

ANTECEDENT AND CONSEQUENCES OF MARKET ORIENTATION TOWARDS
BUSINESS PERFORMANCE IN AUTOMOTIVE INDUSTRY

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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”

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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.

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ABSTRACT

As mentioned by many scholars, market orientation is a great marketing concept and strategy that will improve an organization's business performance by constantly provide superior products and services that fulfil customer's satisfaction. Economic nowadays are changing from product-centric to consumer-centric. No doubts, automotive industry is considered as the largest manufacturing sector in the world. (Turnbull, 1992). To survive in this competitive society, market orientation is significantly important to help a company in gaining competitive edge. However, thorough understanding on market orientation is needed in order to implement it effectively. Furthermore, market orientation could not be implemented without any forces or factors that facilitate it. The study aims to study the extent to which market orientation is understood by Malaysian employees, to determine the antecedent factors that affect market orientation on business performance and to identify the overall relationship between antecedent factor of market orientation and business performance. The methodology of this study used is quantitative methods and carried out the survey by distributing questionnaire. The questionnaire will be distributed in the Johor and Melaka state. 167 automotive companies in Johor and Melaka state have responded to the questionnaire. The results have been analysed using Pearson's Correlation to determine the antecedent factors that affect market orientation on business performance, and using Regression Analysis to identify the overall relationship between market orientation and business performance. Through the results generated from SPSS, antecedent factors have shown significant relationship with the business performance.

Keyword: Market Orientation, Antecedent Factor, Business Performance, Automotive Industry

ABSTRAK

Mengikut penyelidikan yang telah dijalankan oleh pelbagai cendekiawan, orientasi pasaran adalah satu strategi dan konsep pemasaran akan meningkatkan prestasi organisasi dengan menawarkan produk dan perkhidmatan dan mengabdikan kepuasan para pelanggan. Ekonomi pada masa kini lebih menumpukan perhatian kepada pelanggan daripada produk. Tiada keraguan, industri automotif dianggap sebagai sekyor pembuatan terbesar di dunia (Turnbull, 1992). Untuk turut bersaing dalam industri yang kompetitif ini, orientasi pasaran adalah satu strategi yang amat penting kepada organisasi. Walau bagaimanapun, pemahaman tentang konsep orientasi pasaran adalah kriteria asas untuk menjalankan strategi ini. Tambahan pula, orientasi pasaran tidak dapat dilakukan tanpa sebarang faktor yang menggesanya. Kajian ini dijalankan dengan beberapa tujuan, iaitu untuk mengetahui bahawa pemahaman antara pekerja tempatan tentang orientasi pemasaran, untuk menentukan factor-faktor antiseden yang memberi kesan kepada prestasi perniagaan dan mengenalpasti bahawa hubungan antara orientasi pasaran dan prestasi perniagaan. Metodologi kajian ini menggunakan kaedah kuantitatif and dijalankan kaji selidik dengan mengedarkan soal selidik di negeri Johor dan Melaka, 167 syarikat automotif telah menjawab soal selidik. Keputusan telah dianalisis dengan menggunakan korelasi Pearson untuk mengkaji factor-faktor antiseden yang memberi kesan kepada prestasi perniagaan, dan menggunakan Regresi Analisis untuk mengenalpasti bahawa hubungan antara orientasi pasaran dan prestasi perniagaan. Melalui keputusan daripada SPSS, factor-faktor antiseden telah menunjukkan hubungan yang signifikan antara prestasi perniagaan.

Kata Kunci: Orientasi Pasaran, Faktor Antiseden, Prestasi Perniagaan, Industri Automotif

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LIST OF ABBREVIATIONS

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

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CHAPTER 1

INTRODUCTION

1.1 Background of Study

Market orientation can be defined as a form of organizational culture where the members of an organization are committed to continuously create superior customer value, or as a sequence of marketing activities that lead to better performance (Jaworski & Kohli, 1993). In Malaysia, market orientation is implemented as an organizational strategy to improve the overall business performance of an organization. This is evidenced by the research done by Ramayah, Samat and Lo (2011) which revealed that market orientation has a significant effect on business performance and serviced quality. In addition, the research done by Arumugam, Guptan and Shanmugam (2011) also proves that there is a significant relationship between market orientation and business performance in government-linked companies (GLC) in Malaysia. Generally, organizations who apply market orientation tend to focus on customers wants and needs as customer is their main priority. To achieve this customer focus, a firm with a high degree of market orientation fosters a set of shared values and beliefs about putting the customer first in business planning and capture the result in form of a defensible competitive advantage, decreased costs and increased profits (Deshpande, 1999).

No doubt, it is not easy to survive in this competitive society. To maintain the competitive edge in this severely competitive marketplace, organizations have to pay

more attention to the needs and wants of customers. They have to constantly improve in every aspect of their business including the new technology adoption such as website and also continuously bring forward their products and services according to their customers' needs and wants. According to Darabi (2007), business performance nowadays is highly competitive and is characterized by such norms as the globalization and deregulation of markets, aggressive competition and ever-rising expectations of customer.

Automotive industry is one of the most competitive industries in Malaysia. Corbae, Jensen and Schneider (2003) proved that automotive industry is a highly dynamic and competitive industry by revealing that the industry can produce around 20 million vehicles more than world market demand. To allow the organizations to survive in the industry, Corbae et. al (2003) found that the advances in dialogue marketing and mass customization allow organizations to reach customers economically with individualized messages, product and services.

Lots of researches have proven that the positive impact of market orientation towards business performance. Thorough understanding on this market orientation is necessary to implement it effectively. Hence, this research paper would not only identify the effect of market orientation towards business performance in automotive industry, it would also discover how well market orientation is understood by Malaysian employees.

1.2 Problem Statement

Automotive industry is considered as the largest manufacturing sector in the world. (Turnbull, 1992). To survive in this huge industry, organizations have to implement effective marketing approach to maintain competitive edge. In Malaysia, local automotive manufacturers are unable to compete with international automotive manufacturers such as Japan and Korea. According to Wad and Govindaraju (2011), in automotive industry, Malaysia has not been able to replicate the success stories from other countries in Northeast Asia. Besides, Malaysian is demanding for high specifications of motor vehicles including leather seats, sunroof and keyless entry which are also having a reasonable price at the same time. (Daniel, 2013). Malaysian would choose Japanese or Korean manufacturer over local manufacturer as these two manufacturers offer better value and specifications that comes with a competitive price. By implementing market orientation, local automotive manufacturers would be able to understand better about the requirements of the domestic customers and design a motor vehicle that matches their expectations. Hence, this study is conducted to identify the antecedent factors that affect market orientation on business performance of Malaysian automotive industry.

To ensure the effectiveness of market orientation, thorough understanding on market orientation is needed so that the employees could response to the change and commit to it. According to Deshpande, Farley and Webster (1993), market orientation could only be achieved where all employees are committed to the creation of superior customer value continuously. Hence, this study would also determine the extent to which market orientation is understood by Malaysian employees.

For more than three decades, scholars in marketing have emphasized that a market oriented organization will benefit from superior market performance. (Kotler & Andreasen, 1987). This is then supported by Pitt, Caruana and Berthon (1996) who revealed that market orientation has been positively linked to business performance.

Clearly, majority of the past researches have proven a positive relationship between market orientation and business performance. Therefore, the study would further identify the overall relationship between antecedent factors of market orientation and business performance.

1.3 Research Question

The research question, which served as a guide to the research are:

- i. How does market orientation is understood by Malaysian employees?
- ii. What are the antecedent factors that affect market orientation on business performance?
- iii. What are the overall relationship between antecedent factors of market orientation and business performance?

1.4 Research Objective

According the problem statement, some questions about the market orientation toward business performance is aroused. The objectives of the study are:

- i. To study the extent to which market orientation is understood by Malaysian employees.
- ii. To determine the antecedent factors that affect market orientation on business performance.
- iii. To identify the overall relationship between antecedent factors of market orientation and business performance.

1.5 Scope

The research is conducted to identify the extent to which market orientation is understood by Malaysian employees and to determine the effect of market orientation towards business performance in automotive industry. This research would be conducted domestically and it would only involve local organizations. 271 companies would be selected randomly by using simple random sampling to participate in the questionnaire session. Besides, the target respondents of this research are employees who fall in basic level and middle management group. Questionnaire will be delivered to these companies via electronic mail and the companies are required to response via electronic mail as well. Besides, the researcher also will go to the fair to find the respondents help to fill up the questionnaire and face to face interview with the respondents. By completing this study, the relationship of antecedent factors of market orientation and business performance in automotive industry could be explored thoroughly.

1.6 Limitation

No doubt, no research could be completely perfectly without any limitation. As for this study, the limitations could be categorised into three categories, including time, location and sample size.

Due to limited time frame, the study is unable to reach out to more people. The duration of the study is about eight months. As a result, it is insufficient to obtain feedback from a wider range of respondents.

The next limitation would be location. This research would be focusing on automotive industry in Malaysia only. However, due to organizational culture and practices, organizations from other countries might have different perspectives on this

study. Obtaining the feedback from people who resides at different geographical areas might allow the study to collect wider range of opinions.

Furthermore, the study is also limited to sample size. The study would be involved by 271 respondents only. In this era of globalization, there are a large number of people who are working in automotive industry as it is a growing industry. The larger sample size might allow the study to obtain more solid results as more respondents are given the chance to voice out their opinions.

1.7 Significance of Study

As discussed in the background study, most of the researches have proven that antecedent factors of market orientation have significant impact on business performance. It is very crucial to disseminate the importance of market orientation in organizations. By completing this study, local employees are able to understand better on market orientation and know the effect of market orientation towards business performance thoroughly. With good understanding, only then they are able to implement it effectively and obtain the benefit from market orientation.

In addition, future academician would be benefited by this study too. They are able to refer to this study for their future research on similar topic. They might be able to overcome the current limitation and obtain a more convincing result for this particular topic.

1.8 Summary

The main objectives of the study are to identify the extent to which market orientation is understood by Malaysian employees and to determine the antecedent factors that affect market orientation on business performance in automotive industry. The chapter has briefly explained the background of study, problems statement, research question, research objectives, scope, limitation and the significance of study. The following chapter would discuss on the literature review of market orientation. Theoretical framework and hypothesis would be stated in the following chapter as well.