



## FACTORS INFLUENCE ON EXTENDED MARKET ORIENTATION OF MEDIUM AND LARGE- SCALE ENTERPRISES IN THE FOOD AND BEVERAGE INDUSTRY

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### ABSTRACT

Market orientation (MO) has become a key reason of business success, since those business organizations look for advance level of MO within the organization. Research focused three objectives namely examine the dimensions of OM in holistic marketing concept, analyze the impact of antecedents on overall EMO and analyze the impact of antecedents on each dimension of EMO. Literature review, researcher identified four dimension of EMO they are customer orientation, competitor orientation and inter-functional coordination and social responsibility orientation. The study revealed that Higher level management emphasis on EMO, Risk taking of top management, Interdepartmental relationship, Reward system, Involvement of information technology and Competitive intensity positively significant with overall EMO. Moreover, reward system and higher level management emphasis on EMO are significant for every dimension of EMO. Centralization, Formalization, Interdepartmental conflicts and Technology turbulence are negatively significant for EMO. Market turbulence is not significant for EMO.

**KEYWORDS :** Factors , Extended market orientation, Food and beverage industry

### 1. INTRODUCTION

According to Doyle and Wong (1998), MO is the second most significant driver of subsequent to differential advantage. Mainly, there are two perspectives of MO. First, MO has been analyzed in behavioral perspective. Second, MO is identified as a cultural perspective. Both perspectives are mainly utilized to conceptualize the aforesaid concept. Internal factors mainly consist of two parts; organizational structural factors, and organizational cultural factors (Raju et al., 2011). Further, those scholars argue that firm information technology involvement, entrepreneurial proclivity, etc. may effect on the degree of MO an organization.

Kotler and Kotler (2008) identified four dimensions (integrated marketing, relationship marketing, inside omnipresent marketing and social responsibility marketing) of holistic marketing. Further, a number of scholars (eg.Liu et al., 2010), Samarakoon, A.K & Jašek, R, 2012 have mentioned value of social orientation of an organization for long term interest of customers and modern society. But, traditional MO scales did not cover important dimension of social responsibility marketing. On the other hand, a research vacuum exists in antecedents of the degree of MO because many previous studies focused on measuring the degree of MO and influence of MO on the performance of the organization. Following record objectives were identified with regards to the medium and large scale enterprises (MLSEs) in Food and Beverage Industry in Sri Lanka.

- I. To examine the dimensions of market orientation in holistic marketing concept.
- II. To analyze the impact of antecedents on overall extended market orientation.
- III. To analyze the impact of antecedents on each dimension of extended market orientation

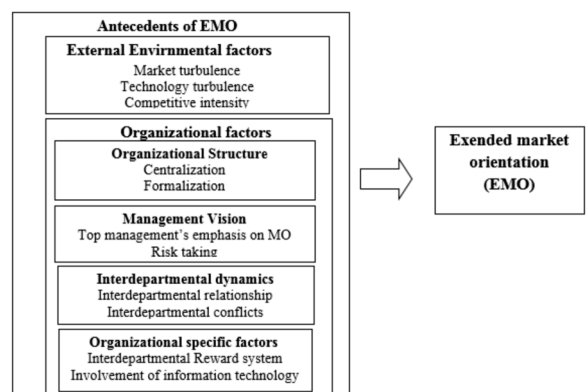
### 2. LITERATURE REVIEW

Research interest is growing to create links between cooperating social responsibility and marketing (Jones et al., 2007). Therefore, the American marketing association (2007) has developed a definition and it also go beyond the customers and paid attention to other stake holders of an organization. Moreover, Kotler and Keller (2009) have suggested the holistic marketing concept with four dimensions. The concept has gained attention on social responsibility of an organization and added new dimension based on social responsibility is called the term of "social responsibility marketing". Literature clearly revealed the value of cultural perspective. However, neither cultural perspective nor intelligence prospective in their scale considers social responsibility which is important to superior value for customers and society. After considering all matters, this study has introduced expanded market orientation (EMO) scale, which is constructed upon Naver and Salter (1990) conceptualization by particularly integrating additional social responsibility orientation into MO scales.

The organization needs to offer superior customer value addition to their customer, should furnish interest into four dimensions (customer orientation, competitor orientation, social responsibility orientation and inter-functional coordination). Subsequently, companies can achieve long term profit and success of business. Therefore, researcher has defined extended market orientation (EMO) construct as "market orientation is a culture that most effectively and efficiently generate the essential behaviors for superior value for customers to incessant competitive advantage and customer value." Under this theoretical framework, researcher argues has argued that the expanded market orientation has four dimensions namely customer orientation, competitor orientation, social responsibility orientation and interfunctional coordination.

Based on empirical findings and researchers' own impression on the antecedents of EMO, the study conceptualized EMO depending on four main types of internal antecedents and external environmental antecedents (Ranjarian et al., 2012). Depicted in Figure 1 (conceptual), internal antecedents of the study are organizational structure and design, management vision, interdepartmental dynamics and organizational specific factors. Perception of external factors, i.e. market turbulence, technology turbulence and competitive intensity have been identified as the external antecedents of EMO.

**Figure 1 Conceptual framework**



Source: Design by the author based on the review of the literature

Based on the above matter conceptual framework, the author assumed that,

**H1:** The formalization is a significant negative predictor of the overall EMO level of MLSEs in food and beverage industry.

**H2:** The centralization is a significant negative predictor of the overall EMO level of MLSEs in food and beverage industry.

**H3:** The emphasis of higher level management on MO would lead to a greater overall EMO level of MLSEs in the food and beverage industry.

**H4:** The willingness of higher level management to take risks would lead to a greater overall EMO level of MLSEs in food and beverage industry.

**H5:** The higher interdepartmental connectedness, greater the overall EMO level of MLSEs in food and beverage industry.

**H6:** The higher interdepartmental conflicts, lower the overall EMO level of MLSEs in food and beverage industry.

**H7:** The higher market based reward system, the greater the overall EMO level of MLSEs in food and beverage industry.

**H8:** The higher involvement of information technology, greater the overall EMO level of MLSEs in food and beverage industry.

Based on these findings; author assumed that,

**H9:** The higher external market turbulence, greater the overall EMO level of MLSEs in food and beverage industry.

**H10:** The higher technology turbulence, greater the overall EMO level of MLSEs in food and beverage industry.

**H11:** The higher competitive intensity, greater the overall EMO level of MLSEs in food and beverage industry.

### 3. RESEARCH METHODOLOGY

Scales for three dimensions of EMO (customer orientation, competitor orientation and inter-functional coordination) were developed based on the research instruments of Naver and Salter (1990) and Pelham, (1997). In addition to the arguments of those scholars, social responsibility orientation was proposed as a new dimension for measuring MO based on the holistic marketing concept introduced by Kotler and Keller (2009). Internal antecedents were conceptualized based on the scales developed by Jaworski and Kohli, (1993) and Qu et al. (2005) scales also were taken into account. Information technology involvement was measured based on Desi et al. (2001) scales. External environmental factors were measured based on Jaworski and Kohli, (1993) and Cadogan et al, (2003) scales. Scales of EMO, antecedents of EMO were assessed based on a five-point Likert

**Table 1: Effect of internal and external factors on overall EMO and each dimension of EMO**

Independent variables	Dependent variables				
	EMO	Cust. Orien.	Comp. orien.	Social orien.	Interfun. Coord.
Centralization	-0.015ns	-0.045ns	0.026ns	0.017ns	0.004 ns
Formalization	-0.077ns	-0.072ns	-0.088ns	-0.010ns	-0.097ns
Higher level management emphasis on MO	0.237***	0.230**	0.157*	0.223**	0.234**
Risk taking of top management	0.126*	0.170*	0.041ns	0.046ns	0.166*
Interdepartmental relationship	0.214**	0.233**	0.118ns	0.175*	0.227**
Interdepartmental conflicts	-0.143**	-0.126ns	-0.141*	-0.071ns	-0.154*
Reward system	0.427***	0.351***	0.487***	0.374***	0.311***
Involvement of information technology	0.129*	0.097ns	0.143ns	0.154ns	0.076ns
Market turbulence	0.063ns	0.121ns	0.102ns	-0.020ns	0.001ns
Technology turbulence	-0.034ns	0.131*	0.008ns	-0.056ns	0.081ns
Competitive intensity	0.119*	0.087ns	0.085ns	0.165*	0.107ns

\* Beta is significant at the 0.05 level

\*\* Beta is significant at the 0.01 level

\*\*\* Beta is significant at the 0.001 level ns. Not significant

Cust. Orien. - Customer orientation Comp. orien. -Competitor orientation

Social orien.- Social Responsibility Inter-fun. Coord.-Interfunctional Coordination Orientation

Organizational structure related two factors (centralization and formalization) showed expected negative directions, but not significant. Competitor orientation and inter-functional orientation didn't confirm the same inverse relationship with centralization. Both dimensions of EMO have shown a positive relationship with centralization.

Top management emphasis on MO positively influences on each

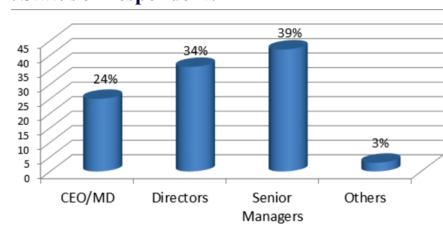
scale representing five views ranging from "Strongly disagree to strongly agree

The target population is "only those that belong to all enterprises in food and beverage industry, which defined in terms of the number of employees (more than 50), with three year business experience from its institution and investment with more than 5 million Sri Lankan rupees." Seven hundred and eighty four enterprises which have fulfilled above mentioned conditions have been selected from the database of the Department of Census and Statistics in Sri Lanka. These enterprises represent the five subsections or subpopulations (strata) of food and beverage industry. Mail survey was employed for data collection because it ensures that data were collected promptly and in a firmly and controlled manner. The main questionnaire pack was addressed to the Chief Executive Officer (CEO) who requests to complete the questionnaire or pass it on the next senior officers.

### 4. DATA ANALYSIS AND DISCUSSION

Selected sample respondents represent various types of food and beverage enterprises in the medium and large scale category (eg. Business experience, all sub sections of food and beverage industry, local and international business scope). Further, around 82% of responding firms have more than ten years of business experience, and they have local and international business experienced.

**Figure 02: Status of Respondents**



Source : Survey data

Around 87% of respondents of the sample represent the top management (senior managers, CEOs, directors). Reliability analysis was employed to determine whether the summated scale score made were sufficient and reliable and summary of proposed antecedents and their relationships are given in the below table.

dimension of EMO. Especially, MO appears to be facilitated by the amount of emphasis higher level managers place on MO though continual reminders to their employees which is significant to be sensitive to customers, competitors, social responsibility changes and developments (Webster, 1988). Especially, top management emphasis on social responsibility is more important because lower level managers mainly pay attention to their sales and production targets. On the other side higher risk taking of top management has a positive significant influence on the overall EMO and two dimensions (customer orientation and inter-functional orientation) of EMO. The relationship between rest of two dimensions and top management's willingness of risk taking also shows the positive relationship but not significant. Actually, a higher level market oriented organization needs to acquire certain level risk taking on the part of top management as well as willingness to accept infrequent failure of new food and beverage products as being an ordinary business condition. As a whole, top management related factors are more important to develop the degree of market orientation in food and beverage industry.

Both proposed interdepartmental factors significantly influence the degree of EMO but not in the same manner. Greater interdepartmental relationship positively effects the degree of EMO, although higher interdepartmental conflict negatively effects on the degree of EMO. Several researchers (eg.Gummeson, 1991) also mentioned that true functional integration facilitates the proper information sharing and coordination. The study results represented that interdepartmental conflicts significantly impute the degree of dimensions of EMO except social responsible orientation dimension. Conversely, interdepartmental connection is significantly correlated with three dimensions except one dimension of EMO (competitor orientation). Therefore, interdepartmental relationship is significant overall as well as dimension-wise of EMO. Reward system strongly influences the overall market orientation as well as each dimension of EMO. On the other hand, information technology involvement also plays a very significant role in determining the level of EMO.

## 5. SUMMARY AND CONCLUSION

The study is gained significant contribution to existing theoretical knowledge because findings revealed antecedents of the new dimension (social responsibility orientation) of EMO. Management of food and beverage firms can secure fundamental change in their performance by supporting EMO features such as customer orientation, competitor orientation, social responsibility orientation and inter-functional coordination. Moreover, market oriented activity can be developed by the manipulation of certain organizations and external factors. Especially, top management activities are able to foster EMO activities through providing necessary training and resources, employee motivation, informal meeting focused on developing market oriented activities, emphasis on the value of EMO etc. Reward systems that are based on market and customer satisfaction assessments enhance the EMO. Since, management of a firm must give the necessary resources, motivation and an appropriate reward system which encourages rather than discourage EMO activities. As well as interdepartmental relationships among the departments shows significant role in determining the level of EMO. Moreover, information technology involvement provides infrastructural facilities to develop interdepartmental connection and to minimize interdepartmental conflicts. It is important to take necessary steps to develop IT involvement such as allocation of resources, developing employees' information technology related skills, use of information technology based systems to market information collection, dissemination and analysis etc. On the other side, management of an organization must take necessary actions to control internal factors which may hinder degree of EMO. Especially, management of organization must take necessary actions to control interdepartmental conflicts such as cross departmental activities, employee trainings, focus on the overall objectives of an organization, clearly alignment of each department's objectives and so on.

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