

## Market Orientation Practices among Micro-Sized Enterprises: A Descriptive Evidence using MKTOR Scale

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**Abstract:** Previous studies have found that market orientation practices were important in benefiting the continuity of the business firms. In this regard, the study tries to focus on the market orientation practices using MKTOR scale including customer orientation, competitor orientation and coordination between functions. The survey type of study was carried out among 136 micro-sized enterprises in Perlis and grouped into four major towns using stratified random sampling technique. Results from the descriptive analysis were shown that the mean value for the three market orientation constructs was at medium high level. The issue gives an overview of moderate market orientation practices amongst such enterprises. This finding provides useful enlightenment to micro-sized enterprises and related parties in developing the business in the future. Some implications to the related parties and future suggestions were discussed.

**Key words:** Market orientation, MKTOR scale, micro-sized enterprises.

### INTRODUCTION

Micro-sized enterprises are part of SMEs that are important contributors to the economy of a country. This size of the firm is the beginning of its operations and existence in the business world before it is growing bigger. In most countries, the majority of business companies are dominated by micro-size enterprises. The trend is also parallel to Malaysia where micro-size enterprises dominated to 75.3% or 693,670 companies out of a total of 920,624 registered companies until 2017 [1]. The business encompasses manufacturing, services and home-based sectors. In line with that, the firm's business performance is an indicator to their existence on the economic development of the country. Its contribution to national development is reflected in the growth of entrepreneurial activities and market exploration, providing job opportunities, improving socio-economic status of the people and GDP to the nation [2,3].

Based on these interests, various issues related to SME businesses, especially micro-size enterprises have been discussed. The issues are largely based on current performance problems [4,5] and factors affecting their business performance. One of the main factors being discussed is that the needs of the entrepreneurs or enterprises pay attention to marketing aspects [6] and further adopting market orientation behavior [7,8] among micro-sized enterprises. This is because, at the beginning of operations, most of the micro-sized enterprises are struggling to operate their businesses. It is very closely related to the limited sources are owned such as human resources and entrepreneurial capabilities. In this regard, the examination of market orientation should be focused on the reason for its role as a milestone in the performance of an organization [7,9]. So that, this study will be focused on the descriptive features of market orientation constructs practices among micro-sized enterprises.

## **LITERATURE REVIEW**

### **Background of the study**

Business performance is importance as a guideline for the company whether they achieve the objective and mission of the company or not. In the context of market value, business performance is seen through profitability and appreciation of the value of stakeholders [10]. In relation to that, there are several key factors that are found to be contributing to the improvement in business performance. Among these factors are characteristics of the owner [4] and the ability to satisfy stakeholders especially customers by maximizing their value and satisfaction [6]. Krist [11] added the key aspects affecting firm's business performance include intangible resource of human capital. Despite that, these factors will be able to drive the behavior and attitude of workers in the workplace. The challenge to the firm is to maintain a positive and proactive working environment within the organization with the dynamic and evolving economic environment in the business [11].

Marketing functions are said to be associated with an increase in business performance. As stated by Kotler et al. [6], marketing is a process of value creation by the firm for customers. It is also to build a strong relationship with customers in order to gain returns from them [6]. Marketing also acts in understanding the behavior of customers so that firms are always aware of the information and thus provide the best value to its customers [12]. So that, as a set of activities and behaviors carried out at the organizational level, market orientation next gives an idea of the level of acceptance of marketing concepts as a business philosophy [13].

### **Market Orientation (MO)**

Market orientation (MO) has been adopted as the main pillar for the growth of organizational performance [7,9,14,16]. Significant contributions of MO began from the study by Narver and Slater [16] and Kohli and Jaworski [13] which became one of the most widely discussed on the topic of marketing research. Slater and Narver [17] emphasized that marketing concepts pay attention on the purpose of the firm in providing the best value to customers continuously through satisfaction of their needs and wants. While market orientation provides an understanding of the firm

on how to manage the firm's customers, competitors and environment [17].

Firms with MO behavior focus on understanding the needs of customers, taking steps and actions to meet their needs, and seeking information continuously on competitors' actions in an effort to take necessary action for the benefit of the firm. Narver and Slater [16] in their conceptual study on MO suggested the involvement of behaviors including customer orientation and competitor orientation through the creation and dissemination of intelligence. In addition, the involvement of coordination between departments within the firm also refers to the integration of different functions or departments for achieving goals [16]. This dimension shows that market-oriented firms share and integrate customer and competitor information between different functional departments.

MO has an impact on the firm's business performance in various business environments including during transitional economics [18] and non-profit organization [7]. Li, Zhao et al. [18] in their study found that MO's dimensions are related to business performance. While the study of Boso et al. [19] on new product exports have found that the effort to complete MO's behavior in the firm is a useful strategy for the success of the firm. Nevertheless, there is a challenge in practicing MO's behavior consistently especially for manufacturing firms [20]. However, through the management process, firms can develop procedures, implement internal systems and measures that can improve performance, strengthen market positioning and align market feedback [21]. Despite the challenges in the business environment, MO appears to improve performance especially for small firms.

Based on the discussion, there is room that need to be aware of the factors mentioned above. Accordingly, this study chooses to examine MO variables uniquely through multidimensional constructs that has been practiced among micro-sized enterprises. With reference to Narver and Slater [16], the dimensions of MO to be studied consist of customer orientation, competitor orientation and coordination between functions.

a) Customer Orientation

As stated by Narver and Slater [16], customer orientation is the activities of procurement and dissemination of the necessary information in an effort to understand the customer's judgement. These activities are important in understanding the need of the potential customers so that creating value added can be done continuously to them [16]. In addition, Sheth, Sisodia and Sharma [22] found that customer orientation is a success of firms in their involvement and efforts in ensuring individual perceptions, needs and wants and satisfying them through appropriate design, communication, pricing and delivery of appropriate and competitive offerings.

The information from these efforts provides the firm with a framework for the creation of the highest value to its customers. With detailed analysis of customers' needs and wants, Day and Wensley [23] found that customer orientation can help firms better in satisfying its customers. It will be provided the advantage of creating a difference to customers. In this regard, Singh [24] in his study of employees at the forefront of the organization found the importance of delivering quality services from those groups to customers. This is because the behavior and attitude of the front-line employees can have a significant impact on the perceptions of customers towards the services of the organization [25].

Customer orientation approach is one of the strategic dimensions of MO. It plays a key role in helping improve the firm's performance and customer satisfaction [19]. Such practices can help firms market the right products and suit the needs of consumers [26] and thus benefit the users [27]. In addition, satisfied customers tend to deal back to business with firms in addition to bringing other fellow customers [28]. The more number of customers using a firm's product, the higher the revenue generated by the firm. Higher income means that the firm can strengthen its profits and create more space for business growth and expansion [29].

b) Competitor Orientation

Competitor orientation is defined as the procurement activities and the dissemination of the necessary information in order to understand the strategies that their competitors take to address

customers' targets [16]. According to them, firms need to know and understand the strengths and weaknesses of competitors. So that they can constantly monitored the capabilities and strategies of key competitors in their markets. Such information can help firms provide a framework for creating value to customers.

Previous studies have found that smaller firms have focused on short-term planning with the focus on day-to-day business operations compared to long-term plans [30,31]. Therefore, these firms should focus on enhancing competitor-oriented culture and the market environment. It matters in the firm's quest to develop a sustainable competitive advantage. In this regard, Kong [32] found that the concept of firm lifetime value should focus on long-term profitability.

Position in the market requires firms to always be aware of competitor's activities and work ahead of their competitors. Competitor orientation firms need to respond quickly to every action of their competitors. According to Narver and Slater [16, p.22], this can be done by understanding the main competitors and potential competitors on their short-term strengths and weaknesses and their long-term strategy and capabilities. In identifying competitors' strategies, existing information should be used jointly in the firm. A competitor orientation firm has often its top management that discussing the strengths and weaknesses of their competitors [16]. Hence, it is important for firms to try in winning target customers through competitor orientation practices.

However, despite the focus on MO, Ward et al. [33] found that too many market-oriented practices might be useless to firms. This is because of the possibility that marketers cannot focus or lose their focus and not aware of the actions that have been made by competitors [33]. Changes made by competitors in the market are also important in determining how a business can perform well [19]. In other words, it is important for a firm to see all the competencies and actions of their competitors in more detail.

c) Coordination between Functions

Coordination between functions was defined as the coordination of activities beyond all departments or functions within an organization [16]. According to Narver and Slater [16], such

coordination can be made through the use of firm resources in order to create the highest value added to targeted customers [16]. This is due to the effectiveness of a market-oriented firm happen through the full commitment of the employees in implementing their strategies [34].

The degree of dependency between departments or functions within an organization is based on interactions between departments, mainly marketing, operations and human resources. This is an important factor in the success of a firm [32]. In addition, marketing inputs such as competition analysis, market dynamics and environmental changes are crucial in developing firm corporate strategic planning [35]. Hence, these inputs need to be collected and adjusted so that they can be used for a firm's strategic planning.

Generally, this construct emphasizes on the need for sharing and generating the market intelligence among departments or functions and firm responses beyond all business units in order to generate better performance. Coordination between functions requires all members of the organization in each department or function to be aware and understand of customers' needs and priorities as well as understanding the market environment [36,37]. This is a string of firm requirements to plan and restructure the strategy in addressing new and anticipated challenges in the market. In this case, the firm's management should play their part in coordinating the information between all functions, such as customer, competitor and market information. So that the information can be used effectively for the success of a business.

### Conceptual Framework

Based on the literature reviews discussed earlier, this study proposes a conceptual framework as shown in the figure 1 below.

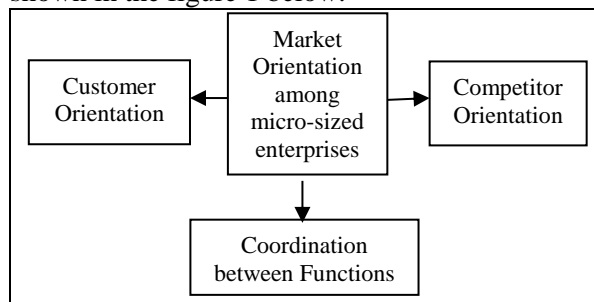


Figure 1: Conceptual Framework

This study was conducted to examine the practiced of market orientation (MO) among micro-sized enterprises. The MO constructs involved are based on the framework introduced by Narver and Slater [16] including customer orientation, competitor orientation and coordination between functions.

### METHODOLOGY

This study involves quantitative research that collects quantitative data through empirical evidence. The primary data were collected using survey methods from 136 entrepreneurs of micro-sized enterprises in Perlis. The data were obtained until 2017 from the State Economic Planning Unit (UPEN), Perlis state. The process of data collection was done using stratified random sampling technique by grouping enterprises through four major towns in Perlis including Kangar, Arau, Padang Besar and Kuala Perlis.

Measurement of business performance is adapted in the subjective form from Wiklund' instruments [38]. While market orientation is operated through the MKTOR framework introduced by Narver and Slater [16]. The MKTOR scale was used as the scale gained considerable attention in the study of MO against small and medium firms [12]. The MO level of the firm is operated as the extent of respondents assume that their firms are involved in customer orientation, competitor orientation and coordination between departments or functions [16]. The original MKTOR scale instrument with 15 items was adapted and scaled using Likert scale 5 points ranging from "1 = very disagreeable" to "5 = very agreeable". Narver and Slater [16] operate this MKTOR measurement as a unidimensional construct because of the three components; dimension of customer orientation, competitor orientation and coordination between functions are considered to represent MO scores. Instead, this study contributes to the literature by examined each of these components separately and multidimensional measures in parallel with some previous studies such as Musa [8] and Lukas and Ferrell [39].

Furthermore, the process of validating the content of items was made to provide items that could represent and meet the requirements of the study

[40]. Furthermore, a pilot study on 40 respondents was conducted to examine the suitability and understanding of respondents to each question presented [41]. A total of 31 sets of questionnaires was received and meet the minimum number of respondents as suggested by Pallant [42], ie 30 firms.) Based on response from the pilot study, a reliability test was conducted on each variable by checking the alpha Cronbach value. The result of the reliability analysis has shown that the lowest alpha cronbach ( $\alpha$ ) value obtained was for the coordination between functions variable ( $\alpha = .826$ ). Thus the reliability level of the variables studied has exceeded the acceptable minimum level of  $\alpha = .60$  as suggested by Sekaran and Bougie [43].

## DATA ANALYSIS AND RESULTS

### Profile of Respondents

The characteristics of the respondents were shown in table 1 below.

Table 1: Profile of Respondents

Categories	Characteristics	Frequency	Percent (%)
Business location	Kangar	55	40.4
	Arau	46	33.8
	Padang Besar	22	16.2
	Kuala Perlis	13	9.6
Age of Business	Below 5 years	45	33.1
	5 – 10 years	56	41.2
	Above 10 years	35	25.7
Gender of Owner	Male	48	35.3
	Female	88	64.7

In the aspect of business location of the firm, 55 firms were located at Kangar (40.4%), followed by 46 firms located at Arau (33.8%), 22 firms at Padang Besar (16.2%) and 13 firms at Kuala Perlis (9.6%). In the aspect of the age of business, 41.2% or 56 firms were in the age of 5 to 10 years' category, followed by 33.1% (45 firms) below 5 years' category and 25.7% (35 firms) above 10 years' category. In terms of gender of the owner, a majority number of respondents were female (64.7%) while male accumulated to 35.3 percent of the respondents.

### Descriptive statistics

The descriptive analysis is carried out to analyze the mean and standard deviation of the data

obtained. Reports from the analysis of descriptive statistics were shown in table 2 below.

Table 2: Descriptive statistics

Variables	M	SD	Summary
Business Performance	3.254	1.107	Medium high
Customer Orientation	3.556	0.967	Medium high
Competitor Orientation	3.340	1.126	Medium high
Coordination between functions	3.410	0.970	Medium high

Construct of business performance and all three constructs of market orientation have been analyzed to answer the objective of the study. For business performance, the mean value illustrates the moderate level of respondents' business performance. While for market orientation, all its constructs are also at a moderate level. However, customer orientation is in the highest position, followed by coordination between functions and lastly the competitor orientation.

## DISCUSSIONS AND IMPLICATIONS

The findings of three constructs of market orientation including customer orientation, competitor orientation and coordination between functions indicate the overall status of the practices of micro-sized enterprises at medium level of agreement. While the results of mean analysis have shown the moderate level, this signals that the practices of enterprises toward the market orientation is still in a good sign with a positive level of increment (medium high).

This study provides an understanding of the real situation of market orientation practices among micro-sized enterprises. While market orientation is said to benefit the continuity of their business, actual practice is still at moderate level. In this regard, it is hoped that micro-size companies will be able to improve their market-oriented practices in the future. From the aspect of customer orientation, micro-sized enterprises need to be focused more on needs and wants of their customers. Whereas for coordination between functions, the enterprise should coordinate and consolidate all market information received into all business functions. Besides that, for competitor orientation, enterprises need to observe every step and action of competitors around them. That is important because whatever the actions of a

competitor may be adversely affecting the company's business.

The findings of this study have given enlightenment to academicians and business firms regarding market orientation practices within the organizations. However, further studies on examining market orientation among micro-sized enterprises need to be carried out in various urbanization areas in Malaysia such as developed states and semi-developed states. This can give a good understanding of the scenario of overall market orientation practices in Malaysia. Further studies should also be made in comparing the descriptive results for its urbanization areas or examining the correlation between market orientation practices and the increase in the business performance of micro-sized enterprises.

## CONCLUSION

In conclusion, the market orientation behavior scenario in micro-sized firms surveyed is still at moderate level despite its importance as suggested by Narver and Slater [16]. The government through entrepreneurial agencies should take steps to raise awareness to relevant parties about the benefits and importance of those practices to the firms. These efforts are helping them improve knowledge in coordinating activities within the firm and focusing on customers and business competitors.

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