect on the firm performance as reported in the study of Sayangbatti and Riyadi (2021). The insignificant effect of MI on performance was also found in the study of Atalay et al. (2013). This study assumes that MI and SMEBP are linked to each other positively. This association suggests that MI has a direct and significant impact on SMEBP. According to this assumption, this study examines the following hypothesis statement:

H4: MI positively influences PR of SME.

H5: MI positively influences BG of SME.

### **Mediation Role of Marketing Innovation**

Innovation is important for improving the performance of SMEs (Maldonado-Guzmán et al., 2019). Innovation helps companies to create new goods that consumers prefer over those already available, resulting in superior performance over rivals (Hu et al., 2020). Innovation has been proposed and tested as a mediating variable between knowledge management and the performance of SMEs in the study of Migdadi (2019). Innovation mediated the effect of manufacturing capabilities on firm performance. However, studies have rarely used MI as a mediator. For example, previous studies suggested that MI can be a mediator in explaining the firm performance and learning capability (Thanh et al., 2020). Nevertheless, existing studies showed that there are mixed findings. For instance, in the study of Timothy (2022) MI was tested as a mediator between top manager human capital (experience) and productivity of SMEs

in Tanzania. The findings showed that MI did not mediate the effect of top manager human capital experience and productivity of SMEs. In line with the RBV (Barney, 2001), the author contends that the existence of a MI will increase the impact of SM on firm performance because MI is an organizational capability that SMEs can use to enhance their performance by leveraging the information and other resources acquired through SM (Barrales-Molina et al., 2014; S. H. Hassan et al., 2019; Muninger et al., 2019). In addition, the contradictory findings regarding the effect of SMIU on SMEBP might be a sign that mediating variables still need to be examined in order for SM to have an impact on firm performance (Bill et al., 2020; Borah et al., 2022). Therefore, in this study, MI is expected to be a mediating variable in the effect of SMIU on the BP of SMEs.

H6: MI mediates the positive effect of SMIU and PR of SME.

H7: MI mediates the positive effect of SMIU and BG of SME.

## **MATERIALS AND METHODOLOGY**

Positivism is the research philosophy underpinning this study. This is because positivism is mainly a concern about testing a theory using a quantitative approach, while interpretivism and realism deploy a qualitative method such as interview and researchers involved in the research meaning that the researchers can affect the research (Sobh & Perry, 2006). Deductive reasoning rather than inductive is used in this study. This is justified based on the nature of this study which is hypothesis testing research that deals with various respondents (SMEs) to confirm the proposed relationships among underlying variables. Therefore, the study is quantitative, and it utilizes the SMEs in Riyadh as the population of this study. Out of the general population which includes 892,063, the population of Riyadh is 264,030 and is considered as the population of this study Al-Riyadh has almost 35.4% of the total number of SMEs in Saudi Arabia and it is the capital of the country. Moreover, there is a thriving SME scene in Riyadh Province, as well as a rising regional capital that is attracting businesses (SME MONITOR, 2022). This study is using a simple random sampling technique. This sampling technique is more time effective, simple, and easy to implement (Sekaran & Bougie, 2019). The sample of this study is the owners, managers, and directors of SMEs in Riyadh, Saudi Arabia. One of the most cited approaches in calculating samples is the formula provided by Yamane (Yamane, 1967). Based on margin error of 0.05 and a confidence level of 0.95, the sample size of a population of 264,030 is 400 based on Yamane's formula, which is

$$\eta = \frac{N}{1 + N e^2}$$

$\eta$  = sample size

N = the population of the study.

e = Error margin (the level of precision) or the risk the researcher is willing to accept.

Based on the notion that some questionnaire-based studies suffer from low response rate (Alkhateeb & Abdalla, 2021), researchers suggested to increase the sample size. Hassan and Ghazali (S. A. Hassan & Ghazali, 2012), suggested to double the actual sample to avoid low response rate and to remove missing values and outliers. In this study, the actual sample is doubled. This makes the sample size of this study account for 800 respondents.

The data was collected using a questionnaire. The questionnaire was adopted from previous studies. SMIU consists of 18 items that were adopted from Mpandare and Li (2020). MI is measured in this study using ten items and these items were adopted from Naidoo (2010), and Nieves and Diaz-Meneses (2016). The measurement of BG (3 items) and PR (5 items) was adopted from Omerzel (2010). The measurement was translated into Arabic and validated by experts. In addition, a pilot study was conducted to ensure the reliability of the measurements. The contact information of SMEs was collected from the chamber of commerce in Al-Riyadh. An excel sheet that contains 264,030 contacts information of SMEs was collected. A total of 800 emails were sent. In which, the distribution of an online questionnaire resulted in a minimal participation rate. A total of 24 responses were collected in the first month of data collection. The researcher decided to pursue a face-to-face interview for data collection. A physical distribution was made by the researcher which has resulted in collecting 471 responses. This makes the response rate 58.8% (800/471).

## RESULTS AND DISCUSSION

### Data examination

In this section, several analyses are executed to make sure that the data of this study are complete, and usable, as well as normally distributed and no multicollinearity issues among the variables. These analyses are in line with the suggestion of researchers to examine the data before proceeding to conduct further analyses (Leguina, 2015; Pallant, 2016). A total of 471 questionnaires were collected. However, seven responses were deleted due to missing values.

In addition, a total of 13 responses were deleted based on the examination of outliers. Therefore, the complete and usable responses in this study remain 451. Researchers suggested to examine the normality by examining the Kurtosis and Skewness (Leguina, 2015; Pallant, 2016). Hair et al. (2014) considered the value of Skewness and Kurtosis less than absolute one (1) as a normal distribution. The value as shown in Table 1 is less than absolute 1, supporting the normality of the data. Two conditions must be met to ensure that the data is free from collinearity issue. First, the Variation Inflation Factor (VIF) must be less than 5 and second, the tolerance must be greater than 0.20 (Hair et al., 2014). Table 1 shows that the VIF for all the variables is less than 5. In addition, the tolerance is greater than 0.20 supporting the notion that the data are free from multicollinearity issues.

Table 1: Normality and Multicollinearity Analysis

	N	Skewness <1		Kurtosis<1		Multicollinearity	
	Statistic	Statistic	Std. Error	Statistic	Std. Error	Tolerance	VIF
SMIU	451	-.431	.121	-.863	.201	.899	1.023
MI	451	-.788	.121	-.913	.201	.837	1.234
PR	451	-.732	.121	-.823	.201	.839	1.204
BG	451	-.645	.121	-.722	.201	-	-

Source: Analysis output of SPSS Prepared by the Author (2023)

### Background of the Respondents

A total of 451 respondents have participated in this study. The majority of respondents are males (80.5%) working as CEO (36.6%) or owner of SMEs (31.7%) with qualification of bachelor's degree (52.3%) and experience between 10 to 14 years (53.7%). The majority of SMEs in this study belong to the retail sector (51.2%) and have been incorporated for a period of more than 10 years and less than 15 years (56.1%). A total of 48.8% of SMEs have employees between 6-49 employees and they are actively using SM for a period between 3-4 hours per day (51.7%). The most widely used application is Yammer (31.7%) followed by skype for business (19.5%) and 17.5% refers to other applications such as WhatsApp for business.

### Smart PLS Analysis

The data of this study were analyzed using Smart PLS version 4. Using this software, there are two main stages of analysis. The first is the measurement model evaluation and the second is the structural model evaluation.

### Measurement Model

Based on the suggestions of researchers (Hair et al., 2019; Leguina, 2015), the measurement model is evaluated based on five criteria. First, the factor loadings have to be larger than 0.70. Acceptable values of Cronbach's Alpha (CA) and composite reliability (CR) are greater than 0.70. In addition, the validity of the measurement is assessed using the convergent validity and discriminant validity. The convergent validity is assessed using the Average Variance Extracted (AVE). The acceptable value of AVE is 0.50. For the discriminant validity, the measurement is considered to have a discriminant validity when the indicator loading is larger than all the cross loading or when the HTMT's correlation is lower than 0.85. The findings of measurement model evaluation are given in Table 2. Items with low factor loading were removed. This includes items number 1, number 13, and number 18 (IU1, IU13, IU18) from SMIU (IU). Other items were all having an FL greater than 0.70 as shown in Figure 2. The reliability of the measurement was assessed using the CA and CR. As shown in Table 2, all the values of CA and CR are greater than 0.70, indicating that the measurements are reliable and can measure the variables of this study. For convergent validity, it is achieved because the value of AVE is greater than 0.50. Hair et al., (2019), suggested that HTMT is preferred for testing the discriminant validity and Table 2 shows that the correlation is less than 0.85 supporting the achievement of discriminant validity.

Table 2: Assessment of Measurement Model

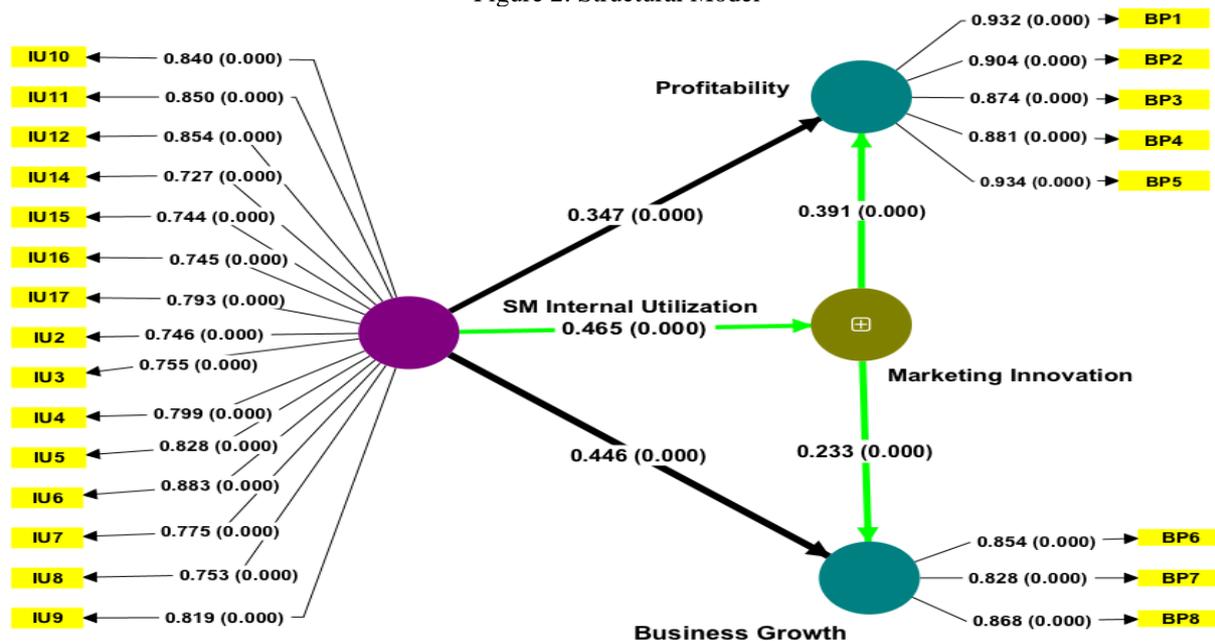
	CA	CR	AVE	BG	MI	PR	SMIU
BG	0.809	0.811	0.723				
MI	0.941	0.955	0.655	0.475			
PR	0.945	0.955	0.820	0.687	0.548		
SMIU	0.958	0.961	0.633	0.617	0.479	0.545	

Source: Analysis output of Smart PLS Prepared by the Author (2023)

### Structural Model

For evaluating the structural model, researchers agreed that there are four main criteria that include the R-square ( $R^2$ ), the predictive relevance ( $Q^2$ ), path coefficient ( $\beta$ ), and effect size ( $f^2$ ) (Hair et al., 2011, 2014). However, the recently updated Smart PLS 4 has not included the Q-square or predictive relevance. Therefore, it is not examined in this study. Figure 2 shows the structural model of this study. It also shows the path coefficient which represents the hypothesis testing as well as the factor loading of the items.

Figure 2: Structural Model



Source: Analysis output of Smart PLS Prepared by the Author (2023)

Values of  $R^2$  such as 0.25, 0.50, and 0.75 are considered weak, moderate, and substantial respectively. In this study, the  $R^2$  is assessed for the dependent variables. As shown in Table 3, 35% of BG and 40% of PR are being explained by SMIU and MI. It shows that the SMIU can explain 21.6% of MI. The effect size of the paths is shown in Table 3 and all the paths have  $f^2$  greater than 0.02, which indicates that the value is accepted. Table 3 shows the results of testing the hypotheses. The table shows the hypothesis (H), the path coefficient ( $\beta$ ), the standard deviation (Std), the t-statistics (T), and P-value or level of significance (P), as well as the conclusion of the hypothesis.

Table 3: Result of Hypothesis Testing

H	Path	$\beta$	Std	T	P	$R^2$	$f^2$	Conclusion
H1	SMIU -> PR	0.347	0.058	6.002	0.000	PR=.400	.158	Supported
H2	SMIU -> BG	0.446	0.054	8.207	0.000		.240	Supported
H3	SMIU -> MI	0.465	0.053	8.771	0.000	MI= .216	.276	Supported
H4	MI -> PR	0.391	0.046	8.524	0.000		.199	Supported
H5	MI -> BG	0.233	0.043	5.354	0.000	BG= .350	.065	Supported
H6	SMIU -> MI -> PR	0.182	0.033	5.505	0.000			Supported
H7	SMIU -> MI -> BG	0.108	0.026	4.223	0.000			Supported

Source: Analysis output of Smart PLS Prepared by the Author (2023)

As shown in Table 3, the first hypothesis (H1) is accepted since the p-value of the path is less than 0.05. Thus, SMIU has a significant impact on PR. For the second hypothesis (H2), the effect of SMIU on BG is significant ( $\beta=0.446$ ,  $T=8.297$ ,  $P<0.05$ ). Therefore, H2 is supported. The H3 is also supported, and the effect of SMIU on MI is significant. Based on

Table 3, the H4 is supported because the path coefficient ( $\beta$ ) is 0.391 and it is significant at p-value less than 0.05. The effect of MI on BG is also supported because  $\beta$  is 0.233 and it is supported at p-value of less than 0.05. for the mediating role of MI between SMIU and PR, it is confirmed because the indirect effect (SMIU $\rightarrow$ MI $\rightarrow$ PR) is significant ( $\beta=0.182$ ,  $T=5.505$ ,  $P<0.05$ ). Therefore, it is partial mediation and H6 is supported. Similarly, MI mediated partially the effect of SMIU on BG. Thus, H7 is supported.

This study aimed to find the effect of SMIU on PR, BG, and MI. The effects were found positive and significant indicating that the increase in SMIU by SMEs in Saudi Arabia will have a positive impact on PR, BG, and MI. The positive effect of SMIU on SMEBP could be due to the fact that SMEs in Saudi Arabia are actively using SM and have gained experience of using the SM application for internal utilization. This finding is in line with prior literature. Researchers referred to the fact that using SM by companies enhances knowledge sharing and teamwork (Kahil, 2021). The usage of SM is an effective tool to manage and share knowledge in the organization and to achieve a better performance (Muninger et al., 2022). Researchers also noted that when SMEs use the SM, this has a positive effect on the internal business process and growth opportunities (Belás et al., 2021). The positive effect of SMIU on MI can be related to the active exchange of ideas and knowledge among organizational member using the SM, and it is also related to the notion that employees obtain abundant content and knowledge from SM platforms which might help in creating a new idea and innovative solution for marketing products and services. The use of SM also helps employees in learning and developing their understanding of the market and this leads to more innovative marketing in SMEs in Saudi Arabia. Prior literature reached a similar conclusion regarding the link between SMIU and MI of SMEs. Researchers such as (Corral de Zubielqui et al., 2019), pointed out that SM internally can facilitate and enhance the communication among organizational members and speed up the process of accessing data and knowledge and lead to higher employee collaboration which helps in creating more innovative and creative ideas. Findings of other researchers also lead to similar conclusions that there is high correlation between SM usage and the levels of creativity and innovation (Muninger et al., 2019; Wu et al., 2020, Aljassar et al., 2023, Prasad et al., 2022).

MI was also found to have a positive impact on BG and PR. This leads to a conclusion that the increase in the effectiveness of MI will have a positive impact on the performance of SMEs in Saudi Arabia. Deploying the tools of MI by SMEs such as pricing, promotion, placement, and design could be behind the positive effect of MI on the performance of SMEs in Saudi Arabia. The result of this study is in agreement with the results of previous studies. MI

has a favorable impact on value creation for customers (Sánchez-Gutiérrez et al., 2019). The value of European companies was also favorably impacted by MI (Tang et al., 2021). There is a strong positive correlation between MI and company performance (YuSheng & Ibrahim, 2020). MI partially mediated the effect of SMIU on PR and BG of SMEs in Saudi Arabia. This mediation indicated that part of the relationship between SMIU and BG as well as PR can be explained by MI of SMEs. The connection between SMIU and SMEBP could be explained by MI due to the fact that when SMEs deploy MI efficiently, they will be able to use the SM to collect data about customers and the market and produce product or services that in line with the customer trend in terms of pricing, promotion, placement, and design. The finding of this study is supported by the studies of (Thanh et al., 2020), who found that MI mediated the relationship between firm performance and learning capabilities. However, the findings contradict with the findings of (Timothy, 2022b), who found that MI did not mediate the effect of top manager human capital experience and productivity of SMEs in Tanzania.

## CONCLUSION

This study was conducted to identify the role of SMIU on SMEBP and MI. The effects of MI on BP as well as its mediating role were also among the objectives of this study. The study has fulfilled the objectives by confirming the positive effect of SMIU on SMEBP and MI. The direct positive effects of MI on SMEBP were confirmed. MI mediated partially the effect of SMIU on SMEBP. Nevertheless, the findings of this study should be considered under some limitations. The findings can be generalized only to SMEs in AL-Riyadh due to the use of simple random sampling which allows the generalization of the findings to the population of the study. In addition, the findings of this study cannot be generalized to large-scale companies due to the difference that exists between SMEs and large-scale companies in terms of organization, structure, finance, and regulations. The study is also limited to MI. Therefore, as a way forward, future research can replicate this study in other countries such as Gulf Cooperation Council or other regional countries or emerging economies such as Malaysia and Indonesia. The sample of this study included only top-level employees. Future studies are recommended to examine other levels of employees such as Middle Management or employees who are in charge of MI as well as SM utilization. Future researchers are suggested to further examine the effect of these variables on large-scale companies. The study included SMEs in all sectors. However, for future work, it is recommended to specify and focus on one sector such as service sector, retail sector or construction sector. A comparison between these sectors could

be also a direction for future work. This study investigated the effect of SM internal utilization on SMEBP and MI. It also examined the mediation role of MI as well as its effect on SMEBP. The research added to the literature by investigating the performance of SMEs in emerging economies. Prior literature indicated that the effect of SM utilization on SMEBP is mixed, and this study has confirmed this effect in the context of emerging economies such as Saudi Arabia. This study contributed to the literature by investigating the effect of SMIU on multiple dependent variables such as PR, BG, and MI. The study solved the contradiction in the findings regarding the mixed results and confirmed the positive effect of SMIU on MI and SMEBP. The study has contributed to the literature in terms of testing the mediating role of MI. By doing so, the study has provided the academia with empirical findings regarding the role of MI as a mediator as well as predictors of SMEBP. The study also confirmed the validity of the RBV by examining the role of variables such as SM internal, and MI on BP. The study confirmed that having resources and capabilities can help in understanding and explaining the performance of SMEs in the context of Saudi Arabia. This study has significant implications for decision makers in Saudi Arabia. Based on the findings of this study, SMIU is critical for SMEBP. Therefore, decision makers in Saudi Arabia are recommended to enhance their effectiveness in terms of internal communication and usage of SM and in terms of records of structured or written knowledge sharing on SM so that organizational members who provide more knowledge sharing and fruitful communication can be rewarded. SMIU did not only positively affect the SMEBP but also has a positive effect on MI. Decision makers of SMEs have to also use SM to create ideas and innovative marketing planning. This can be done by creating a page managed by managers or directors on which employees can provide innovative marketing ideas. These activities can be encouraged by rewarding financial and non-financial those with creative and innovative ideas. MI is critical also for SMEBP. SMEs are advised to be more innovative in terms of pricing. Currently, inflation is high worldwide, and SMEs benefit from the SM as a tool to market their products and services at low cost. Therefore, having competitive prices is essential for SMEs to enhance their performance. In addition, adding additional and innovative services such as delivery, one-month trials, and promotions during religious and national celebrations will help in promoting the SMEs and improving their performance. The study is in line with the government agenda of shifting from oil to non-oil economy. The findings of this study are critical for achieving the vision of 2030 in Saudi Arabia and considering these findings by SMEs contributes to their performance and the GDP of the country as well as the employment.

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