Abstract

The purpose of this paper is to investigate the role of top management commitment in influencing the relationship between market orientation and new product performance. Data was collected using mail questionnaire survey approach with simple random sampling procedure in selecting the organizations for inclusion in the sample. One hundred and fifty eight Malaysian manufacturing organizations participated in this study. The results indicated that top management commitment partially moderate the relationship between market orientation and new product performance. Although, the overall results showed lack of evidence on the impact of top management commitment on market orientation-new product performance relationships; individual results signified that top management commitment moderate the relationship between market focus-new product performance and market planning-new product performance.

Authors’ Biographies

Sany Sanuri Mohd Mokhtar is an Associate Professor at School of Business Management, University Utara Malaysia. His areas of research interest and specialization
include quality management, strategic marketing, service quality, innovation management, customer relationship management and higher education management performance.

**Rushami Zien Yusoff** is the Assistant Vice-Chancellor and Professor at College of Business, University Utara Malaysia. He is currently the Vice-Chairman of ISO/TC 176 on Quality Management and Quality Assurance. He is also the consultant and trainer in performance and quality management for various public and private organizations.

**Introduction**

In ensuring survival in the long term, organisations need to change their organisational strategy and adapt to the relevant environment (Dunphy & Stace, 1993; Eisenhardt & Brown, 1999). Furthermore, as customer needs and customer satisfaction have become the central aspect of business operation today (Bond, 2003; Chong & Rundus, 2004), some studies like Day (1999b); Druckman et al (1997); Lawler, Mohrman, and Benson (2001); Slater & Narver (1994b); and Yam, Tam, Tang, and Mok (2005) suggested that organisations should change their operations, such as restructuring their existing processes and reinventing new programmes, which include becoming more market and quality orientated. Studies have recognised organisations that are oriented towards quality improvements to have influence on organisational performance and indirectly enhance competitive advantage (Agus & Sagir, 2001; Easton & Jarrel, 1998; Tena, Llusar, & Puig, 2001). Similarly, many studies have linked the market oriented organisation with organisational performance and organisational survival in today’s competitive environment (Day, 1994; Jaworski & Kohli, 1993; Kirca, Jayachandran, & Bearden, 2005; Narver & Slater, 1990; Pelham & Wilson, 1996; Slater & Narver, 1994a). But there are few studies that has investigated the link between market orientation and quality orientation and its impact on organisational performance (Lai & Cheng, 2005). Furthermore, studies on the relationship between individual key success factors of quality orientation and marketing are also limited.

**Market Orientation**

Market orientation was conceptualised as the implementation of marketing concept (Kohli & Jaworski, 1990; McCarthy & Perreault Jr., 1993). Although, there are several elements of the marketing concept that have been put forward, most literature on the marketing concept agrees on three basic elements that form the marketing concept: customer orientation; integration and coordination; and profit orientation (Barksdale & Darden, 1971; Felton, 1959; Kotler & Levy, 1969; McNamara, 1972). As specified by
Kotler (1972) “the marketing concept is a customer orientation backed by integration marketing aimed at generating customer satisfaction as the key to satisfying organisational goals”.

Recent literature on market orientation has also specified the importance of customer orientation, and integration and coordination by operationalising the marketing concept into the activities and behaviours of an organisation (Kohli & Jaworski, 1990; Narver & Slater, 1990). For instance, market orientation is defined as “the organisation wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation wide responsiveness to it” (Kohli & Jaworski, 1990). Similarly, market orientation has been defined by Narver and Slater (1990) “as the organisation culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business”. Thus, in view of the above argument, market orientation can be considered as an orientation towards meeting and satisfying customer needs through the integration and coordination of the whole organisation. Mokhtar, Yusoff & Arshad (2009) has combined past literatures of market orientation constructs: Gray et al. (1998), Kohli & Jaworski (1993) and Narver & Slater (1990). Their study on manufacturing organisations found out that they were five critical success factors of market orientation practices, specifically market focus, market action, market planning, market coordination and market feedback.

**The impact of market orientation and top management commitment**

Studies have indicated market orientation and quality orientation as sources of competitive advantage that result in improved organisational performance. For instance, studies on market orientation have found a positive association between market orientation and performance (Jaworski & Kohli, 1993; Kara, Spillan, & DeShields Jr., 2005; Pelham & Wilson, 1996; Pitt, Caruana, & Berthon, 1996; Pulendran, Speed, & Widing II, 2000). However, there are some studies that had found no links or weak associations on these relationships. For example, Greenly (1995) had suggested that market orientation was not significantly related to performance, and Diamantopoulos and Hart (1993) revealed a weak association between market orientation and performance. Similarly, many studies have identified TQM contribute to organisational performance (Agus, 2004; Anderson & Sohal, 1999; Easton & Jarrel, 1998; Hendricks & Singhal, 1997; Sun, 2000). Indeed, TQM practices also led to positive effect on employees’ work-related attitudes (Karia & Asaari, 2006). However, studies have identified that some of the factors did not contribute to organisational performance (Agus, 2004; Anderson & Sohal, 1999; Sun, 2000). For instance, Agus (2005) found out that there is no evidence to support a direct link between TQM, product quality performance, and business performance. According to Prajogo & Sohal (2006), TQM alone is less effective and organisations need to complement it with other resources for new product success.
Thus, it can be argued that, although some of the above evidence highlights the importance of both market orientation and quality orientation as sources of competitive advantage in contributing towards organisational performance, there is also evidence that the direct relationships of these orientations with performance are not supported. Furthermore, some individual studies of market orientation and quality orientation reported that there is an indirect relationship between the orientations with the organisational performance (Baker & Sinkula, 1999; Chong & Rundus, 2004). Correspondingly, there has been a call for integration between both market orientation and quality orientation, as both orientations complement each other in enhancing functional integration that can contribute to organisational performance (Lai & Cheng, 2005; Longbottom, Mayer, & Casey, 2000; Mohr-Jackson, 1998; Sittimalakorn & Hart, 2004). Based on these arguments, the aim of this study was to shed new light on these issues through an examination of the relationships between market orientation and top management commitment and its impacts on the performances of Malaysian manufacturing firms. Narver and Slater (1990) suggested that if there are barriers in integrating the resources, effective support and guidance from the leaders are needed to ensure that all the functions in the organisation coordinate effectively. Studies also suggested that both leaders and organisation-wide commitments are essentials for a successful change to a market oriented organisation (Farrell, 2000; Narver, Slater, & Tietje, 1998).

Leaders play active role in developing, monitoring and executing strategic planning and are the driving force behind organisation excellence (Besterfield, Besterfield-Michna, Besterfield, & Besterfield-Sacre, 2003; Kanji, 2001). ISO 9001 standard specified that planning shall be the responsibility of top management. In specific, top management need to ensure that quality objectives are set up within the organisation functions, measured and implemented to meet the requirements (ISO, 2009). Organisational success also requires the organisation to emphasise on strategic quality management (Calingo, 1996). Many organisations fail in implementing quality due to their inability to align with strategic planning (Hansson & Klefsjo, 2003; Srinidhi, 1998). The decision to implement quality initiatives should be seen as a strategic approach as it involves the organisational strategic goals and the objective of quality improvement to establish a competitive advantage (Shani & Rogberg, 1994). Previous studies had also identified the importance of strategic quality management for organisational excellence (Evans & Lindsay, 1999; Juran & Gryna, 1993; Khairul Anuar, 2002; Leonard & McAdam, 2001; Tummala & Tang, 1996). For instance, a study on 17 organisations that won the Australian Quality award from 1989 to 1993, provided support that successful change in the quality culture need to be linked with the strategic vision of the organisation together with supportive leadership (Abraham, Fisher, & Crawford, 1997).

The need to have strategic quality management is further noted as the organisation needs to align strategy around customer requirements to achieve organisational excellence. As
specified by Srinidhi (1998), customer satisfaction can be achieved if “there is a system in place which translates customer expectations into tangible managerial actions which can be implemented”. Thus, strategic quality management provides a system or mechanism and a blueprint for the organisation to translate customer expectations into operational actions throughout the whole organisation. At the same time, market orientation can play its role in focusing on generating information from the environment particularly on customer requirements. The information obtained can be disseminated to the strategic decision process of the organisation. This information can be used by the senior management in developing a strategic plan that focuses on achieving customer satisfaction. The strategy is then communicated to the whole organisation to drive all the employees to have the same understanding in fulfilling the goals of the organisation. Market orientation alone is not able to drive the customer requirement into the internal operation of the organisation since it does not have the strategic quality management in its concepts or dimensions that can drive a strategic plan that focuses on customer requirements. Morgan and Piercy (1998) had also proposed formalisation of strategic quality planning and quality planning alignment to improve the relationship between the marketing and quality departments. In their study, they found that the formalisation of quality planning would help to reduce conflict, and quality planning alignment increase connectedness between the marketing and quality departments. Given the importance and influence of top management commitment in providing leadership for quality and strategic quality management towards higher organisational performance if it is considered together with market orientation, we thus hypothesises that:

H1a: Top management commitment moderates the relationship between market action and new product performance
H1b: Top management commitment moderates the relationship between market focus and new product performance
H1c: Top management commitment moderates the relationship between market planning and new product performance
H1d: Top management commitment moderates the relationship between market feedback and new product performance
H1e: Top management commitment moderates the relationship between market coordination and new product performance

Methods

Our method of data collection for this study to examine the relationship between the variables was by means of survey method strategy. A total of 500 questionnaires were randomly distributed to chief executive officer or managers of the manufacturing organisations. The list of organisations was based from the Federation of Malaysian Manufacturers (FMM) directory. Respondents were provided with self-addressed, stamped return envelopes with contact telephone and fax numbers in the cover letter to
facilitate questionnaire return and correspondence. A cover letter explaining the objectives of the study and the significance of the study to Malaysian business and theory development was conducted to appeal participation from the respondents. The cover letter also includes a statement of confidentiality to assure confidentiality of individual responses. Follow-up mails were sent a month after the first mailing to remind the non-respondent highlighting the significance of the study. 158 complete questionnaires out of 500 questionnaires were returned representing 31.6% of the response rate.

Results

The number of employees representing the organisation indicated that there were not many differences in terms of the percentages; the highest was 29.7 percent for 51-150 numbers of employees, followed by 27.8 percent for more than 500 employees, 21.5 percent for 151 to 250 and 20.9 percent between 251 to 500 employees.

In terms of the annual sales turnover, most of the organisations have an annual sales turnover of more than RM 50 million (46.2 percent). Others include between RM 10 million and less than RM 25 million (24.1 percent), between RM 25 million and RM 50 million (20.9 percent) and less than RM 10 million (8.9 percent). Of the 158 responses, 46.8 percent were fully local organisations, followed by 24.1 percent fully foreign organisations, 18.4 percent were majority local, and 10.8 percent were majority foreign.

Table 2 illustrates the results of moderated regression analysing the moderating effect of top management commitment on the relationship between market orientation and new product performance. There were three steps involved in the regression analysis. The first step of regression analysis indicated that several market orientation factors have significant predictive power against new product performance (i.e. market focus, market planning and market coordination). The second step of regression analysis also signified significant difference although at lesser explained variation. The third step of the analysis indicated that the inclusion of TMC, MF x TMC, MA x TMC, MP x TMC, MC x TMC and MFB x TMC provides slight change on the R square value.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Focus (MF)</td>
<td>.164*</td>
<td>.072</td>
<td>.109</td>
</tr>
<tr>
<td>Market Action (MA)</td>
<td>.075</td>
<td>.031</td>
<td>-.004</td>
</tr>
<tr>
<td>Market Planning (MP)</td>
<td>.209**</td>
<td>.156*</td>
<td>.148</td>
</tr>
<tr>
<td>Market Coordination (MC)</td>
<td>.174**</td>
<td>.125</td>
<td>.147</td>
</tr>
<tr>
<td>Market Feedback (MFB)</td>
<td>.032</td>
<td>.021</td>
<td>.009</td>
</tr>
<tr>
<td>Top Management</td>
<td>.251**</td>
<td>.259**</td>
<td></td>
</tr>
</tbody>
</table>
commitment (TMC)  
MF x TMC  .254**  
MA x TMC  .109  
MP x TMC  -.280**  
MC x TMC  .030  
MFB x TMC  .017  

R²  
R² change  .238  .267  .301  
F change  9.357  6.038  1.393  
Sig. F change  .000  .015  .230  

*** significant at 0.01  ** significant at 0.05  * significant at 0.1

Cohen, Cohen, West, & Aiken (2003), suggests that the moderating effect or interacting effect exists if the interaction term provide a higher contribution over the main effects. Table 2 indicated that the explained variance, R square increased by 0.063 or 26% to 0.301 from 0.238. The results suggest that the moderation effect of top management commitment exists between market orientation and new product performance.

Discussion
In general, although some of the hypotheses were not supported (H1a, H1d, H1e), the results of the moderating effects of top management commitment on the relationship between market orientation dimensions and organisational performance variables confirm with the literature which suggests that both market orientation and quality orientation should complement each other to achieve higher organisational performance (Lai & Cheng, 2005; Longbottom et al., 2000; Sittimalakorn & Hart, 2004). This is supported by the moderating effect of top management commitment on the relationship between market orientation dimensions (H1b and H1c) and new product performance. Lai and Cheng (2005), for example, pointed out that quality management can play the roles of internal integrator, to move the organisation as a whole, by improving the process internally to focus on customer needs and as an efficiency enhancer to complement the marketing role by its emphasis on continuous improvement organisation-wide. As specified by Mohr-Jackson (1991), TQM provides an additional focus on the internal customer, which market orientation has ignored.

The moderating effect of top management commitment on performance variable are also in line with Narver and Slater (1990), who have suggested that effective support and guidance from the leaders are needed to ensure that all the functions in the organisation coordinate effectively. Leaders are able to drive the organisation to become a market-driven or market-oriented organisation (Day, 1999a, 1999b; Farrell, 2000; Narver et al., 1998). The results of the study is also consistent with the quality experts or gurus, who have pointed out the importance of top management in driving the organisation towards
excellence (Crosby, 1984; Deming, 1986; Ishikawa, 1985; Juran, 1988). Previous studies have also acknowledged the positive influence of top management commitment on the relationship between top management commitment and organisational performance (Ahire & O’Shaughnessy, 1998; Powell, 1995; Sany Sanuri & Rushami Zien, 2010; Saraph, Benson, & Schroeder, 1989).

The findings contribute to the existing body of knowledge by investigating the moderating role of top management commitment in the market orientation and new product performance relationship. Previous studies have not examined this specific variable moderating relationship. Most of the past studies focus on the moderating role of business environmental variables and there have been no consistent findings of this environmental role in the relationship between market orientation and organisational performance (Appiah-Adu, 1998; Diamantopoulos & Hart, 1993; Greenley, 1995; Jaworski & Kohli, 1993; Slater & Narver, 1994a). The results of the present study have established the important role of top management in moving the organisations toward organisational excellence. Top management has been proven in this study, as one of the most important variables that contribute to higher organisational performance. Stakeholders in the organisation should recognise the important roles that top management plays in managing the organisations. Putting in the right leader would provide the right culture for organisational excellence, since top management has the necessary attributes to drive organisational performance. The role of top management is not only to coordinate but also provide invisible control by creating a vision and system for the organisation.

In general, to maintain and improve Malaysian manufacturing global competitiveness, market orientation should not only be a firm philosophy but the reality of everyday life. Thus, the role of top management is to continually remind employees the importance to be sensitive and responsive to market needs especially customers. The management should also provide adequate resources for market orientation activity to take place in the firms such as budget to improve customer services, training courses for staff to serve customer better, invest in market intelligence system and establish a team-work environment. Subsequently, establishing a market based reward system will encourage employees to respond to market needs productively. This suggests that organisations seeking to enhance market orientation dimensions and performance need to ensure that top management plays a strong leadership role in quality management by demonstrating strong commitment toward quality related programme to all employees across the functions in the organisations.

Limitations and future research
One of the limitations of this study is the use of cross-sectional design for survey research, which captures the perceptions of respondents at a point in time. Thus, the study cannot prove causal relationships on a longitudinal basis. As the survey research in the study was based on a cross-sectional design, further work needs to be done to establish
the effects of changes over a longer period of time in the aspects of market and quality orientation. Therefore, future research should consider longitudinal studies to examine how organisations become market and quality oriented and how their impact influences organisational performance.

The findings cannot be generalised in a larger context across cultures of other countries since the data collected from this study was limited to Malaysia. Different cultures and business environments may give different impact of market orientation and quality orientation on organisational performance. Future research should consider replicating this study in other cultures or countries, especially on the moderating effects of quality orientation attributes. In addition, further research is also needed to be carried out in other sectors or industry besides manufacturing, such as the services or construction sector. This research would help to generalise the findings of this study in a broader context. Alternatively, a cross-cultural comparative analysis would further enhance the understanding of market and quality orientation in different cultures.

References


