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MARKET STRATEGY AS MODERATING FACTOR ON RELATIONSHIP
BETWEEN MARKET CAPABILITY AND FIRM PERFORMANCE

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DECLARATION OF ORIGINAL WORK

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DEDICATION

I would like to dedicate the appreciation to beloved parents who supported me from spiritually and financially. A special thanks to my supervisor and panel who guided me throughout this research and even thanks to my friends that helped and assisted me through the journey of research.

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I would like to take this opportunity to express my sincere appreciation to my supervisor Pn. Nor Ratna Binti Masrom for guidance and encouragement throughout the journey to complete this final year project. Throughout her guidance, I managed to finish my final year project successfully within the time frame given. Besides, there are some other important people involved in this final year project, for instance my beloved lecturers, friends and course mates. I am deeply grateful for the guidance and support towards this project as play as an important role for this project.

Next, I am sincerely thanks to the researchers that they have previously conducted the similar study and published online. Although the research topic of the study was different, but the theory and knowledge provided were useful as a reference in this final year project.

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ABSTRACT

This study is about the market strategy as moderating factor on relationship between market capability and firm performance. Market capabilities have been defined as the integrative processes designed to apply collective knowledge, skills and resources of the firm to market their product. The purpose of doing this research is to define or examine the influent factors in market capability among Small to Medium Enterprise (SME) in Malaysia. There are certain factors like market sensing, partner linking, and customer engagement impact to the firm performance. This study focused on two types of market strategy which were cost of leadership and product differentiation as a moderating for market capability and firm performance. This was explanatory research and using questionnaire to collect the primary data from the company. Used published journals, articles, internet, book, news as a secondary data. Furthermore, this research use 229 questionnaire to the SMEs in Malaysia. Data collection is analysed by using the SPSS 23. Multiple linear regression analysis used to examine the relationship between the independents variable and dependent variable. The result show market capability have a positive relationship between firm performances. The findings would help the SME Company in Malaysia to improving their business performance.

Keywords: market capability, market strategy, firm performance

ABSTRAK

Kajian ini adalah mengenai strategi pasaran sebagai faktor penyederhanaan hubungan antara keupayaan pasaran dan prestasi firma. Keupayaan pasaran telah ditakrifkan sebagai proses integratif yang direka untuk mengaplikasikan pengetahuan, kemahiran dan sumber kolektif firma untuk memasarkan produk mereka. Tujuan menjalankan kajian ini adalah untuk menentukan atau mengkaji faktor-faktor yang mempengaruhi keupayaan pasaran di kalangan syarikat industri kecil di Malaysia. Terdapat beberapa faktor seperti penginderaan pasaran, hubungan rakan kongsi, dan kesan penglibatan pelanggan terhadap prestasi firma. Kajian ini memberi tumpuan kepada dua jenis strategi pasaran iaitu kos kepimpinan dan pembezaan produk sebagai penyederhana untuk keupayaan pasaran dan prestasi firma. Ini adalah penyelidikan penjelasan dan menggunakan soal selidik untuk mengumpulkan data utama dari syarikat. Menggunakan jurnal, artikel, internet, buku, berita, sebagai data sekunder. Selain itu, kajian ini menggunakan 229 soal selidik kepada PKS di Malaysia. Pengumpulan data dianalisis dengan menggunakan SPSS 23. Analisis regresi linear berganda yang digunakan untuk mengkaji hubungan antara pemboleh ubah bebas dan pemboleh ubah bergantung. Hasilnya menunjukkan keupayaan pasaran mempunyai hubungan positif antara persembahan firma. Penemuan ini akan membantu syarikat industry kecil di Malaysia untuk meningkatkan prestasi perniagaan mereka.

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LIST OF ABBREVIATIONS

SMEs	=	Small and Medium-Sized Enterprises
PDC	=	Product Development Capability
SPSS	=	Statistical Package for the Social Science
CL	=	Cost of Leadership
R&D	=	Research and Development

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF RESEARCH

Market capabilities can relate business needs, because they can allow the company to add value to its products and services, to respond to conditions in the market and create competitive advantages. Strategic, operational, technological, and architectural considerations are the list of the marketing capabilities. The relationship between business strengths and company growth according to Morgan (2009) is strongly positive. The ability of the business to apply company collective skills, resources and expertise in order to market its product is defined as an integrative process, (Vorhies, 1998). Through the list of the market capabilities it can give the impact to the firm performance.

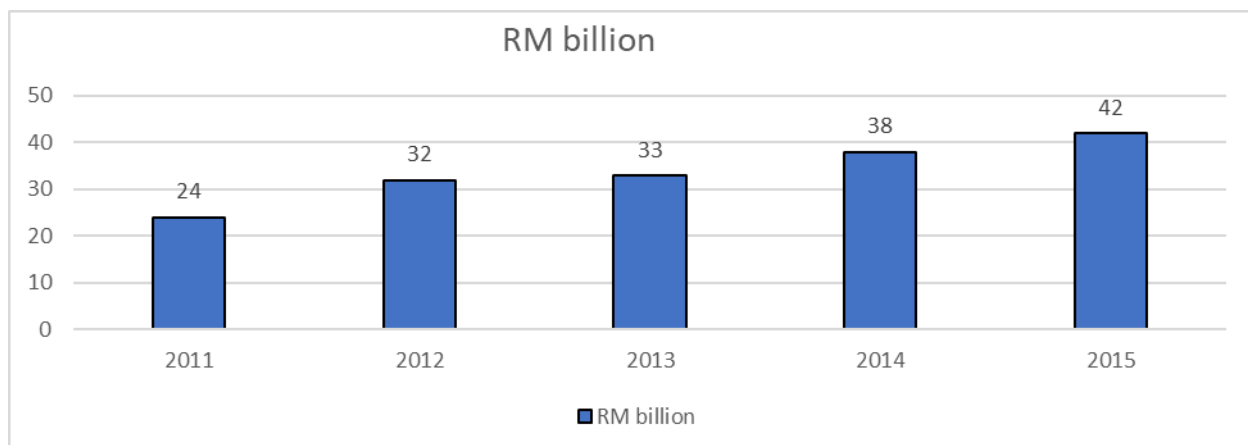
Company performance may be related to organizational performance, the firm's functioning and the results of its operations. A measure of a company's performance, which may depend not only on the company's own efficiency but it also works on the market. In the financial sector, for example, a number of financial metrics can be used to determine the performance of the company, such as profits, stock returns, asset returns and sales growth.

According to Neill et al., (2006) efficient strategic planning allows companies to better understand the strengths and processes that form the situation and build a

marketing strategy. The Marketing Strategy is a global business game plan for attracting and turning people into consumers of the product or service provided by the organization. The marketing strategy shall notify the marketing plan, which is a document setting out the types and timing of marketing activities. The marketing plan aims to develop a clear marketing path for the product. Marketing goals in general align with the company's wider priorities. For example, a business that is looking for growth often has a marketing plan that outlines consumer baseline tactics such as exports to the international market of its product.

Malaysia is one of the countries exporting goods to the global market. The goods exported include electronic equipment, coal, natural gas, wood and wood products, cotton, oil rubber, textiles and chemicals. However, as an Islamic State, Malaysia also exports halal food to several countries such as China, Japan, and the European country. Nevertheless, not all the firms can penetrate the market to export global. Malaysia is one of the countries exporting goods to the global market. Electronic equipment, oil and gas goods, timber and wood products, cotton, petrol rubber, textiles and chemicals shall be exported. Malaysia also exports halal food to several countries such as China, Japan, and the European country. Nevertheless, not all the firms can penetrate the market to export global.

Market sensing is called the ability to feel and respond to the market environment and changes in technological development, customer preferences and requirements, innovation and value-added, (Likoum, Shamout, Harazneh & Abubakar, 2018). Nonetheless, the detection, capture, stockpiling, mapping, distribution and information formation are one of the key difficulties facing small and medium-sized enterprises, (Sołek-Borowska, 2017). Sołek-Borowska (2017), was found that creating information is important for SMEs. She said that small and medium enterprises (SMEs) are doing something larger firms cannot do to create an environment that encourages the development of information through joint efforts, personal contact and a community of owners. Competition, coupled with sophisticated consumer demands, allows it necessary for SMEs to take an entrepreneurial approach in such a way that the business stays relevant and efficiency increases and actually continues to operate, (Kraus, Rigtering, Hughes, & Hosman, 2012).



The bar chart shows Malaysia's export record to several countries such as China, Singapore, United States, Indonesia and Japan by 2015. Based on the record, it is evident that the increase in the percentage of Malaysian exports is increasing from 2011 to 2015. This record also proves that products from Malaysia are accepted at the global. Therefore, through this positive impact, Malaysia as an exporting country needs to be more active in finding alternatives to further increase the country's export percentage in the future. The government should play a role in urging companies in Malaysia to continue developing new products that can be exported to the global market. Through the increase of national exports to the global not only gives a good image to the State but also provides income to the State.

1.2 PROBLEM STATEMENT

The market capability among Small and Medium-Sized Enterprises (SMEs) in Malaysia is low (Dzulkifli, 2015) supported by (Bernama, 2019). According to Dzulkifli (2015) "Most of the local producers of SMEs, which lack the capacity to meet the demand and supply of the market globally". Therefore, it shows that our SMEs Company have low market capability. According to (Ripolles, 2011) market capability is contributing to impact the firm performance. However, study on SMEs very few. The past researcher saying market capability and firm performance are related. However, the role of market strategy as moderating has not been discovered,

(Morgan et al., 2009). The purpose of this research is therefore to define the position of market strategy as a moderating factor between market ability and corporate efficiency.

1.3 RESEARCH OBJECTIVE

1. To identify the factors of market capability on the firm performance for export product to global among Small and Medium-Sized Enterprises (SMEs) in Malaysia
2. To examine the factors in market capability among Small and Medium-Sized Enterprises (SMEs) in Malaysia
3. To test whether market strategy moderate relationship between market capability and firm performance among Small and Medium-Sized Enterprises (SME) in Malaysia

1.4 RESEARCH QUESTION

1. What is the factors of market capability to the firm performance for export product to global among Small and Medium-Sized Enterprises (SMEs) in Malaysia
2. What are the factors in market capability among Small and Medium-Sized Enterprises (SMEs) in Malaysia
3. Does market strategy moderate relationship between market capability and firm performance among Small and Medium-Sized Enterprises (SMEs) in Malaysia

1.5 SCOPE AND LIMITATION OF STUDY

The scope of this research is to investigate the market capability Small and Medium-Sized Enterprises (SMEs) in Malaysia which consist of market sensing, partner linking and customer engagement. Then, also identify about the firm performance like competitive advantage. The research also wants to investigate about the market strategy that can give an impact to the firm performance which is between cost of leadership and product differentiation.

The respondents are among the Small and Medium-Sized Enterprises (SMEs) in Malaysia.

1.6 KEY ASSUMPTION

The researcher assumes will be honest while answering the questionnaire given. The researcher also assumes that the respondents will give full cooperation for this research. Lastly, the researcher assumes that this research is practical and useful for the firms or entrepreneur in Malaysia or international as a reference to improve the situation and growth their business to global.

1.7 IMPORTANT OF STUDY

This research was aimed at discovering the market capability of small and medium-sized enterprises (SMEs) in Malaysia. This study was beneficial to the entrepreneur to known about the market capability on Small and Medium-Sized Enterprises (SMEs) in Malaysia.

1.8 RESEARCH SIGNIFICANT

The research is important for the firms or entrepreneur while improving their business performance. The export of products in Malaysia are increases every year but market capability among Small and Medium-Sized Enterprises (SMEs) in Malaysia still low. This research would refer to the Small and Medium-Sized Enterprises (SMEs) in Malaysia to improve their business globally.

The research also wants to investigate about the market strategy that can give an impact to the firm performance which is between cost of leadership and product differentiation. The respondents are among the Small and Medium-Sized Enterprises (SMEs) in Malaysia.

1.9 SUMMARY

In conclusion, market capability is one way to improve the firm's performance. This research focuses on the impact of market capability on the firm's performance. The respondent from the Small and Medium-Sized Enterprises (SMEs) of Malaysia. Which are the respondents among Small and Medium-Sized Enterprises (SMEs). Finally, this chapter included the background of the study, the problem statement, the research question, the research objective, the scope and limitations of the study, the key assumptions, the importance of the study and the significant research. This research is well explained in chapter 2 that is literature review.