

DETERMINANT AND BARRIER OF MARKET ORIENTATION TOWARD  
ORGANIZATION PERFORMANCE IN FOOD INDUSTRY MALAYSIA

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The thesis is submitted in partial fulfillment of the requirements for the award of  
Bachelor of Technology Management (High-Tech Marketing)

Faculty of Technology Management and Technopreneurship

Universiti Teknikal Malaysia Melaka

Jun 2016

## DECLARATION OF ORIGINAL WORK

“I hereby declare that this project paper is the result of my independent work except the summary and experts that have been specifically acknowledgement”

Signature :

Name : YEE HUI WOON

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## DEDICATION

Special thanks to:

My beloved parents

Siblings

Friends

Thank you to my supervisor:

Miss Siti Nor Wardatulaina bt. Mohd Yusof

for all the spirituals and moral support that had been given to me all the time.

## ACKNOWLEDGEMENT

First of all, I would like to express my deepest appreciation to Faculty of Technology Management and Technopreneurship (FPTT) in UTeM for providing this subject – Project undergraduate. This project has given me the opportunity to gain a deeper knowledge regarding to the topic I have chosen – market orientation. Without this subject, I would not have known that I have the capabilities to finish this project as the project undergraduate has always been known as the hardest project in university.

Other than that, I would like to express my gratitude to my supervisor, Miss Siti Nor Wardatulaina binti Mohd Yusof who has been giving me guidance patiently to make sure I am always at the right path. Without her help, this project would not be completed so successfully. Besides that, I would like to express my thankful to Madam Murzidah binti Ahmad Murad who pointed out the mistake I made during the presentation. Without her, my mistaken would not be realised and most probably will cause to serious consequences.

In addition, I would like to take this opportunity to convey my gratitude to other lecturers and course mates who always ready to help me whenever I faced difficulties in doing the project and willing to share the information to me.

Last but not least, I would like to express my appreciation to my family and friends who have given their hand along the way. Their spiritual supports and loves have always given me the strength to finish the project. Once again, thousand words could not fully express my thanks to them, but their kindness have graved in my heart all the time

## Abstract

Previous researches showed there is a positive relationship between market orientation and organization performance (Kohli and Jaworksi, 1993; Narver and Slater, 1990; Day, 1994; Wood and Bhuian, 1993). Market orientation has always been recognized as a strategy to improve the organization performance. An organization that adopts the concept of market orientation is said to have competitive advantage as it is a strategy that focus on customer needs, competitor activities and inter-functional coordination (Narver and Slater, 1994). However, those researches claimed the positive relationship between market orientation and organization performance does not certainly hold true in developing countries or Asian countries as most of those researches were carried out in Western or developed countries (Appiah-Adu, 1998). Therefore, the main intention of this research is to identify whether there is a positive relationship between market orientation and organization performance in Food Industries Malaysia. The research was completed by using quantitative method and analysis method was completed by using Pearson correlation to measure the relationship between independent variables and dependent variable. Regression analysis was using for hypothesis testing. It is believed that this research paper will beneficial to the industry practitioners and academicians to be served as future reference.

Keywords: Market Orientation, Organization Performance, Food Industries Malaysia.

## Abstrak

*Kajian-kajian lepas menunjukkan hubungan yang berpositif antara pasaran berorientasi dengan prestasi organisasi (Kohli and Jaworksi, 1993; Narver and Slater, 1990; Day, 1994; Wood and Bhuian, 1993). Pasaran berorientasi dikatakan sebagai strategi yang dapat membantu meningkatkan prestasi organisasi. Organisasi yang menggunakan taktik pasaran berorientasi dikatakan mempunyai kelebihan daripada pesaing-pesaing kerana ia membolehkan organisasi membrikan tumpuan-tumpuan kepada keperluan pelanggan, aktiviti pesaing, dan penyelarasan antara fungsi (Narver and Slater, 1994). Walau bagaimanapun, kajian-kajian yang mendakwakan hubungan positif antara pasaran berorientasi dengan prestasi organisasi tidak semestinya benar kepada negara-negara yang sedang membangun atau negara Asia kerana kebanyakan kajian adalah dijalankan di negara-negara barat atau negara-negara yang maju (Appiah-Adu, 1998). Oleh itu, tujuan utama kajian ini adalah untuk mengenalpastikan sama ada terdapatnya hubungan yang positif antara pasaran berorientasi dengan prestasi organisasi di industri makanan Malaysia. Kajian ini disiapkan dengan kaedah kuantitatif dan kaedah analisis adalah menggunakan korelasi Pearson untuk mengukur hubungan antara pemboleh ubah bersandar dan pemboleh ubah tidak bersandar. Kajian ini bukan sahaja dapat membantu pengamal-pengamal industri tetapi juga ahli-ahli akademik sebagai rujukan pada masa depan.*

*Kata kunci: Pasaran Berorientasi, Prestasi Organisasi, Industri Makanan Malaysia.*



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## LIST OF ABBREVIATIONS

%	=	Percentage
SPSS	=	Statistical Package for Social Science
PSM	=	Project Sarjana Muda



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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

Over the years, many studies have shown the important role of market orientation in influencing the performance of organization (Jaworski & Kohli, 1993; Narver & Slater, 1990). It is also defined as a sale does not depend on an aggressive sales force but rather on a customer's decision on purchase (Lamb, Hair, McDaniel, 2007) and a source of competitive advantage to outdo the competitors (Day, 1994; Slater & Narver, 1994).

Market orientation is derived from marketing concept. According to Lamb, Hair, McDaniel (2007), firm that adopting the marketing concept is said to be a market-oriented firm. In order to achieve market orientation, information from customers, competitors and markets must be obtained and examined and responsive to the market by delivery superior customer value. While Kohli & Jaworski (1993), defined market orientation as the mean of generation of market intelligence within the organization, dissemination of market intelligence across organization wide and responsive to the market intelligence. Meanwhile Narver and Slater (1994) suggested three behavioural components to be included in market orientation which are customer orientation, competitor orientation, and inter-functional coordination. According to the author, customer orientation defines the needs of understanding the market needs, competitor

orientation stress the important to understanding the strengths and weaknesses of current and potential competitors while inter-functional coordination includes the balanced use of resources in generating value to customer. Furthermore, Dawes (2000) interpreted one of the components in market orientation - competitor orientation is positively relation to the organization profitability as well as the customer orientation and responsiveness play a crucial part to organization success. Therefore, the researcher concludes that market orientation is a tactic of marketing that helps the organization to analyse the market and deliver superior value to customer.

Based on the previous studies, this study will look into the factors that facilitating the adoption of market orientation in the food industry in Malaysia. As mentioned by Elsadig (2012), food manufacturing industry plays a significant role in the economy of Malaysia as this industry provides not only the source of employment but also the market outlet and added value for primary agricultural products. Therefore, in this research, the researcher will explore factors facilitate the adoption of market orientation in food industry in Malaysia as well as the factors that impede the application of market orientation within the industry too. Moreover, this study will also analyse the adoption level of market orientation by Malaysian organization. Though previous studies have proven the market orientation does have positive impact on business performance (Narver and Slater, 1990; Kohli and Jaworski, 1993), however, many of the researches are done in the European countries. So, this study will be conducted in Malaysia to examine the effect of market orientation on organization performance in Malaysia.

## 1.2 Problem Statement

Previous studies have proven that market orientation plays an important role in influencing the organization performance (Jaworski & Kohli, 1993; Narver & Slater, 1990). Nevertheless, most of the researches were conducted on developed countries for which mainly in United States and European countries. Thus, the studies that claimed the market orientation is positively related to organization performance does not certainly hold true in developing countries (Appiah-Adu, 1998). Therefore, this study aimed to find out whether market orientation is positively associated to the food industries in Malaysia.

Moreover, problem arises when it comes to the application of market orientation into the organization. Adopting a market orientation strategy is considers as a critical strategy for an organization. It includes the culture change within the whole organization. A market orientation is a culture to be achieved where all the employees are committed to the creation of superior customer value continuously (Narver and Slater, 1990; Day, 1994). Successfully implementation of market orientation may blossom fruitful results to the organization which encompasses customer satisfaction, employee satisfaction, financial improvement of the organization and ultimately help to create the competitive advantage of the organization. However, it is not easy to adopt the market orientation strategy. As stated by Tomaskova (2009), there could be some barriers which impede the adoption of market orientation into the organization. Previous researches had also proven the barriers of market orientation are associated with inter-functional coordination (Narver and Slater, 1995). Therefore, this paper will look into the internal barriers that impede the application of market orientation into the organization.

### **1.3 Research Question**

1. What are the determinants of the implementation of market orientation concept by Malaysian organization?
2. What are the internal barriers in implementing market orientation?
3. How does the adoption level of market orientation by Malaysian organization?

### **1.4 Research Objective**

1. To identify the determinants of the implementation of market orientation concept by Malaysian organization.
2. To study the internal barriers impede the implementation of market orientation by Malaysian organization.
3. To determine the adoption level of market orientation by Malaysian organization.

### **1.5 Scope**

This research is conducted to identify the determinants of implementation market orientation concept by organizations in Malaysia, barriers of implementing market orientation and the adoption level of market orientation in food industries Malaysia. Therefore, this research will be carried out in food industry in Malaysia. The researcher will randomly select 322 food industries from Malaysian Food and Beverage Manufacturers Directory to carry out the email questionnaires survey. The targeted respondents of the industries would be middle management. According to Kuyvenhoven and Buss (2011), middle managers are the crucial drivers of strategic change in the company. They are the one facing challenges, implement new strategies assigned by top

management, managing relationship with top management, overcome resistance from their teams as well as dealing relationships with customers, suppliers and external stakeholders (Balogun, 2007).

## **1.6 Limitation**

There are several limitations faced by the researcher in doing this research paper. Time constraint is one of the factors faced by researcher. The researcher has only given few months to complete the research. Thus, the duration for this study is insufficient for researcher to obtain more relevant information and reach to a wider range of respondents.

The second limitation in this research paper is the sample size. The researcher only target 322 food industries those operate in Malaysia to conduct the survey. There are 2467 food industries operate in Malaysia. The larger the size of respondents, the more solid and convincing the result of this research would be. Therefore, the future research should select more food industries to increase the accuracy of the result.

The last limitation of this research would be the location. This research only carried out in Malaysia. Therefore, future research on determinants and barriers of market orientation and its impact toward organization performance should be carried out in other Asia countries and developing countries to explore the differences and similarities of implementing market orientation between the organization in Asia and European countries as well as its impact to the organization performance.

### **1.7 Significance of Study**

This study will be beneficial to academicians by giving an in-depth knowledge about market orientation. Besides that, this study also can be served as future reference for academicians in conducting future research.

Furthermore, industry practitioners can also be benefited from this study. This study not only provides determinants of market orientation but also uncovers the barriers that impede the implementation of market orientation in the organization. By understanding the factors that affect the market orientation, the organization can be assured of creating a competitive advantage to outdo its competitors.

### **1.8 Summary**

This chapter briefly explains about the background of the study, research questions, and objectives are pointed out in this chapter. Besides that, this chapter also explains the scope that will be covered in the study and the limitations faced by the researcher in conducting the research. The following chapter will describe in detail the literature review of market orientation. Hypothesis and theoretical framework will also be proposed in chapter 2.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will describe about the previous study related to the market orientation. In this chapter, the independent variables and dependents variables were formed. Besides that, this chapter also comprises several parts which include the literature review on market orientation, its determinants, barriers, organization performance, impacts of market orientation toward organization performance, food industry, theoretical framework and hypotheses. All of these will be explicate in detail in this chapter.