THE INFLUENCE OF MARKET ORIENTATION ON THE PERFORMANCE OF STUDENTS' OWNED BUSINESSES IN UNIVERSITI UTARA MALAYSIA

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Thesis Submitted to the Centre for Graduate Studies, Universiti Utara Malaysia, in Fulfillment of the Requirement for the Degree of Masters of Business Administration

11 OCTOBER 2010

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ABSTRACT

This study investigates the influence of market orientation on student owned businesses performance in University Utara Malaysia (UUM) main campus. The objectives of the study were 1) to examine the level of market orientation that being practice by students own business in UUM and 2) to determine the relationship between market orientation and business performance among small business in UUM. This study used market orientation itself and its elements that are 1) customer orientation, 2) competitor orientation and 3) inter-functional coordination to find the relationship with business performance and its elements which is profit and sales. Data from 44 students' own businesses in UUM were used to test the relationships and hypothesis level of market orientation with its element by using mean and correlation analysis. Furthermore, the data of the respondents also being used to find the relationship between market orientation and business performance by using multiple regression analysis. From the correlation and multiple regression analysis, the result indicates that the level of market orientation that being practice by student own business in UUM are in a moderate level. Moreover, student own business in UUM are also implementing overall market orientation in their business which can leads them to a better performance in future. Recommendations to improve students' owned businesses were also discussed.

ABSTRAK

Kajian ini meneliti pengaruh orientasi pasaran terhadap prestasi perniagaan pelajar yang membuka perniagaan sendiri di kampus utama Universiti Utara Malaysia (UUM). Tujuan kajian ini adalah 1) untuk menguji tahap orientasi pasaran yang diamalkan oleh mahasiswa yang membuka perniagaan sendiri di UUM dan 2) untuk menentukan hubungan di antara orientasi pasaran dan prestasi perniagaan mahasiswa yang membuka perniagaan di UUM. Penyelidikan ini menggunakan orientasi pasaran dan elemen-elemennya iaitu 1) orientasi pelanggan, 2) orientasi pesaing dan 3)koordinasi fungsi dalaman untuk mencari hubungan diantara prestasi perniagaan yang diukur menggunakan keuntungan dan jualan mereka.Untuk mengkaji perhubungan diantara pembolehubah-pembolehubah tersebut, kutipan data daripada 44 orang pelajar yang membuka perniagaan sendiri di UUM digunakan untuk menguji hipotesis tahap orientasi pasaran mereka. Hipotesis ini diukur dengan menggunakan analisa mean dan korelasi. Selanjutnya, data daripada responden juga digunakan untuk mencari hubungan di antara orientasi pasaran dan prestasi perniagaan dengan menggunakan analisis regresi berganda. Daripada hasil dapatan analisis korelasi dan analisis regresi berganda, menunjukkan bahawa tahap orientasi pasaran yang diamalkan oleh pelajar yang mempunyai perniagaan sendiri di UUM masih berada dalam tahap yang sederhana. Selain itu, dapatan kajian juga menunjukkan bahawa pelajar-pelajar ini telah mengaplikasikan orientasi pasaran secara keseluruhan, dan ini akan membuka jalan untuk mereka terus maju dalam membangunkan prestasi perniagaan mereka. Disamping itu, cadangan untuk meningkatkan prestasi pencapaian perniagaan yang dijalankan oleh pelajar-pelajar UUM ini juga di perbincangkan di dalam kajian ini.

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TABLE OF CONTENTS

CONTENT	PAGE
Permission to Use	i
Abstract	ii
Abstrak	iii
Acknowledgments	iv
Table of Contents	v
List of Tables	vii
List of Figures	viii
Chapter 1: INTRODUCTION	
1.0 Chapter Introduction	1
1.1 Background of the Study	1
1.2 Problem Statement	3
1.3 Research Questions	4
1.4 Research Objectives	4
1.5 Significant of the Study	5
1.6 Scope of the Study	6
1.7 Limitations of the Study	6
1.8 Organization of the Study	7
1.9 Conclusion	9
CHAPTER 2: LITERATURE REVIEW	
2.0 Chapter Introduction	10
2.1 Market Orientation	10
2.1.1 The Scope of Market Orientation	10
2.1.2 Element of Market Orientation	17
2.1.3 Components of Market Orientation	18
2.2 Business Performance in Organization	20
2.2.1 Organization Performance in General	28
2.3 Relationship Between Market Orientation and Business Performance	39
2.4 Conclusion	48
CHAPTER 3: METHODOLOGY	
3.0 Chapter Introduction	49
3.1 Research Framework	49
3.2 Hypothesis	50
3.3 Research Design	50
3.4 Operational Definition	51
3.5 Measurement of Variables or Instrumentation	54
3.5.1 Measurement of Demographic Factors and Business Information	55
3.5.2 Measurement of Market Orientation	55
3.5.3 Measurement of Business Performance	56

3.6 Data Collections Procedures .. 56
3.6.1 Population and Sampling .. 57
3.6.2 Data Collection Procedures .. 58
3.6.3 Pilot Test .. 58
3.7 Techniques of Data Analysis .. 59
3.7.1 Descriptive Statistics .. 59
3.7.2 Reliability Analysis .. 61
3.7.3 Inferential Statistics .. 64
3.8 Confidence Interval .. 66
3.9 Conclusion .. 67

CHAPTER 4: FINDINGS
4.0 Chapter Introduction .. 68
4.1 Response Rate .. 68
4.2 Descriptive Statistics .. 69
4.2.1 Frequencies Analysis .. 69
4.2.2 Descriptive Frequency of Variables .. 74
4.3 Inferential Analysis .. 75
4.3.1 Correlation Analysis .. 76
4.3.2 Regression Analysis .. 77
4.4 Conclusion .. 80

CHAPTER 5: DISCUSSION, CONCLUSION AND RECOMMENDATIONS
5.0 Chapter Introduction .. 81
5.1 Discussion .. 81
5.1.1 Students' Owned Businesses Profile .. 82
5.1.2 Level of Market Orientation Practiced.. 83
5.1.3 Relationship between Market Orientation and Business Performances .. 84
5.2 Recommendations .. 84
5.3 Conclusion .. 87

REFERENCES

APPENDICES

LIST OF TABLES

TABLE	TITLE OF TABLE	PAGE
Table 2.0	The Seven Measurement Categories Of Organizational Performance.	29
Table 2.1	Studies Of Market Orientation	46
Table 3.0	Operational Of Variables	52
Table 3.1	Criterion For Acceptability	62
Table 3.2	Cronbach's Alpha For Each Variable	63
Table 3.3	General Description Of The Data Analysis	66
Table 4.0	Gender of Respondents	70
Table 4.1	Age of Respondents	70
Table 4.2	Race of Respondents	71
Table 4.3	Education Level of Respondents	71
Table 4.4	Business Categories Operated By Respondents	72
Table 4.5	Length (Year) of Business	72
Table 4.6	Business Performance: Profit For The Last Three Months	73
Table 4.7	Business Performance: Sales For The Last Three Months	74
Table 4.8	Mean And Standard Deviation For Independent Variables Of Market Orientation Elements	75
Table 4.9	Correlation Analysis	76
Table 4.10	Profit Regression Analysis	78
Table 4.11	Sales Regression Analysis	79
Table 5.0	Summary of the Research Findings	82

LIST OF FIGURES

FIGURES	TITLE OF FIGURE	PAGE
Figure 1.0	General outline of organization of the study	8
Figure 2.0	The Performance Management Process	31
Figure 2.1	Five Step In Improving The Process To Characteristic, Control And Improve Organizational Performance	33
Figure 2.2	Organizational performance forces	37
Figure 3.0	Theoretical Framework	50

1

INTRODUCTION

1.0 CHAPTER INTRODUCTION

This study explores the influence of market orientation on the performance of students' owned businesses in Universiti Utara Malaysia. This chapter contains: background of the study, problem statement, purpose of the study, research questions, significant of the study, scope, and limitation of the study, and also organizations of this study.

1.1 BACKGROUND OF THE STUDY

Businessmen or entrepreneurs play an important role in the economic growth and development of a nation. It purposeful activity includes in the beginning, promotion, and distribution of wealth and service. An entrepreneur is a critical factor in economic development and an integral part of the socio-economic transformation. It is a risk taking activity and challenging tasks, needs utmost devotion, total commitment and greater sincerity with fullest involvement for personal growth and personality. The entrepreneurial career is not a one day job. Prosperity and success never comes easily. It takes time and needs hard work. In addition, successful entrepreneurs need a systematic planning and business penetration to achieve the goals.

For young entrepreneurs that are new and fresh in the industries, they were need to be trained and encouragement from others. Training in business activities in universities is one of the true experiences for them, especially when they are entering into jobs market. The government is also trying to take many solutions to overcome these challenges by promoting entrepreneurship schemes through giving proper knowledge and tools in starting a new business among these young people. The importance of developing an innovative and entrepreneurial culture is a crucial part if Malaysia wants to be an entrepreneurial country.

Entrepreneurship directly leads to more businesses, more job opportunities, and better quality of life. Starting and running a business can be a real option for young people, offering an alternative means of achieving both financial and personal independence. Entrepreneurs also can encourage young people to consider business ownership as a viable option. It is also becoming increasingly important especially in the current trend of globalization. The best way to support youth entrepreneurship is by doing entrepreneurial programs targeting at young people.

In University Utara Malaysia (UUM), the interest in involving in small businesses among students has increase and it becomes one of their favorite incomes to find pocket money. They are not just doing business to find income, but also to find experience and opportunities in market place in UUM. The popular businesses among students are selling food products, printing services, computer repair services and others. These students are not just doing business in Varsity Mall, but also in their residential hall and kiosks. The businesses that they are running depend on their customers' needs. Usually, students run their businesses in a small medium scale especially in residential hall because they don't have permanent place. In varsity mall and kiosk most student businesses owned a permanent place on a small medium basis due to lack of a capital.

1.2 PROBLEM STATEMENT

Own businesses operated by students in UUM has grown every year. However, these businesses do not sustain long in their market place. Students also face various problems in conducting their businesses especially marketing problems and threats from competitors among them. Therefore, business students should manage their target market, customers, and competitors effectively and efficiently. Meanwhile, they should also be aware of the customers' needs and requirements which are always changing and pose challenges to them in creating customers value. They should manage their customers, competitors, and internal business management effectively to ensure their success in businesses are sustain long in their market place. This requires them to be market-oriented in conducting their business.

If market orientations are being implemented appropriately by the students' own businesses, it will increase their business performance effectively. Therefore, it is assumed that the practice of market orientation will lead them into market-driven and consequently lead to superior business performance in their future business. On the other hand, if they fail to adopt market orientation at the beginning of their business, it may adversely affect their business performance. Due to that reason, this study is conducted to examine the level of market orientation being practiced by student's owned businesses in UUM and how does these practice contribute to their business performance.

1.3 RESEARCH QUESTIONS

This study seeks to answer the following research questions:

i. What is the level of market orientation being practiced by student own business in UUM?

ii. Is there any relationship between market orientation and business performance among student's owned businesses in UUM?

1.4 RESEARCH OBJECTIVES

This study aims to achieve the following objectives:

i. To examine the level of market orientation that is being practices by student's owned business in UUM.

ii. To determine the relationship between market orientation and business performance among student's owned businesses in UUM.

1.5 SIGNIFICANCE OF THE STUDY

This study added to the body of knowledge on the influence of market orientation and its elements that effect student's owned businesses performance. This research would have significant contributions as follows:

i. Through the findings of this exploratory study, the theory of market orientation and business performance will help operators of student's owned businesses in UUM to understand about the integration of market orientation concept (customer orientation, competitor orientation, and inter-functional coordination) and its importance in order to achieve business success. Not only student in UUM will benefit from this study, but also individual or organization that want to achieve high business performance.

ii. The findings this study will also provide information that can be used by UUM entrepreneurs' management to train students who operate a businesses in UUM and gain more knowledge to achieve a better profit and sales.

iii. This study can also be a foundation for other researchers on market orientation and business performance to investigate other fields that influence the ability of businesses to grow.

1.6 SCOPE OF THE STUDY

The scope of this study is to identify market orientation practice on small business performance, and will focus on students operating doing businesses in University Utara Malaysia main campus.

1.7 LIMITATIONS OF THE STUDY

This study also has some limitations, which are:

i. Generalizability of the findings.

   This study was conducted in UUM and hence the finding cannot be used to generalize the intention of other students owned businesses in Malaysia. A more extensive study using the same procedures will be necessary if any definite conclusions are to be made. However, due to the time constrains, it is not possible to carry out such an extensive research.

ii. Time constrain

   The researcher has been given four months period to complete this study.

iii. Problems associated with data collection

   The researcher needs to wait for respondents' feedback for two or three days and sometimes a week to collect the questionnaires. Several questionnaires are not been returned. Besides, some of the questionnaires returned cannot be used since some data are not complete. Furthermore, some of the respondents refused to answer the questionnaires.

1.8 ORGANIZATION OF THE STUDY

This research is organized into five main chapters. There are chapter one, chapter two, chapter three, chapter four and chapter five. In Chapter One, description of the research background were explained, where the study emphasis on the problem statement, research questions, research objectives, significant of the study, scope and the limitations of the study were also discussed in this chapter.

In Chapter Two, the researcher has reviewed articles from journals and books from the previous studies to provide a literature review about market orientation and business performance. This chapter discussed the concept of market orientation and its elements. Arguments about business performance, organization performance in general and factors affecting performance in organization are also being discussed. Finally the relationship between market orientation and business performance is explored.

Furthermore, Chapter Three discusses the methodology of the research. This chapter begins with the discussion on the research framework, research hypothesis, research design, operational definition, measurement of variables or instrumentation, data collections it also describes on data analysis technique used to analyze the data.

Chapter Four is about result of this study. The process of analyzing the data is done by using descriptive and inferential analysis. Thus, the obtained results depend on descriptive statistic analysis and results on inferential analysis. The results gathered from the descriptive statistic analysis in this study include data related to demographic characteristics of respondents and business information of respondents. Hypothesis testing using Pearson Correlation and multiple regression analysis are also discussed in this chapter. The summary of the result is also provided in last part of this chapter.

Finally, Chapter Five discussed the implication of the finding presented in Chapter Three. All items that had been analyzed in the research will be presented in this chapter to highlight the impact of market orientation and business performance on students' owned businesses. The inferences from the findings will be discussed in this chapter and finally recommendations for future research will also been suggested.

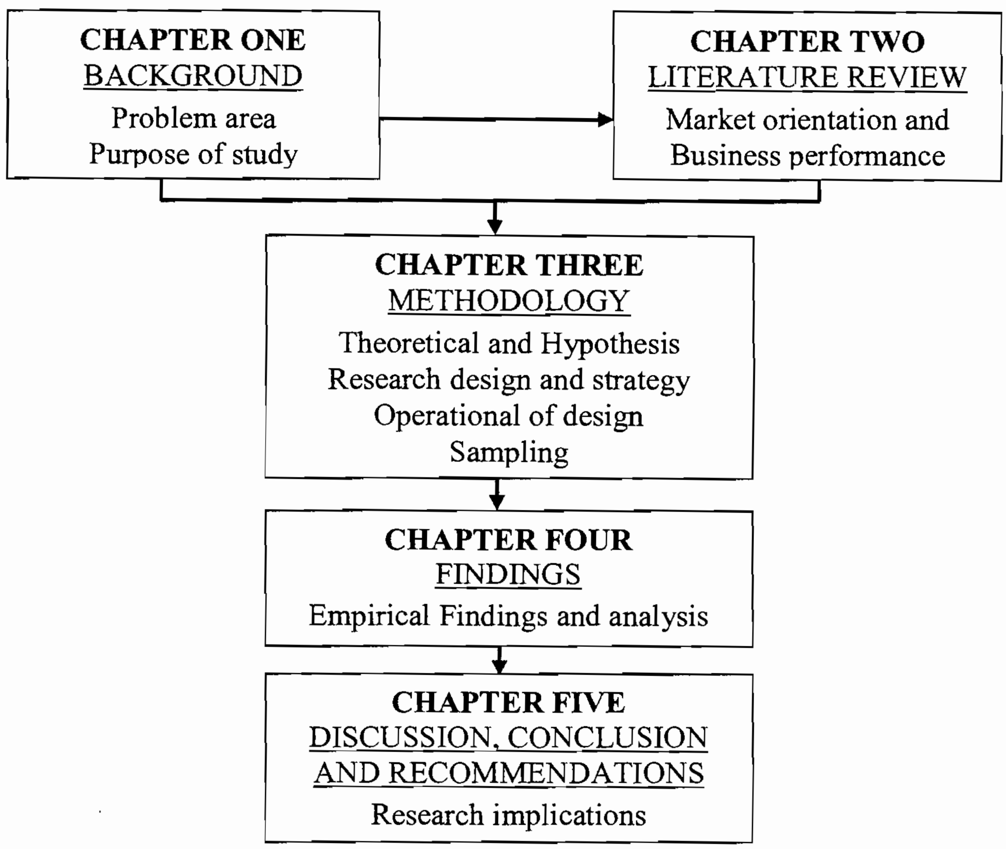


Figure 1.0 General Outline of Organization of the Study

1.9 CONCLUSION

The focus of this chapter is to define the main question of the research which is the influence of market orientation on students' owned businesses performance in University Utara Malaysia. This chapter highlights the background of the study, problem statement, research questions, and research objectives. Meanwhile, the significant of this study, limitation, and organization of this study were also been described. The next chapter will discuss the literature review related to market orientation and business performance.

2

LITERATURE REVIEW

2.0 CHAPTER INTRODUCTION

This chapter will discuss the concept of market orientation and its elements as well as discussing matters related to business performance. Organization performance in general and will also be discussed. Lastly, the relationship between market orientation and business performance is explained.

2.1 MARKET ORIENTATION

Reviews on market orientation in this study consist of the overall definitions from the previous study about the market orientation and also the discussion about the element of market orientation itself.

2.1.1 The Scope of Market Orientation

There are numerous definitions about market orientation concept Jones, *et al* (2008) said that firm itself is responsible for management practices which increase the organization's exposure to information about its specific environment. Porter (1980) also said, by doing so, it improves its ability to disseminate and make use of the data in order to enable it to compete in the marketplace.

Nowadays, customers expect a higher level of product or service quality than ever before because they have more choices and possess better knowledge about the product or service offerings. The challenge for any business in seeking to remain competitive is to determine what its customers want and whether they are satisfied with the organization's products or services (Miller, *et al*, 2002). The marketing concept suggests that the long-term purpose of a firm is to satisfy customer needs for the purpose of maximizing corporate profits (Kohli & Jaworski, 1990). This requires that firms take a proactive attitude to doing business and be responsive to customer needs and market changes. It is believed that firms that are better equipped to respond to market requirements and to anticipate changing conditions will enjoy long run competitive advantage and superior profitability (Day, 1994). A firm must be market oriented to gain long-term competitiveness, and the actions of market-oriented firms must be consistent with the marketing concept: placing customers at the very heart of business operations.

With increasing competitive pressure to be responsive to the needs of customers, the term market orientation has gained importance and popularity among business practitioners and researchers, eventually becoming the cornerstone of the marketing concept. Kohli & Jaworski (1990) referred to market orientation as the implementation of the marketing concept, and defined it as the ''organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization- wide responsiveness to it''. There is a distinction between ''market orientation'' and ''marketing orientation'', in that the former highlights its organization-wide application (Kohli & Jaworski, 1990; Narver & Slater, 1990), while the latter is seen to be specific to activities of the marketing department or division (Shapiro, 1988).

The organization-wide context of market orientation represents effective marketing implementation and illustrates the significance of adopting a proactive attitude to doing business and developing a competitive edge. While marketing and market orientation are well developed in terms of their definitions (Kotler, 1994), measurements (Kohli & Jaworski, 1990; Narver & Slater, 1990), and empirical tests of the concepts (Jaworski & Kohli, 1993 and Narver & Slater, 1994), very little has been done to investigate their impact in the quality management context, even though marketing and quality management are considered similar and complementary business approaches (Lai & Weerakoon, 1998).

Basically, market orientation is important in enabling firms to understand the marketplace and develop appropriate product and service strategies to better meet customer requirements (Kohli & Jaworski, 1990). A market orientation assures a customer-focused process for market intelligence generation, followed by coordinated, inter functional marketing efforts to achieve long-term profitability (Kohli & Jaworski, 1990 and Narver & Slater, 1990). Past research has confirmed the relationship between market orientation and business performance (Jaworski & Kohli, 1993 and Hurley & Hult, 1998).

Kohli & Jaworski, 1990; Narver & Slater, 1990; Webster, 1992; Slater & Narver, 1994, has agree with the intention of companies that orientated themselves towards the market will obtain better results. This is because market orientation implies a better understanding of the environment, and therefore the company that adopts this orientation possesses get greater ability to identify and satisfy consumers' needs. (As cited in Bigne & Blesa, 2003).

While in Drucker (1954) view's, marketing is not a specific company activity. It involves the entire organization viewed from the customers' point. Similarly, Felton (1959) has also described marketing orientation giving attitudinal qualities to the concept. More specifically, he approached it as a way of thinking in doing business that is based on the integration and co-ordination of all marketing activities which in turn will integrate with the rest of the company activities in an effort to maximize long term profitability. (As cited in Avlonitis & Gounaris 1999)

Meanwhile, Deshpande *et al.*, 1993 believed, market orientation like managerial attitude, comprises a set of beliefs that puts the customer's interest first in order to develop a long-term profitable organization. (As cited in Ruokonen, *et al.*, 2008). Based on the most widely accepted definitions, from Narver & Slater (1990) defines market orientation as the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business. (As cited in Ruokonen, *et al.*, 2008).

Also, because of its unique role in understanding customer needs and the market, facilitates other functional areas in defining the manner in which they can be customer-focused. In this case, marketing acts as a bridge linking functional areas and helping staff members to understand and interpret their roles in serving customer needs. It functions as a role model by identifying and defining the purposes of products or services to staff members or internal customers, and leading them to achieve customer satisfaction. Viewed from this perspective, marketing links requirements from the external environment with the relevant functional areas within the firm (Gronroos, 1989; Gummesson, 1991 and Ruekert & Walker, 1987). It helps to ensure that information collected from customers is used effectively as part of a quality improvement strategy, making customer perceptions and needs meaningful and explicit to organizational members.

It also serves to communicate customer needs and requirements and the associated implications throughout the organization to ensure consistent decision-making and actions, and to motivate corrective actions and method improvements when other functional areas fail to fulfill the needs of customers (Mills, 1986). The expected results of greater sharing of market intelligence throughout the organization are better coordination of the organization's efforts, and that all functional areas work towards a common goal, i.e., customer satisfaction. This is of particular importance in the development of product/service strategies to satisfy evolving customer requirements (Narver & Slater, 1990).

Furthermore, Deshpande *et al.*, 1993 said market orientation is like managerial attitude, where it comprises a set of beliefs that puts the customer's interest first in order to develop a long-term profitable organization. Narver & Slater (1990) definition of market orientation, on the other hand, comprises three activities (customer orientation, competitor orientation, and inter-functional coordination) and two decision criteria (long-term focus and profit objective). (As cited in Ruokonen, *et al.*, 2008).

Moreover, Payne (1988) believed management development is a relevant factor in the development of market orientation in any organization. This means that market orientation will exist in an organization when management knowledge, skills and attitudes are well developed. Judd 1987 accompanying, addition of a "P" of people to the marketing-mix elements may also assist in the implementation of market orientation in any organization. (As cited in Osuagwu, 2006).

According to Varela & Rio, 2003, market orientation may be seen as a model of marketing management behavior which emphasizes customer satisfaction, coordination of functional marketing activities, sensitivity to competition and intelligence, and mutually-satisfactory measures of performance. It is supposed to guide actions of marketing managers, and its relevance lies in its capability to satisfy customers and clients, in addition to achieving marketing efficiency and effectiveness (Osuagwu, L. 2006). (As cited in Blackson, *et al*, 2006)

In addition, according to Becherer *et al.* (2003), market orientation refers to a culture in which organizations strive to create superior value for their customers and superior performance for the business by focusing on customer needs and long-term profitability. The concept is significant since recent work demonstrates positive links to several areas of business strategy and performance, including return on assets (Narver & Slater, 1990), organizational learning and ability to rapidly respond to environmental changes (Dickson, 1992 and Sinkula *et al.*, 1997), and new product innovation and success (Pelham & Wilson, 1996; Lukas & Ferrell, 2000), to name only a few. (As cited in Blankson *et al*, 2006).

Market orientation also refers to the extent to which firms behave, or are inclined to behave in accordance with the marketing concept (Kohli & Jaworski, 1990). In fact, market orientation has been examined from both behavioral and cultural perspective (Homburg & Pflesser, 2000). According to Narver & Slater, 1990, from the cultural perspective, market orientation is defined as the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for the business. (As cited in Todorovic, & Ma, 2008).

2.1.2 Elements of Market Orientation

There are three elements that have been identified in market orientation: customer orientation, competitor orientation, and inter-functional coordination, and these components must be supported by a relevant culture. Kohli & Jaworski (1990) emphasize the behavior aspects of market orientation, conceptualizing it as the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it. (As cited in Grinstein, 2008).

Also, as cited in Jones, *et al* (2008), Kohli & Jaworski (1990) these writer defined that market orientation is simply the implementation of the marketing concept, which previous scholars argued was critical for business success. However, according to Kohli & Jaworski, (1990) and Narver & Slater, (1990), they said that firms with a market orientation focus on the customer, the competitor, and cross functional coordination by generating and communicating market intelligence throughout the organization and responding to it effectively.

Yet, Slater & Narver (1994) in their model defined market orientation as a series of steps: information acquisition about customers, competitors, and other market factors, inter-functional assessment, and shared diagnosis and coordinated action. These three steps lead to, in their words, superior customer value. They then insert their model as one of the steps leading to core capabilities, competitive advantage, and business performance, matching with Porter's (1980) competitive strategy model. (As cited in Jones, Knotts & Udell, 2008).

Furthermore, according to Ruokonen, *et al.* (2008) conceptualization of market orientation could be seen as a single dimension consisting of three behavioral components such as customer orientation, competitor orientation and inter functional coordination and of two decision criteria in a long-term focus and profitability. Similarly, Narver & Slater (1990) also propose that market orientation comprises three components, which is customer orientation, competitor orientation and inter functional coordination. (As cited in Blankson, *et al.*, 2006).

2.1.3 Components of Market Orientation

There are three components of market orientation identified from cultural perspectives. These components are includes customer orientation, competitor orientation, and inter-functional coordination. Each these components will be explained below:

i. Customers orientation

According to Avlonitis, & Gounaris, (1999), the term customer orientation is used to describe a specific set of beliefs that puts the customers' interests first and ahead of those of all other stakeholders, for example owners, managers, and employees which, in their view should be considered as part of a broader, and more fundamental, corporate culture. While Todorovic, & Ma, (2008), said that customer orientation is a set of beliefs that puts the customer's interest first (Deshpanda *et al.*, 1993) and requires a sufficient understanding to create products or services of superior value (Narver & Slater, 1990). He also said that customers' orientation is a sufficient understanding of target buyers, so that continuous superior value can be created for them.

ii. Competitors orientation

According to Deshpanda *et al.*, 1993 and Narver & Slater, (1990), competitor orientation requires firms to understand the strengths, weaknesses, capabilities, and strategies of competitors and actively engage in information acquisition on existing and potential competitor. These writers also said that competitors' orientation is to understanding short-term strengths and weaknesses and long-term capabilities of both current and potential competitors. (As cited in Todorovic, & Ma, 2008). Competitor orientation will enable the company to identify the weaknesses of its competitors and strike them back where they suffer. (Avlonitis, & Gounaris, 1999).

iii. Inter-functional coordination

According to Narver and Slater, (1990) inter-functional coordination is defined as the coordinated utilization of company resources in creating superior value for target customers and also coordinated the deployment of company-wide resources for the creation of superior value for customers. (As cited Todorovic, & Ma, 2008).

At the same time, according to Pelham (1997) and Appiah-Adu & Singh (1998) omitted the inter-functional coordination component divided the customer orientation component further into customer satisfaction and customer understanding, and kept the competitive-orientation component. (As cited in Ruokonen, et al., 2008).

2.2 BUSINESS PERFORMANCE IN ORGANIZATION

Business performance is assessed by measuring the success or failure of an organization in achieving its goals and can therefore be defined in a number of ways (Benito *et al.* 2009). Performance measures may be based, for example on return on investment, profits, turnover, or number of customers. A comparison of the variety of methods used to quantify business performance in previous research suggests that the relationship between a given independent variable and performance is likely to depend on the particular performance measure used (Murphy *et al.*, 1996). Performance measures used in further studies, therefore, need to be clearly defined and justified to allow for comparisons and to avoid apparent contradictions in findings. Murphy *et al.* (1996) also argued that further research should use where possible several dimensions of performance and allow for control variables such as firm size, age and industry membership.

Organizational performance comprises of the actual output or results of an organization as measured against its intended outputs or goals and objectives. According to Narver & Slater (1990), organizational performance encompasses three specific areas of firm outcomes, such as (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.).

The term organizational effectiveness is broader. Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as financial performance (e.g. shareholder return), customer service, social responsibility (e.g. corporate citizenship, community outreach), and employee stewardship. Organizational effectiveness is the concept of how effective an organization is in achieving the outcomes the organization intends to produce. The idea of organizational effectiveness is especially important for non-profit organizations as most people who donate money to non-profit organizations and charities are interested in knowing whether the organization is effective in accomplishing its goals.

An organization's effectiveness is also dependent on its communicative competence and ethics. The relationships between these three are simultaneous. Ethics is a foundation found within organizational effectiveness. An organization must exemplify respect, honesty, integrity and equity to allow communicative competence with the participating members. Along with ethics and communicative competence, members in that particular group can finally achieve their intended goals.

Moreover, foundation and other sources of grants and other types of funds are interested in organizational effectiveness of those people who seek funds from the foundations. Foundations always have more requests for funds or funding proposals and treat funding as an investment using the same care as a venture capitalist would in picking a company in which to invest. According to Narver & Slater, (1990) and Jaworski & Kohli, (1993) business performance is the outcome of organizational operations, including the achievement of firm's internal and external objectives. (As cited in Lin, *et al.*, 2008).

Organization development is a planned, organization-wide effort to increase an organization's effectiveness and viability. Benito, *et al* (2009) has referred to organization development as a response to change, a complex educational strategy intended to change the beliefs, attitudes, values, and structure of organization so that they can better adapt to new technologies, marketing and challenges, and the dizzying rate of change itself. Organization development is neither "anything done to better an organization" nor is it "the training function of the organization"; it is a particular kind of change process designed to bring about a particular kind of end result. Organization development can involve interventions in the organization's "processes," using behavioral science knowledge as well as organizational reflection, system improvement, planning, and self-analysis.

The objective of organization development is to improve the organization's capacity to handle its internal and external functioning and relationships. This would include such things as improved interpersonal and group processes, more effective communication, enhanced ability to cope with organizational problems of all kinds, more effective decision processes, more appropriate leadership style, improved skill in dealing with destructive conflict, and higher levels of trust and cooperation among organizational members. These objectives stem from a value system based on an optimistic view of the nature of man, which means that man in a supportive environment is capable of achieving higher levels of development and accomplishment. Essential to organization development and effectiveness is the scientific method, this inquiries a rigorous search for causes, experimental testing of hypotheses, and review of results.

Demski, (1997) said that business performance and profitability are closely related to decisions. The point of departure for business oriented approaches is decision relevant revenues and costs, for example changes in revenues and costs resulting from a decision (Parker, 1980 and Solomons, 1952). Changes based on purely financial indicators are often regarded as rather narrow and have been challenged by other approaches. There are one approach proposes to classify performance measures according to different organizational levels, which is (1) financial performance, focusing on purely financial indicators; (2) business performance, where non-economic indicators such as market share, (3) product development, or production efficiency are incorporated; and (4) organizational effectiveness, where a number of various metrics are considered (Venkatraman & Ramanujam, 1986 & 1987).

Consequently, according to Agarwal, *et. al.,* (2003) performance is a two dimensional construct that are objective performance and judgmental performance. The authors addressed that objective performance involve the finance or market based measures such as capacity utilization, profitability, and market share. The judgment involves customer and employee based measures such as customer satisfaction and employee satisfaction (Agarwal, *et al* 2003). In the study by Jaworski & Kohli (1993), they found no relationship between market orientation and objective performance but they did find a positive association with judge mental performance.

Chaston, (1996) mentioned that there are six dimensions of service business performance that are financial and competitive performance, service quality and innovation, and flexibility and resource utilization. An approximate mix of financial and non-financial, quantitative and qualitative measures are central to management control in order to implement, monitor and develop their competitive strategy.

In addition, Shoham, *et. al.*, (2005) stated that performance had been operationally in many ways including market share, profitability, return on assets or investment, change in market share or profitability, new product success and composite measures of this variables. They also mentioned that subjective measure is manager's assessment or competitor and objective measure assess the actual performance of the firm on absolute scales. Meanwhile, Maydeu-Olivares & Lado (2003) suggested three reflective indicators of business economic performance that is domestic market share, premium growth, and profitability per year averaged over the last three years. They also added that all the three indicators were expressed as percentages. Lastly, in the study by Appiah-Adu, *et. al.,* (2001) about Bumiputera contractors, they used to measure business performance according to company assets, yearly work value, and yearly net income.

Based on the previous study, newer performance measurement approaches have been introduced, such as balanced scorecards (Kaplan & Norton, 1996, 2001) and business models (Kaplan & Norton, 2004; Rucci *et al.*, 1998), which consider both objective and perceptual (subjective) measures of performance. Metrics such as customer satisfaction, customer loyalty, co-worker satisfaction, etc. may be regarded as antecedents of future financial performance, or leading metrics, as opposed to financial key figures, which are lagging metrics (Helgesen, 2006; Kaplan & Norton, 2004 and Rucci *et. al.*, 1998), thus monitoring the financial future of the business unit. Perceptual metrics may also be used to measure the overall performance of a business unit. Perceptual (subjective) measures may comprise factors or aspects that are not included in their objective counterparts. Summarized measures of business performance based on judgments by managers may give a better indication of business performance than purely objective indicators (Dess & Robinson, 1984 and Venkatraman & Ramanujam, 1986 & 1987).

Variations in business performance have been explained in many different ways (Capon *et. al.*, 1990 and Clark, 1999). Regarding marketing various approaches and studies have been carried out for example, regarding market orientation (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Langerak, 2003 and Narver & Slater, 1990) and customer relationship orientation (Anderson & Mittal, 2000; Helgesen, 2006 and Zeithaml, 2000). This approach is focus shifts from the traditional marketing related explanatory perceptions and business performance variables such as different degrees of orientations to a variable that indicates practitioners' perceptions of marketing.

This is accomplished by a cluster analysis technique where clusters of different businesses are identified according to their managers' perception of marketing. In addition to this, cluster dummy variable, firm size, export share, sector affiliation, and a variable indicating the firm's production efficiency score are included as explanatory variables in a regression model explaining business performance. The latter variable (production efficiency scores) is crucial in order to account for data heterogeneity.

Additionally, the economic business performance factors (external to the organization) and the organizational business performance factors (internal firm behavior and environment fit) have been shown in previous research to operate independently with the organizational factors more significantly and positively associated with business performance (Appiah-Adu *e.t al.*, 2001). Indeed Tvorik & McGivern (1997) suggested that internal factors may explain up to twice as much variance in performance as the external economic factors.

Similarly research undertaken by Hansen & Wernerfelt (1989) concluded that 38 per cent of performance variance was accounted for by organizational factors (goal emphasis and human resources), whereas only 18.5 per cent of variance was accounted for by economic factors (industry variables, market share and firm size). Past research has found that internal factors such as marketing orientation, entrepreneurial personality, and locating and retaining customers are key determinants of small firm success (Chaston, 1996) although it is recognized that factors such as the age of the firm will affect the importance of each. Other small firm studies have shown a strong link between quality management and success (Yusof & Aspinwall, 2000; Anderson & Sohal, 1999; Rahman, 2001) and human resource management issues and performance (Jameson, 2000).

However, a substantial amount of recent research has concentrated on the concept of market orientation and its link with business performance (Van Egeren & O'Connor, 1998; Chang & Chen, 1998; Pitt *et al.*, 1996, Sin & Tse, 2000 and Fyall & Singh, 1999). There is, therefore, existing justification for focusing business performance measures on the controllable internal factors although it is recognized that many factors external to the organization, for example, economic, competitive and social forces. This factor will have an effect on business performance. Yet, as these factors are largely beyond the control of the business manager, and that their effect should be recognized and understood, they cannot be manipulated to improve performance. The internal factors, which are the focus of this study, are within the direct control of the owner or manager and an understanding of the effects of these factors will be of more practical use.

Financial criteria on their own do not adequately cover the varied goals followed by the owner managers of small firms nor capture the complexity of the models that owner-managers construct for managing their businesses (Jarvis *et. al.*, 2000). Other goals pursued by small firms often include survival and business stability but also more personal aims related to status and pride (Curran *et. al.*, 1997). A combined organizational performance measure using revenue, profit and number of customers is likely, therefore to be more appropriate (Rahman, 2001).

2.2.1 Organization Performance in General

Based on previous studies for organizational performance in general, Sink & Tuttle (1989) has defined a process for planning and measuring organizational performance. The work includes a process for performance improvement, seven broad measures (categories) of performance, and discusses various approaches to achieve organizational performance control and improvement. The seven measurement categories of organizational performance are: (1) effectiveness, (2) efficiency, (3) quality, (4) quality of work life, (5) innovation, (6) cost and prices, and (7) productivity. Sink & Tuttle (1989) link organizational improvement initiatives to organizational vision. That is, the organization must first define a vision and strategy, and link the measures to the vision.

The process is continuous, and is applicable to all levels of the organization. Further, the process treats the organization as a system, where inputs and outputs are linked through an organizational transformation process.

Sink & Tuttle (1989) has stated that organizational performance can be measured using seven broad categories. **Table 2.0** shows these measurement categories, and their associated definitions. These measurement categories are linked to the way that Sink & Tuttle (1989) viewed an organization as a system that receives inputs and then adds value that results in outputs. These categories form the complete set of measures that could be applied to a system.

Table 2.0: The Seven Measurement Categories of Organizational Performance.

Measurement Category	Definition
Effectiveness	The degree to which a system accomplishes what it should accomplish
Efficiency	The degree to which the system utilized the correct things
Quality	The degree to which a system conforms to requirements, specifications, or expectations
Profitability	The relationship between total revenues (or in some cases, budget) and total costs (or in some cases, actual expenses)
Quality of work Life	The way participants in a system respond to socio-technical aspects of that system.
Innovation	How well the organization does at coming up with new, better, more functional products or services.
Productivity	The relationship between the outputs generated from a system and the inputs provided to create those outputs.

Source: Sink & Tuttle (1989)

Sink & Tuttle (1989) also stated that managing performance has five dimensions which are:

i. Creating visions for the future.

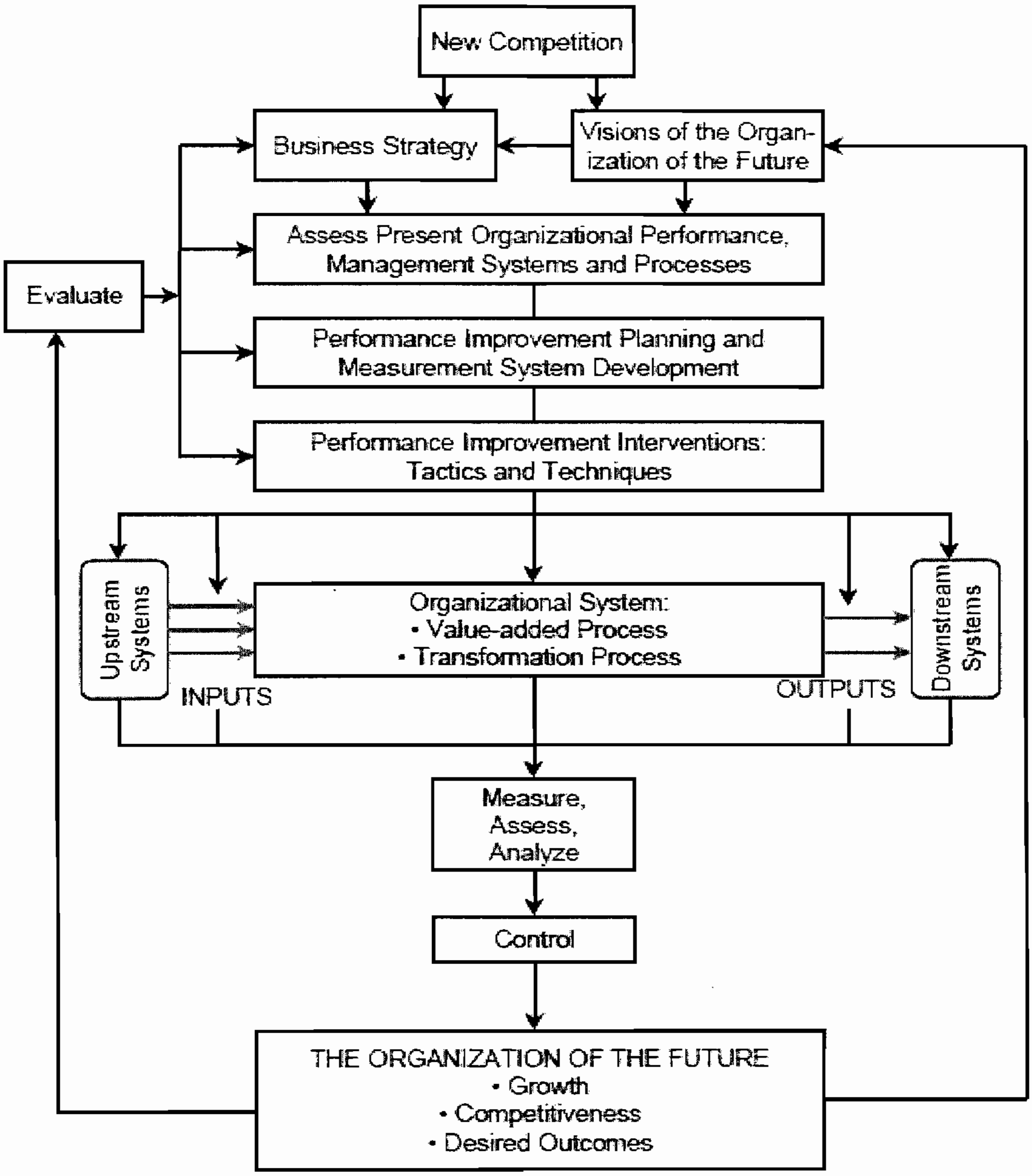
ii. Planning to determining the present organizational state, and developing strategies to improve.

iii. Designing, developing and implementing improvement interventions.

iv. Designing, redesigning, developing, and implementing measurement and evaluation systems.

v. Putting cultural support systems in place to reward and reinforce progress.

At the core of the Performance Management Process in **Figure 2.0**, is the view that the organization is a system. The management team needs to define a strategy and a vision for the future, and then assess the present performance against the resulting goals. They can then develop improvement approaches to move from present performance, to an improved state of performance. And, they also need to put in place a performance measurement system to help control and improve the organization.



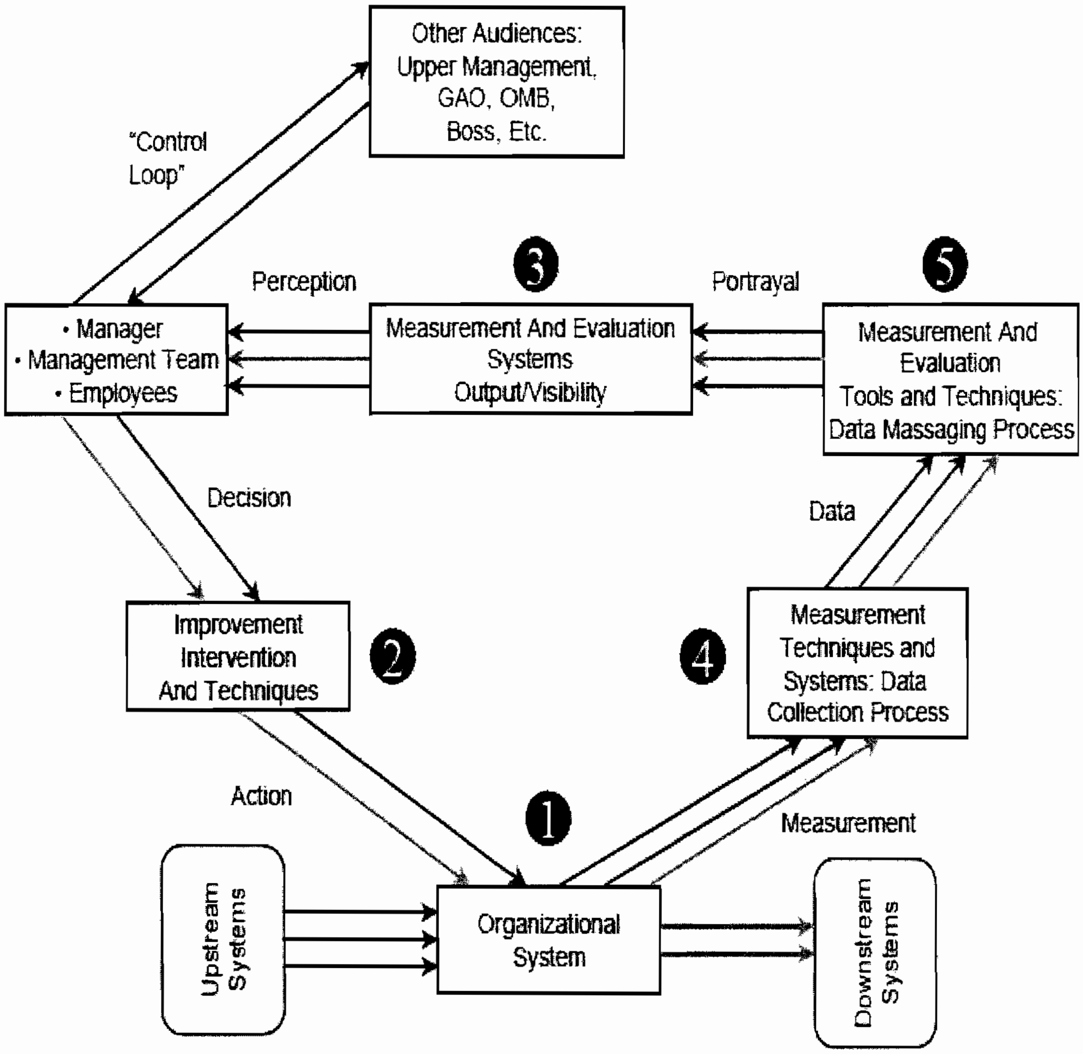
Source: Sink & Tuttle, 1989

Figure 2.0: The Performance Management Process

Sink & Tuttle (1989) viewed performance measurement and improvement from a systems perspective. That is, the organization, either at the top-level, or any other level can be viewed as a system as depicted in **Figure 2.0**. At the core of the system is the

Organizational System that takes inputs from external sources, and transforms these inputs into useful outputs that are distributed to an external system. To effectively control and improve the organization, the management team must measure performance, and then take actions that result in improvements. **Figure 2.0** also shows that, the management process functions in a counter-clockwise fashion. Results of actions taken will be measured and acted upon by the manager or team. By viewing the organizational control and improvement process as a system, management can determine what internal changes they can make to yield performance improvements. Conversely, because organizational boundaries are defined, it should also be apparent when external systems are causing internal problems, and with this knowledge, the manager or team can take the appropriate steps to improve performance.

Sink & Tuttle (1989) also recommended a five-step improvement process to characterize, control and improve organizational performance as shown in **Figure 2.1**. Step one involves performing input or output analysis to understand the boundaries of the organizational system that is, what is internal to the system, and where and from what entities inputs are received, and likewise, where and to what entities outputs go. Sink & Tuttle (1989) suggest that each organization or entity in the organization under study perform an input/output analysis to characterize inputs and outputs, and to define system boundaries. The organization can then determine the process by which they transform inputs into outputs. Further, the organization will have knowledge of factors that affect performance (either adversely or beneficially) over which they have no immediate control. Here's a brief example that shows the usefulness of this type of analysis.



Source: Sink and Tuttle, 1989

Figure 2.1: Five Steps In Improving the Process to Characteristic, Control, and Improve Organizational Performance

Assume that a supplier has a poor record of delivery. Delivery performance can be affected by several factors. One could be the organization's ordering within the supplier's stated lead-time. If it is determined that performance is suffering because the organization cannot adequately forecast demand, and thus, place orders on time, this is within the scope of the organization's immediate control, and can be addressed by internal performance improvement efforts. On the other hand, if the supplier has internal problems that cause poor delivery, improving the organization itself will have no positive effect on performance.

Thus, by characterizing performance as being either internal or external to the system, the organization can not only attribute current performance to a specific cause, but can also determine areas where internal improvement will prove beneficial. Knowledge that performance shortfalls are caused by an external entity enables the organization to save valuable resources that would have been inappropriately spent on internal improvement efforts. Simply put, this step will help the organization determine where to focus their efforts.

Step two of the Management Systems Analysis Process requires that the organization define improvement techniques and goals. These goals should guide the organization. The goals should be updated as performance is assessed and new issues are brought to light, and whenever initial goals are met. Improvement techniques should be process changes should result in performance improvement. The process should be continuous.

Step three involves defining the measurement system outputs. These outputs are the measures that the management team will use to determine system performance. Essentially, these are the measures, reporting frequency, and report formats appropriate for the level of the organization. The measures must be useful to the managers that will use them. It is recommended that the managers develop these measures (along with a team if this fits within the organizational paradigm). The measures should be modified, deleted, and or new measures added as proves necessary to accurately measure performance. Note though that measures should not be changed too often as this may make it difficult to determine cause and affect relationships.

Step four involves determining how and where the performance data will be collected. This is a key step that is often overlooked. For measures to work, we must be able to gather the data. This in itself can be a significant task, and new approaches to collect data may be required to ensure that the data is accurate, and is providing the raw input that is expected.

Step five is the specification and employment of techniques to transform data into useful information. This information will be used to provide data in step three. Again, this step has system design implications that must be considered. Data gathered through step four must be converted into the information formats defined in step three. This entails the definition of techniques to be employed to transform the data into information that can be used to control and improve the organization. The supplier could be another department within the same organization. It's just important that the organization define the system in such a way that they know what is, and what is not, within their control.

A process orientation leads to cycle time reduction by doing a good job of coordinating work across functions. In addition, some costs are reduced with a process organization. The faster time cycles mean reduced inventories and faster receipt of cash. The reduced working capital translates into reduced costs of carrying inventory and cash. Other costs are reduced because duplication of work across functions is eliminated. A process organization eliminates such redundant activities, verifying input once for all functions (Rahman, 2001). Furthermore, the more business process oriented an organization is, the better it performs both from an overall perspective as well as from the perspective of the employees.

However, experiences are showing that companies are managing their business processes with different success, what depends on established balance between organizational structure and organization's environment. In another words, not all the news about process transformation has been good. Many firms have found that even dramatic levels of process improvement often do not translate into better business performance (Jarvis, *et. al*, 2000). Furthermore, most organizations only have some of their processes well defined and are only beginning to use process measures and process management techniques to control their organizations (Day, 1994).

Source: Hult & Ketchen (2001)

Figure 2.2: Organizational Performance Forces

On the other hand, based on **Figure 2.2** above, Hult & Ketchen (2001) mentioned that, performance is defined in terms of effectiveness (mission fulfillment), efficiency, ongoing relevance (the extent to which the organization adapts to changing conditions in its environment), and financial viability. The framework implies that certain contextual forces drive performance: the capacities of an organization, forces in its external environment, and the internal motivation of the organization such as follows:

i. Performance

Most organizations view their performance in terms of "effectiveness" in achieving their mission, purpose, or goals. Most NGOs, for example, would tend to link the larger notion of organizational performance to the results of their particular programs to improve the lives of a target group (e.g. the poor). At the same time, a majority of organizations also see their performance in terms of their "efficiency" in deploying resources. This relates to the optimal use of resources to obtain the results desired. Finally, in order for an organization to remain viable over time, it must be both “financially viable” and "relevant" to its stakeholders and their changing needs. In the OA framework, these four aspects of performance are the key dimensions to organizational performance.

ii. External Environment

External Environment Organizations exist within certain external contexts or environments that facilitate or impede their performance. Key factors in the policy or regulatory environment, and in the economic, political, socio-cultural, environmental, and technological contexts, affect how the organization does its work, or the work it does.

ii. Internal Motivation

Internally, performance is driven by the organization's motivation to perform, which refers to the organizational culture, history, mission, values and incentive systems. These factors affect the quality of work, the nature of how the organization competes, and the degree of involvement of internal stakeholders in decision-making processes.

iv. Capacity

Performance is driven, in part, by organizational capacity, which we now understand as existing in seven basic areas: strategic leadership, human resources, financial resources, infrastructure, programming and process management, and inter-institutional linkages. Each of these seven capacity areas may be described in sub-components, as for example in the organization's strategic leadership capacity which is understood as its structure, governance, leadership, strategic plans and niche management. Human resources, financial resources, and infrastructure are seen as resources as well as the management of these resources. Organizations also have capacities that result from the relations, partnerships, and alliances they have established with other organizations referred to as inter-institutional linkages.

2.3 RELATIONSHIP BETWEEN MARKET ORIENTATION AND BUSINESS PERFORMANCE.

The relationship between market orientation and business performance has been studied by numerous scholars. According to Hult & Ketchen, (2001) and Zhou *et al.*, (2005) the strongest convictions in marketing is that market orientation contributes to firms' performance substantially more than alternative strategic orientations such as innovation, learning, and entrepreneurial orientations. Indeed, the vast majority of market orientation studies have examined the effect of market orientation on business performance, demonstrating its superiority as a strategic orientation (As cited in Grinstein, 2008).

Besides that, as cited in Grinstein (2008), most researchers agree on the profile of the market-oriented firm. First, firms established an organizational culture that supports customer orientation. It is characterized by a typical behavior that is information gathering about current and future customer needs, organization-wide inter-functional coordination of marketing activities, and responsiveness to targeted customers. Secondly, most authors agree that implementing market orientation leads to better organizational performance. (Deshpande′ & Farley, 1998; Jaworski & Kohli, 1993; Narver & Slater 1994).

Indeed, most of the empirical work has focused on establishing the market orientation and business performance relationship in various environmental and organizational conditions, such as for example competitive intensity, and firm's size. In addition, there are three recent meta-analyses (Cano *et. al.*, 2004; Shoham *et. al.*, 2005) that confirmed the positive market orientation and business performance relationship.

Furthermore, the predominant view is that market orientation is positively related to business performance (Jaworski & Kohli, 1993; Narver & Slater, 1994). Studies have indeed concluded that market orientation provides a firm with market sensing and customer linking capabilities that lead to superior organizational performance (Day, 1994; Hult & Ketchen, 2001). In terms of the customer related benefits, market orientation has been found to enhance customer satisfaction and loyalty because market-oriented firms are well positioned to anticipate customer needs and to offer goods and services to satisfy those needs (Narver & Slater, 1994). (As cited in Hudhes *et. al.*, 2008).

Innovativeness and product performance benefits have also been associated with market orientation (Atuahene-Gima, 1996 and Han *et. al.*, 1998). Despite the predominant view regarding market orientation, some research points to non significant or even negative effects for the relationship with business performance (Bhuian & Abdul Goder, 1997; Agarwal *et al.,* 2003 and Sandvik & Sandvik, 2003). The negative effects of market orientation are evident in companies which listen too much to their customers, invest aggressively in technology, and provide more products according to stated customer needs (Christensen, 1997).

This proposition is in line with results from Langerak (2001) who reported that intensive, formal intelligence related activities are negatively related to performance in a fast moving environment. Research has also resulted in conflicting results with regards to how moderators affect the relationship in question (Grewal & Tansuhaj, 2001and Slater & Narver, 1994). Aiming to provide further insight into the relationship, Atuahene-Gima *et al.* (2005) studied the sub-constructs in dimensions of market orientation and their relationship to business performance.

Still, there are a meta-analytic study of market orientation research by Narver & Slater, (2005) supports the predominantly positive relationship between market orientation and performance for both direct and mediated, but points to context specificities such as the target sample characteristics. The sample characteristics appear to affect the strength of the relationship with manufacturing firms exhibiting higher market orientation in performance associations than service firms, possibly because of the higher levels of customization that service firms require. We follow the compelling evidence regarding the nature and form of the market orientation business performance relationship and propose the following.

According to Jones, Knotts & Udell (2008), the relationship between market orientation and business performance has been investigated extensively. For example, Narver & Slater (1990) found a positive relationship between market orientation and profitability, after controlling for market and business factors such as buyer power and business size. This relationship varies however based on business type the cost of achieving a market orientation may eventually outweigh the benefits for some firms. This point is true especially for smaller firms and one.

Other studies found that market orientation is positively linked to different measures of performance, including sales growth, new product success (Narver & Slater, 1994), product quality (Pelham & Wilson, 1996), market share, and sales volume. Pelham & Wilson, (1996) also compared market orientation's effect on performance to that of firm and industry characteristics and found that marketing orientation had the strongest influence.

Particularly, small manufacturing firms were better performers when they quickly responded to customer feedback and environmental changes in the marketplace. Narver & Slater (1994) examined the mediating effect of competitive environment on the market orientation performance relationship, and they argued that the role of environmental influences from competitors is overrated, though acknowledge of a limited effect, such as why a market-oriented business should necessarily be influenced by 'environmental factors'? With its external focus and commitment to innovation, a market-oriented business should be prepared to achieve and sustain competitive advantage in any environmental situation".

Nonetheless, the two major streams of research on market orientation (Kohli & Jaworski, 1993 and Narver & Slater, 1990) seem to agree that a firm controls, to a certain extent, its success through its willingness to open itself to multiple market information sources and to respond to the opportunities and threats awaiting it in the greater market place. It makes intuitive sense. A firm that is unwilling to listen to the demands of the market place will also fail to see the dynamics of the economic system and its pitfalls, fail to respond to customer needs and supplier constraints, and fail to see technological shifts or resource constrictions before they arrive. Firms that are not market-aware are logically doomed to extinction.

According to Jaworski & Kohli (1993), there were three antecedents to market orientation, which is top management factors, interdepartmental dynamics, and organizational systems. These lead to the market orientation components of intelligence generation, dissemination, and use (responsiveness), which then impact employees and business performance with a nod to the impact of the market environment's role in the process. All of these factors, as in Narver & Slater's work, emphasize the role of organizational processes and characteristics which will directly affect business performance. (As cited in Jones, Knotts, & Udell, 2008).

Market orientation is viewed as a source of sustainable competitive advantage for an organization because it helps to create superior value for customer (Narver & Slater, 1990). Therefore, it can be assumed that an increase in Market orientation can be expected to result in the higher business performance of an organization. There are many studies that found a positive link between market orientation and business performance. (Kohli & Jaworski, 1990; Narver & Slater, 1990; Pulendran, 1996 and Deshpande & Farley 1999).

In a study by Narver & Slater (1990), they used relative return on asset to measure business performance. They found that businesses which have a higher degree of market orientation also have greater profitability. In another study, Slater & Narver (2000) mentioned that market orientation is positively related to business profitability, measured by return on investment (ROI). They proved that becoming and remaining market orientation is essential for a company's success. Jaworski & Kohli (1993) suggested that market orientation is related to overall performance is assessed by the subjective measure and market share may not be an appropriate indicator of business performance.

In contrast, study by Perry & Shao (2002) did not find significance relationship between market orientation and quantitative performance. Aziz & Yassin (2004) who conducted a study on manufacturing and travel industry in Malaysia argued that the relationship between market orientation and business performance is partially significant to marketing competency. Langerak (2001) proved that the positive effects of market orientation on business performance efforts take place and is costly.

Beside business performance, market oriented culture also facilitates employee morale and greater organizational commitment (Jaworski & Kohli, 1993), product innovation (Atuahene-Gima, 1996), and customer satisfaction (Kohli & Jaworski, 1990).

As a conclusion, market orientation is found to have a relationship with various aspect of performance. Similarly, and external factors may have an effect on market orientation itself rather than acting as moderator on the market orientation and business performance link.

Table 2.1: Studies of Market Orientation

Researchers	Market Orientation on Performance - Significance	Population
Narver and Slater, 1990	Significant - measured by business profitability	Commodity and Non-commodity businesses
Jaworski and Kohli, 1993	Significant - measured by judgmental performance	Manufacturing industry – SBUs
Appiah-Adu, 1998	Significant on three performance measures	Consumer/industrial and product/service business - United Kingdom
Langerak and Commandeur, 1998	Significant and positive on business performance	Manufacturing industry – Netherlands
Raju, Lonial, Gupta and Ziegler, 2000	Significant for both small and large hospitals	Hospital Industry - United States
Knight and Dalgic, 2000	Significant - international performance	Exporting companies - in the United States
Langerak, 2001	Significant - measured by sales growth, profit, product success and ROI - self and customer reports	Manufacturing industry – Netherlands
Kumar, 2001	Significant - measured by organizational competencies	Acute care hospitals - United States
Gainer and Padanyi, 2001	Significant - measured by Customer Satisfaction	Non profitable organizations – Canada
Ramaseshan, Caruana and Pang, 2002	Significant - measured by overall new product performance	Consumer and industrial products / services – Singapore
Noble, Sinha and Kumar, 2002	Significant - five dimensions of MO on firm performance	Mass merchandiser sector of the retail industry
Saini, Johnson and Grewal, 2002	Significant - measured by e-commerce and web-site performance	Online Brokerage firms - United States
Matear, Osborne, Garrett and Gray, 2002	Significant on Market and Financial performance	Service Industry - New Zealand

Continue to next page

Table 2.1: Studies of Market Orientation (Continued)

Researchers	Market Orientation on Performance - Significance	Population
Perry and Shao, 2002	Significant on Qualitative performance - moderated by traditional competition	Advertising Agencies - United States
Matsuno, Mentzer and Ozsomer, 2002	Significant - three measures of performance	Manufacturing industry - United States
Farrell and Oczkowski, 2002	Significant - four measures of performance	Manufacturing organizations in Australia
Pulendran, Speed and Widing II, 2003	Significant - positive on business performance	Multi-industry – Australia
Olivares and Lado, 2003	Significant on business economic performance	Insurance companies - the European Union
Agarwal, Erramilli and Dev, 2003	Significant - performance measured judgmentally and objectively	Hotel industry - General Managers – subjects
Kim, 2003	Significant - measured by growth and profitability	Multi industry - Korean subsidiaries in US markets
Akyol and Akehurst, 2003	Significant - measured by export performance	Textile and Apparel export industry – Turkey
Aziz and Yasin, 2004	Partially significant - influence on marketing competency	Manufacturing and Travel industry – Malaysia
Matear, Gray and Garrett, 2004	Significant - positive effect on performance	Service organizations - New Zealand - Marketing subjects

(Source: Gonzalez & Chiagouris,2006)

2.4 CONCLUSION

This chapter presented a review of literature of market orientation and business performance in business organization. The literature review also emphasis the element of market orientation as well as the reviews of organization performance in general and factors that affecting the performance in organization.

3

METHODOLOGY

3.0 CHAPTER INTRODUCTION

This chapter discusses the methodology of the research. This chapter begins with the discussion on the research framework, hypothesis, research design, operational definition, measurement of variables or instrumentation, data collections. Data analysis techniques used to analyze the data measurement of the variables is also explained in this chapter.

3.1 RESEARCH FRAMEWORK

The theoretical framework of this study is as shown in **Figure 3.0.** The present study is designed to examine the relationship between the independent variable and dependent variable. The independent variables of this research are market performance which is based on three elements of market orientation (customer orientation, competitor's orientation, and inter-functional coordination). On the other hand, the dependent variable of this research are the elements of students' own businesses performance especially factors related to by using profitability and sales.

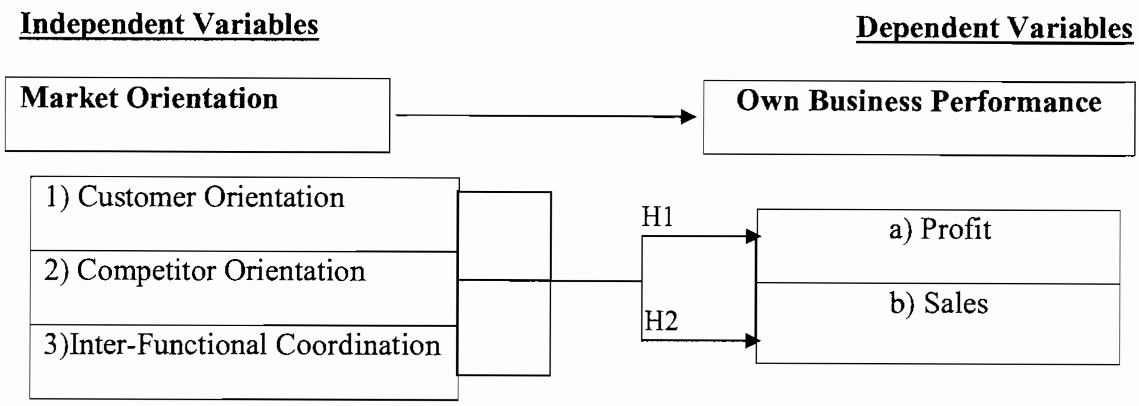


Figure 3.0: Theoretical Framework

3.2 HYPOTHESES

The hypotheses that were developed for this study are as follows:

H1: There is a positive relationship between market orientation and profit.

H2: There is a positive relationship between market orientation and sales

3.3 RESEARCH DESIGN

This study used a cross-sectional survey design. In this type of design data are gathered just once over a period of time in order to meet the research objectives (Cavana *et. al*, 2001). The purpose of this study is to collect data in order to find the solution of the research objectives.

The method chosen in this study was self administered questionnaires. Self-administered questionnaires were selected as the means to data collection. According to

Sekaran (2000), questionnaires are the most useful data collection method when large numbers of people are involves. This method is also useful as a data collection method when large numbers of people are to be reached in different geographical regions. Furthermore, questionnaires are a popular method of collecting data because researchers can obtain data fairly easily, and the questionnaire responses are easily coded.

The unit of analysis for this study was students' own businesses in UUM. The questionnaires were distributed to students operating businesses in UUM. Self-administrative questionnaires are cheaper and quicker as compared to other methods. The respondents can complete the questionnaires at their convenience and can check record if necessary. A permission letter from the university was attracted to the questionnaire in order to obtain co-operation from the respondents.

3.4 OPERATIONAL DEFINITION

For the purpose of this study, each of the variables was measured using established measurement from previous studies. These variables were modified to suit with the local situation. Below are the terms that being used in this study based on market orientation and business performance theories:

Table 3.0 Operational of variables

Variables	Sources	Definition
Market Orientation i. Customer orientation ii. Competitor orientation iii. Inter-functional coordination	Narver & Slater, 1990	Market orientation as the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business. On the other hand, comprises three activities (customer orientation competitor orientation, and inter-functional coordination) and two decision criteria (i.e. long-term focus and profit objective).
Own Business Performance i. Profit ii. Sales	Benito *et al.* (2009)	Business performance is assessed by measuring the success or failure of an organization in achieving its goals and can therefore be defined in a number of ways.

i. Market orientation

Market orientation was measured using the instruments developed by Narver & Slater (1990). This instrument consists of three dimensions, which are customer orientation, competitor orientation and inter-functional coordination. The items used were rated based on a five-point Likert scales ranging from strongly disagree (1) to strongly agree (5). The items are as follows:

A: Market orientation items:

a. Competitor orientation

1. We seek information about our competitor's strategies.

2. We rapidly respond to competitive actions.

3. Our strategy for competitive advantage is based on our understanding of customers' needs.

4. We are regularly concerned about our competitors' strengths and strategies

5. Our target customers are the person that we have an opportunity for competitive advantage.

b. Customer orientation

6. Our business objectives are driven primarily by customer satisfaction

7. We like to survey our current and prospective customers

8. We were concern about our successful and unsuccessful customer experiences

9. Our business strategies are driven by our beliefs about how we can create greater value for our customers

10. We measure customers satisfaction systematically and frequently

11. We give close attention to after-sales service

c. Inter-functional coordination

12. We understand how we can contribute to creating customers value in our business

13. We constantly monitor our level of commitment and orientation

14. All of our business functions (e.g. finance, operation etc) are integrated in serving the needs of our business target markets

15. We share resources with other business units

ii. Business performance

Business performance is measured using the instruments developed by Benito et al. (2009). This instrument consists of two dimensions, which are profit and sales. The items are as follows:

B: Business performance items:

a. Profit measurement

What is the average of your company's profit for the last 3 months?

…………………………………………………………………

b. Sales measurement

What is the average of your company's sales for the last 3 months?

…………………………………………………………………

3.5 MEASUREMENT OF VARIABLES OR INSTRUMENTATION

A set of questionnaires with the total of 25-items were used to gather the information. The questionnaire was divided into three sections. The first section consists of 6-items that to capture demographic information of respondents such as respondent's gender, age, race, educational level, funding, business categories, and how long they involve in the business. The second section asked questions related to the market orientation practices. It has 15-items correspond to the customer orientation, competitor orientation, and inter-functional coordination dimensions. The last section of the questionnaire consists of 2-items and is used to measure students' owned businesses performance. The survey questionnaire is shown in Appendix 1.

3.5.1 Measurement of Demographic Factors and Business Information

This part consists of 6-items. It measures the demographic information of respondent's factors and the respondent's involvement in business activities. There are 4items used to capture the respondent's demographic information which are gender, age, race, and their educational leve. Meanwhile 2-items were used to capture respondent's involvement in business activities such as their business categories and the duration of their business activities.

3.5.2 Measurement of Market Orientation

The market orientation measurement was developed by Narver & Slater (1990). It had 15 items which described customer orientation (5 items), competitor orientation (6 items), and inter-functional coordination (4 items). To measure the 16-items of market orientation, a five-point likert scale was used. to determine the extent of the agreement or disagreement with the statement regarding to the customer orientation, competitor orientation and inter-functional coordination. Rating scale was from "*strongly disagree*" with a value of 1 to "*strongly agree*" with a value of 5 as follows:

1- Strongly disagree

2- Disagree

3- Slightly agree

4- Agree

5- Strongly agree

3.5.3 Measurement of Business Performance

This research used the same instrument developed by Benito *et.al.,* (2009) to measure students' owned business performance. Based on Benito *et. al.,* (2009) model, there are three measurements used as follows:

i. Profitability, or young entrepreneur economic performance (profit, margin, return on investment (ROI), measured with a single item.

ii. Market response, or the reaction of demand to the firm's marketing effort (sales, sales growth) measured with one items related to sales.

iii. Market position value, defined as achieving an advantaged position in consumers' minds (customer satisfaction, image, reputation, customer loyalty) and measured with one items related to customer satisfaction.

Benito *et. al.,* (2009) used this measurement on organization performance. However, this study only covers profit and sales to measure the students' owned businesses performance.

3.6 DATA COLLECTIONS PROCEDURES

This section discusses the population and sampling procedures, data collection procedures, and pilot test.

3.6.1 Population and Sampling

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Cavana, *et al*, 2001). The population for this study is UUM students who own a small business in UUM. The population in this study also includes the various type of business such as electronics business, food and beverage, services, telecommunications business, and others. Among the business type, the students' owned businesses are divided into two divisions which are businesses operated in Varsity Mall, and businesses operated in the residential college.

According to Sekaran (2003), sample is a subset of the population. It comprises some members selected from it. The sample size of this research is 50 students who owned businesses. They are being divided according to the place where the businesses are being operated. Out of these 50 respondents, 26 respondents operated their businesses in varsity mall, while 24 respondents operated their businesses at the residential college.

This study also used stratified random sampling. Stratified random sampling helps researcher to estimate population parameters, identifiable subgroups of elements within the population may be expected to have different parameters on a variable of interest to the researcher (Cavana *et al*, 2001). There are two subgroups (business in varsity mall and business in colleges) from the population to be studied. Therefore, by using stratified random sampling, data from each subgroup can be obtained efficiently.

3.6.2 Data Collection Procedures

For the purpose of data collection, 50 questionnaires were distributed to the respondents. The questionnaires were distributed personally by the researcher to the respondents. The researcher assured that all response given would be treated as confidential. The explanation, distribution, and administration of the questionnaires to the each respondent take approximately 15 minutes.

3.6.3 Pilot Test

One of the most important tests for this study is to conduct a pilot testing prior to formally collect and analyze the data for this study. A pilot test was conducted to detect the weakness in design and development of the instruments. In this context, the size for the pilot group was eight respondents. This questionnaire was tested with eight young entrepreneurs in Tenaga Nasional Berhad residential college and Proton residential college to ensure the reliability and validity of the questionnaire before the real data collection process started. According to Hair *et. al.*, (2007), a pre-test of five to ten representative participants is usually sufficient to validate the questionnaire. The participants were asked to evaluate the questionnaire to clarify any confusing questions. Then, from the feedback of the pilot test, the questionnaire was later redesigned. From the pilot test, the questionnaire was reliable to measure the actual data.

3.7 TECHNIQUES OF DATA ANALYSIS

The objective in data analysis is to getting the feel for the data, testing the goodness of data, and testing the hypotheses for the researcher. It was analyzed and summarized in a very professional manner in order to stick with the standards communicated by the university research board and committee. The feel for the data will give preliminary ideas of how good the scales are, how well the coding and entering of data have been done and so on. In this study, data was analyzed using SPSS version 12.0. Several statistical tools were employed to testing the goodness of the data. These include descriptive statistics, reliability statistics, and inferential statistics.

3.7.1 Descriptive Statistics

Descriptive statistics was conducted to describe and get the feel of the data. These will enable the data to be understood and interpreted. The descriptive statistics involve transformation of raw data into a form that would provide information to describe a set of factors in a situation. This is done through ordering and manipulation of the raw data collected. Descriptive statistics are provided such as mean and standard deviation.

Frequency refers to the number of times various subcategories of a certain phenomenon occur, from which the percentage and the cumulative percentage and the cumulative percentage of their occurrence can be easily calculated. Furthermore, frequencies can be converted to a visual representation, such as bar charts. Hence, it also used to examine three parts of the questionnaire:

i. The researcher will see how many respondents there are in each category of the classifications and compare these numbers with the number of questionnaires sent to the respondents in each category.

ii. The researcher will examine the frequencies for the factual data whether the range of the data are highest or lowest scores, range of the data are within the expected, and are the categories are adequate if the categories of factual data are used.

iii. Frequencies are used for an initial examination of the opinion items. By examining the frequencies and percents for each opinion item, the researcher can see how the respondents have answered each scale. It examine whether the data are fairly even distribution, high in the middle and lower at the two ends or hump at one end.

In all the above cases, it may be noted that the researcher wish to obtain the frequencies on a nominally or ordinals scaled variable. In this study, the frequencies or percentage were used to describe the demographic factors of the respondent such as their gender, age, race, educational level, the source of funding, business categories and how long they involve in the business area.

In order to measure the level of the variables, the mean score for each variable were compute as well as the standard deviation. The standard deviation is also important in indicating the level of each variable and also to point out the distribution of the score of the mean. According to Hair *et al.* (2007), the standard deviation describes the spread or variability of the sample values from the mean. If the value of standard deviation is small, therefore the responses in a sample distribution of number fall very close to the mean.

3.7.2 Reliability Analysis

Reliability is the degree to which measures are free from error and therefore yield consistent result (Zikmund, 2003). According to Sekaran (2000), the reliability of a measure indicates the extent to which the measure is without bias and hence offers consistent measurement across time and across the various items in the instrument. Besides that, Cavana *et al.* (2001) pointed that, the reliability of a measure indicates the stability and consistency with which the instrument measures the concept and helps to access the "goodness of a measure". (Cavana *et al.*,2001).

The reliability of a measure is established by testing for both consistency and stability. Consistency indicates how well the items measuring a concept hang together as a set (Cavana *et. al.* 2001). The internal consistency was measured by calculating the Cronbach's Alpha, which is based on the average correlation of items within a test if the items are standardized. If the items are not standardized, it is based on the average covariance among the items. Because Cronbach's alpha can be interpreted as a correlation coefficient, it ranges in value from 0 to 1. Result of reliability test confers with pilot test and to be found significant with coefficient reliability of Cronbach's

Alpha. In order to predict scale reliability for each factor, Cronbach's Alpha coefficient must be counted for each indicated factor.

The reliability test shows how well instruments measure the independent variables and dependent variable. The validity test shows the consistency of instruments to measure the independent and dependent variables. For this study, the reliability test was conducted while the validity test was not conducted because the instruments are fully-adapted for this study.

Hair *et. al.,* (2007) mentioned that, the alpha coefficient that below 0.6 represent that the strength of association among the instrument used is poor. Alpha coefficient range from 0.7 to 0.8 represents a good strength of association. Furthermore, the alpha coefficient range from 0.8 to 0.9 indicates a very good strength of association among the instruments and the alpha coefficient that reaches more than 0.9 shows an excellent strength of association among instruments. **Table 3.1** explains the level of acceptability of the instrument used.

Table 3.1: Criterion for Acceptability

Alpha Coefficient Range	Strength of Association
< 0.6	Poor
0.6 to < 0.7	Moderate
0.7 to < 0.8	Good
0.8 to < 0.9	Very good
= 0.9	Excellent

According to Cavana *et al.* (2001), if possible, a questionnaire should be piloted with the reasonable sample of respondents who come from the target population or who closely resemble the target population. Therefore, pilot test has been done before conducting the research in order to determine the reliability of the instruments. The reliabilities for all variables in this study are shown in **Table 3.2** below:

Table 3.2: Cronbach's alpha for each variable

Scale	No of items	Cronbach's alpha
Market Orientation	16	0.879
Customer Orientation	6	0.737
Competitor Orientation	6	0.740
Inter-functional Coordination	4	0.745

The result shows that, overall reliability of independent (market orientation) and dependent variables (business performance) which is 0.879 and 0.914 respectively are in the range of 0.8 to < 0.9 which is considered reliable. While for the elements of Market orientation which is customer orientation, competitor orientation and inter-functional coordination are in the ranged of 0.7 to < 0.8 indicates that is reliable. As for the overall result, all of the independent variables tested are reliable.

3.7.3 Inferential Statistics

Through this study, inferential statistics was use to find the relationship between two variables, that is relationship between market orientation and business performance and also to find how several independent variables might explain the variance in a dependent variable.

By this inferential statistics, Pearson correlation was employed to find correlation between variables. Pearson Correlation was used to describe the strength and direction of the relationship between two variables. For the purpose of this study, Pearson Correlation was conducted to examine the strength of the elements of market orientation and business performance. The level of significance was set at 0.05 or less.

In addition, the correlation between market orientation and its element that is customer orientation, competitor orientation, and inter-functional coordination was also measured to indicate whether there is any association between the variables. This measurement was used to evaluate direction strength of relationship of independent variables. Inter-correlations coefficients (*r*) were calculated by means of Pearson's Product Moment. The values will be at minimum -1 and maximum 1 where -1.0 is a perfect negative (inverse) correlation, 0.0 is no correlation, and 1.0 is a perfect positive correlation. The result will show the value and significance direction .

In order to explain the variance of market orientation on variables, multiple regressions was employed. Multiple regressions represent the best prediction of a dependent variable from several independents variables. Thus, multiple regression analysis was used to describe the relationship between the dependent and independent variables. The single independent variable was individually regressed on the dependent variable using simple regression analysis. The study was also interested in investigating whether there exist and association between the two variables.

The multiple regression models estimated the relationship between the multiple predictor variables and the dependent variables. Hypotheses (H1 and H2) were tested using regression analysis, where single independent variable was regressed on single dependent variable to investigate the relationship between the two variables. However, multiple regression analysis was conducted to see whether the independent variable customer orientation, competitor orientation, and inter-functional coordination have created effects on students' own businesses performance throughout its moderated variables (profit and sales).

Furthermore, the sign of beta coefficient (ß) is observed either the sign is in the same direction as hypothesized or not in the same direction as hypothesized. Significance of beta coefficient is also observed to determine whether the contribution of the variable is significant or not. The regression procedures are subject to one-tailed test of statistical significance at three difference levels: highly significant ($p<0.001$), significant ($p<0.01$) and ($p<0.05$).

Table 3.3: General Description of the Data Analysis

Area of Investigation	Hypothesis	Analysis
To determine the respondents involvement based on their demographic factor	-	Descriptive (Frequencies and percentage
To examine the level of market orientation that being practice by students own business in UUM.	-	Descriptive (Means and standard deviation)
To verify the correlation between all variables in this study	-	Pearson Correlation
To determine the relationship between market orientation and business performance among small business in UUM.	H1 and H2	Multiple Regression

3.8 CONFIDENCE INTERVAL

For the entire inferential statistic used in this study, the researcher also has decided on the desired significance level of the method as alpha (a) = 0.05 which means that 95 percent of confidence interval. Decision about hypothesis is according to the significant level where if $p< 0.05$, the null hypothesis (Ho) is rejected and alternate hypothesis (Ha) is accepted. This would indicate that the sample mean is statistically significant different from the hypothesized population mean. If $p> 0.05$, the null hypothesis (Ho) is accepted and alternate hypothesis (Ha) is rejected.

3.9 CONCLUSION

As conclusion, this chapter discusses the research design, theoretical framework and hypothesis, data collection and sampling technique, research instrument and measurement, reliability test, as well as the data analysis with its assumption. Both descriptive and inferential analyses were used to analyze the data. Descriptive analyses were used to describe the demographic information of respondents as well as to achieve the first and the second objective in this study. Meanwhile, inferential testing as well as t-test and multiple regressions were used for the hypothesis testing as well as to achieve the third and fourth objective in this study.

4

FINDINGS

4.0 CHAPTER INTRODUCTION

This chapter discusses the result of the study. The process of analyzing the data is done using descriptive and inferential analysis.

The results gathered from the descriptive statistic analysis in this study include information those related to demographic characteristics of respondents, and business information of respondents who involve in business activities in UUM. Meanwhile, the results for inferential analysis present the hypothesis testing using Pearson Correlation and multiple regression analysis.

4.1 RESPONSE RATE

A total of 50 sets of questionnaire are distributed to the respondents and total of 44 sets are returned consisting of 88 percent return rate which is considered acceptable. Six questionnaires have been rejected due to incompleteness.

4.2 DESCRIPTIVE STATISTICS

Descriptive analysis in this study involve a transformation of raw data from the questionnaire of the influence of market orientation on students' own businesses performance into a form that would provide information to describe a set of demographical factors and business performance elements in a students' own businesses situations.

4.2.1 Frequencies Analysis

Frequencies analyses in this chapter are come from the Section A and Section C questionnaire which will describe the personnel detail of the respondent in Section A and frequencies of business performance elements in Section C.

The respondent's personnel detail questions in section A consists of six questions which is gender, age, race, educational level, business categories, and business age. The analysis of the frequencies is as follows:

i. Gender

Based on **Table 4.0** below, it was found that 36 respondents (81.8%) are female and 8 respondents (18.2%) are male. This finding clearly indicates that the students' own businesses in UUM were more certainly owned and manage by a large majority of female students.

Table 4.0: Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	8	18.2	18.2	18.2
	Female	36	81.8	81.8	100.0
	Total	44	100.0	100.0	

ii. Age

The result in **Table 4.1** shows that the majority of the respondents (54.5%) were at the age of 18 to 22 years old, 38.6% between 23 to 27 years old and 6.8% were between the ages of 28 years to 32 years old.

Table 4.1: Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-22 years	24	54.5	54.5	54.5
	23-27 years	17	38.6	38.6	93.2
	28-32 years	3	6.8	6.8	100.0
	Total	44	100.0	100.0	

iii. Race

From **Table 4.2** below, it shows that 93.2% of respondents are Malay followed by Chinese (4.5%) and Indian (2.3%)

Table 4.2: Race of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Malay	41	93.2	93.2	93.2
	Chinese	2	4.5	4.5	97.7
	India	1	2.3	2.3	100.0
	Total	44	100.0	100.0	

iv. Educational level

Based on **Table 4.3**, 77.3% of the respondents had a degree, 20.5% were Masters, and 2.3% were PhD students.

Table 4.3: Education Level of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Degree	34	77.3	77.3	77.3
	Master Degree	9	20.5	20.5	97.7
	PHD	1	2.3	2.3	100.0
	Total	44	100.0	100.0	

v. Business categories

With regards to business categories 6.8% of respondents operated food category, 15.9% operates services business, 9.1% operates in telecommunication businesses and majority of 68% other kinds of businesses.

Table 4.4: Business Categories Operated by Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Foods	3	6.8	6.8	6.8
	Services	7	15.9	15.9	22.7
	Telecommunications	4	9.1	9.1	31.8
	Others	30	68.2	68.2	100.0
	Total	44	100.0	100.0	

vi. Business age

In term of length of business operated by the respondents from **Table 4.5**, majority of 75% of the business were less than 5 months, followed by 13.6% more than 3 years and 9.1% were 5 months operated.

Table 4.5: Length (Years) of Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 5 Month	33	75.0	75.0	75.0
	5 Month	4	9.1	9.1	84.1
	1 Years	1	2.3	2.3	86.4
	3 Year =	6	13.6	13.6	100.0
	Total	44	100.0	100.0	

While in section C relates to the performance of business run by the respondents. The analyses of the study are divided according to profits and sales of the businesses:

i. Business performance: profit

The profit of the students' owned businesses is shown in **Table 4.6.** Researcher has divided respondent average profit answered into three categories that is profit less than RM1000, RM1000- RM3000 and more than RM3000. The result indicates that most of students' own businesses in UUM earned less than RM1000 average profit which contributes 54.5%. While less of them (20.5%) have earn more than RM3000 in their profit and 25% earn RM1000 to RM3000 average profit for the last three month.

Table 4.6: Business Performance: Profit for the Last Three Months

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid					
	Less than RM1000	24	54.5	54.5	54.5
	RM1000-RM3000	11	25.0	25.0	79.5
	More than RM3000	9	20.5	20.5	100.0
	Total	44	100.0	100.0	

ii. Business performance: Sales

Table 4.7 shows the result related to the students' owned businesses average sales for the last three month. These sales are divided into four categories less than RM1000, RM1000-RM3000, RM3001-RM5000, and sales more than RM5000. The result indicates that, most of the students (34.1%) earned sales less than RM1000 and another 34.1% earned sales RM1001- RM3000. On the other hand, (25%) only earned between 3001-5000. While 6.8% earn more than RM5000.

Table 4.7: Business Performance: Sales for the Last Three Months

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid					
	Less than RM1000	15	34.1	34.1	34.1
	RM1001-RM3000	15	34.1	34.1	68.2
	RM3001-RM5000	11	25.0	25.0	93.2
	More than RM5000	3	6.8	6.8	100.0
	Total	44	100.0	100.0	

4.2.2 Descriptive frequency of variables

Descriptive statistics such as mean and standard deviation were used to measure the percentage of variable and to describe the mean of market orientation and its elements an independent variable. These independent variables were measured by the range of five point Likert-scales and had specified into three categories which is high, moderate, and low. Therefore, scores of 3.67 is considered high, while 2.34 to 3.66 is considered moderate and score less than 2.33 is considered as low.

Table 4.8 shows the results of the mean and standard deviation for market orientation and its elements. The result shows that the market orientation that being practiced by respondents is at moderate level, whereby the mean value for market orientation is 3.64. Specifically, for each dimensions of market orientation, customer orientation and competitor orientation are practiced at high level with mean value of 3.76 and 3.75 respectively. Inter-functional coordination was found to be practiced at the moderate level with mean value of 3.42.

Table 4.8: Mean and standard deviation for independent variables of market orientation elements

	N	Mean	Std. Deviation
Market Orientation	44	3.64	421
Competitors	44	3.75	.367
Customer	44	3.76	.587
Inter-functional coordination	44	3.43	.397
Valid N (List wise)	44		

4.3 INFERENTIAL ANALYSIS

Multiple regressions were used to test the hypothesis of the study. On the other hand, Pearson Correlation was used to find the correlation between each of the variables.

4.3.1 Correlation analysis

Pearson Correlation was used to measure the correlation between each variable between dependent variable of profit and sales and independent variables market orientation and its element (customer orientation, competitor orientation, and inter-functional coordination). The result of the test and their interpretations is shown in **Table 4.9.**

Table 4.9: Correlation analysis

	Competitor	Customer	Inter-functional	Profit
Competitor (r)	1	.873**	.533**	.139
Customer (r)	.873**	1	.532**	.348*
Inter-functional (r)	.533**	.532**	1	-.005
Profit (r)	.139	.348*	-.005	1

**. Correlation is significant at the 0.01 level (2-tailed)
*. Correlation is significant at the 0.05 level (1-tailed)

Table 4.9 provides a summary of the results from correlation analysis. The computation of the Pearson Correlation coefficients was performed to obtain an understanding of the relationship between all the variables in the study. The values of the correlation coefficients (r) given in **Table 4.9** indicate the strength of the relationship between variables. As shown in the table, overall correlation coefficient has values below 0.5. This indicates a weak association between variables.

Firstly, the correlations within business performance variable are examined. As shown in **Table 4.9**, correlations among the measures of business performance, namely profit and sales showed that they are significantly correlated at 0.01 level with very strong association (r=.851). Subjective business performance profit and sales rating was found significantly related to each other. In general, this indicates that profit and sales related to each other.

With regards to market orientation behavior (customer orientation, competitor orientation, and inter-functional coordination) and business performance dimension (profit and sales) relationship, the correlation is generally positive. However, the correlation between inter-functional coordination with profit and sales are found to be negatively correlated.

4.3.2 Regression analysis

Multiple regression analysis was conducted to test the hypothesis of the study. In this regression analysis, it was divided into two regression relationship variable. First is to find the relationship between the elements of market orientation and business performance (profit) and secondly is to find the relationship between market orientation elements and business performance (sales).

The results of the analysis are as follows:

Hypothesis 1: There Are A Positive Relationship Between Market Orientation And Business Performance Profit.

Based on regression analysis as shown in **Table 4.10**, it was found that market orientation is significantly related to profit. The r^2 value of 26% indicates that 26% of the variance in profit is contributed by market orientation. However, only two dimensions of market orientation have significant influence on profit that is customer orientation (ß= 1.006; $p < 0.05$) and competitor orientation (ß= .630; $p < 0.05$). Inter-functional coordination is found to be insignificantly related to profit with (ß= .205; $p > 0.05$)

Table 4.10: Profit Regression Analysis

Independent variable	B	SE B	ß
Competitor orientation	1.203	.538	.630
Customer orientation	2.205	.617	1.006
Inter-functional coordination	.281	.223	.205

Note: R^2 = .26; F = 4.764; Sig. F= 0.006; $p<0.05$
B= Unstandardized coefficient beta;
SEB= Standard Error of regressions coefficient;
ß= Beta coefficient.

Therefore, **hypothesis 1 is accepted.**

Hypothesis 2: There Are Positive Relationships Between Market Orientation And Business Performance Sales.

Based on regression analysis as shown in **Table 4.11**, it was found that market orientation is significantly related to sales. The r^2 value of 19.6% indicated that 19.6% of the variance in sales is contributed by market orientation. However, from all the three dimensions, only customer orientation that significantly related to sales (ß= .868; p< 0.05). While, inter-functional coordination and competitor orientation is found to be insignificant related to sales with inter-functional coordination value of (ß= .204; p> 0.05) and competitor orientation value of (ß= .550; p> 0.05)

Table 4.11: Sales Regression Analysis

Independent variable	B	SE B	ß
Competitor orientation	1.226	.656	.550
Customer orientation	2.220	.752	.868
Inter-functional coordination	.327	.272	.204

Note: R^2 = .196; F = 3.248; Sig. F= 0.032; p<0.05
B= Unstandardized coefficient beta;
SEB= Standard Error of regressions coefficient;
ß= Beta coefficient.

Therefore, **hypothesis 2 is accepted**

4.5 CONCLUSION

This chapter presented the findings of the study. The analysis was carried out using descriptive analysis, correlation and regression analysis. The result revealed that there are positive relationships between market orientation and business performance. The discussion of the findings will be presented in the next chapter.

5

DISCUSSION, RECOMMENDATIONS AND CONCLUSION

5.0 CHAPTER INTRODUCTION

This chapter discusses the findings of the study. All items that had been analyzed will be presented to highlight the impact of market orientation and business performance on students' owned businesses. This chapter also will provide a brief overview of the introduction, review of related literature, methodology, and findings of the study. In addition, inferences from the findings will also be discussed. Finally recommendation for future research will also be suggested.

5.1 DISCUSSION

The purpose of this chapter is to discuss the findings from the analyses performed. The results of this study confirm that the variables considered in the theoretical framework are important. **Table 5.0** summarizes the findings of this research. The discussion is as follows:

Table 5.0: Summary of the Research Findings

No.	Research Questions	Research Objectives	Hypotheses	Analysis description
1	What is the level of market orientation being practiced by student own business in UUM?	To examine the level of market orientation that being practice by students own business in UUM.	-	Market orientation are being practice in a moderate level (Descriptive Mean)
2	Is there any relationship between market orientation and business performance among small business in UUM?	To determine the relationship between market orientation and business performance among small business in UUM.	**H1**: There is a positive relationship between market orientation and business performance profit	Accept H1 (Regression Analysis)
			H2: There is a positive relationship between market orientation and business performance sales	Accept H2 (Regression Analysis)

5.1.1 Students' Owned Businesses Profile

This section is mainly focused on the selected key findings from the descriptive analysis of the respondent's data. From the research findings, a clear understanding should be developed to ensure that relevant students' own businesses profile information are used and analyzed to support the managerial implications of this study.

The result of the finding indicates that majority of the respondents who owned and managed businesses in UUM are female students. The results also reveal that students' who own businesses in UUM are between 18 years to 22 years old. This means that these students wanted to gain more experience before graduating.

Moreover, most of the students' who operate businesses are Malays as compared to Chinese and Indian. This is maybe Chinese and Indian students are come from a high income family. Based on the business categories and length of business, the results showed that there are many varieties of the business categories in UUM. The most popular business categories are printing and formatting laptop services. Besides that, based on the length of business, the result implies that most of the businesses are still new.

5.1.2 Level of Market Orientation Practiced

The result indicates that market orientation and its elements (customer orientation, competitor orientation, and inter-functional coordination) are being practiced by students' owned businesses at a moderate level. This result implies that students' owned businesses in UUM are concern about their customers and competitors. They have a high concern towards the needs of their customers and keep track of the competitors' orientations. However, students' owned businesses inter-functional coordination is at the moderate level. As in Slater & Narver (1994) market orientation was found to enhance customer satisfaction and loyalty because market orientation firms are well positioned to anticipate customer needs and offer goods and services to satisfy those needs.

5.1.3 Relationship between Market Orientation and Business Performance.

Based on the research summary in **Table 5.1**, there are two hypotheses that have been tested on the relationship between market orientation and business performance profit and sales among small business in UUM. The overall analysis on the regression indicates that market orientation (customer orientation, competitor orientation, and inter-functional coordination) is positively related to profit and sales performance of the businesses. This means that business organization that practices market orientation is able to achieve higher sales and profit. Specifically, businesses that are customer oriented and keep track on their customer and competitor orientation will be able to gain higher profit. These businesses will also have the opportunity to gain higher sales.

5.2 RECOMMENDATIONS

Many researchers had described that market orientation had a strong relationship between business performances, this findings is consistent with the current study. As in Kohli & Jaworski (1990) and Narver & Slater (1990) propose that a firm with a market orientation will achieve superior performance levels. These results of this study confirmed the findings of Kohli and Jaworski (1990).

In addition, market orientation is important if the business organization wish to have higher profit and sales. Hence, few recommendations are proposed below on how the market orientation can be practiced:

In the area of competitor orientation:

i. The students' owned businesses engaging must consider the necessary measures to remedy all weaknesses faster in response to competitor measures. These businesses also must identify the strategies of the competitors in each of their market as well as identifying present opportunities in their market areas, based on their competitive strength.

ii. Considering the fact that almost all students in UUM have the ability to open a new business in main campus therefore, the possibility new competitors entering in their market sectors is very high. Small businesses must, identify regularly their competitors' strengths and weaknesses so that they can stay competitive provide worthy help for the companies.

iii. Marketing variables such price, advertisements, or promotion can yield suitable information to the students' owned businesses in order to identify strategies to combat the competitors.

iv. Considering the fact that in order to increase the competitive strength on their market, all factors must be mobilized, sharing competitors' information between other sections of their organization structure, and holding regular sessions with senior managers concerning the competitors, can provide worthy help for the growth of their businesses.

v. Looking at competitors' strengths and using their weaknesses as well as timely responding to strategies implemented by competitors, must be considered as important case by the company managers.

In the area of customer orientation:

i. If students' owned businesses want to get the higher performance in their business, they must implement proper measures on how to communicate with the consumers. This can be done through obtaining the customers' opinions, participating closely with each one of the customers, as well as creating commitment and confident in them.

ii. Implement a system of following dynamically the customers' complaints and special attention given to after sales services must be considered a very important strategy in the business.

iii. Students' owned businesses also should offer services via personal attention to the customers, as well as having regular communication with them.

iv. Knowing the customers' viewpoints, studying environmental changes and the consuming industries' preferences is also critical.

v. Paying attention to dissatisfactions of the customers as well as trying to solve them, along with perceiving the importance of the subject by organization sectors.

In the area of inter-functional coordination:

i. The personnel of different sections of the student own business organization structures and other inter-functional resources must be coordinated in the manner that can create value for the customers through collaboration and help together.

ii. Emphasis on the importance of inter-department collaboration must be considered through participation of the student own business organization sections in compiling the company plans and strategies, balanced state on how to utilize the recourses between sections, distribution of information obtained from customer experiences between sections, as well as knowledge on offering the superior value to the customer

iii. After collecting, analyzing and organizing the information, they which can be about market (customers, competitors and environment), must be given to different sections and offices of the company to be utilized and used in their own.

5.3 CONCLUSION

In conclusion, the purposes of this study were to identify the influence of market orientation on student own business performance. This study has met all the two objectives. The first objective is to examine the level of market orientation that being practice by students own business in UUM. It was indicated that most of the students' owned businesses in UUM are in a moderate level on practicing the market orientation theories in their business strategies. However, the second objective is to determine the relationship between market orientation and business performance among small businesses in UUM. The findings revealed that students' owned businesses in UUM are applying the market orientation concept on their business performance in overall. This study has successfully attained the two research objectives. The study revealed that students' owns businesses in UUM are applying the concept of market orientation in their business performance. It is beneficial for further research to investigate a difference field that will influence the market orientation on business performance ability from small business to business organization.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Master thesis questionnaire	: The influence of market orientation on student own business performance in University Utara Malaysia. (2010/2011)
Prepared by	: Nuur Atikah bt Ghazali
Contact Number	: 017-5047544 @ 0195642133

•••

Section A: *Personnel Details*

Please mark [v] at the relevance space

1. Gender
   - [ ] Male
   - [ ] Female

2. Age
   - [ ] 18-22 years
   - [ ] 23-27 years
   - [ ] 28-32 years
   - [ ] 33-37 years
   - [ ] 38 and above

3. Race
   - [ ] Malay
   - [ ] Chinese
   - [ ] Indian
   - [ ] Others ___________

4. Educational level
   - [ ] Degree
   - [ ] Master Degree
   - [ ] PhD

5. Business categories
   - [ ] Foods
   - [ ] Services
   - [ ] Telecommunications
   - [ ] Others______________________

6. How long did you involve in this Business?
   - [ ] Less than 5 month
   - [ ] 5 month
   - [ ] 1 years
   - [ ] 2 years
   - [ ] 3 and above

Section B: *Market orientation practices.*

The following items refer to the extent of market orientation by your company. Please answers your questions based on your company practice:

1	Strongly Disagree (STD)
2	Disagree (D)
3	Slightly Agree (SLA)
4	Agree (A)
5	Strongly Agree (STA)

1.	We seek information about our competitor's strategies.	1	2	3	4	5
2.	We rapidly respond to competitive actions.	1	2	3	4	5
3.	Our strategy for competitive advantage is based on our understanding of customers' needs.	1	2	3	4	5
4.	We regularly concern about our competitors' strengths and strategies	1	2	3	4	5
5.	Our target customers are the person that we have an opportunity for competitive advantage.	1	2	3	4	5
6.	Our business objectives are driven primarily by customer satisfaction	1	2	3	4	5
7.	We like to survey our current and prospective customers	1	2	3	4	5
8.	We were concern about our successful and unsuccessful customer experiences	1	2	3	4	5
9.	Our business strategies are driven by our beliefs about how we can create greater value for our customers	1	2	3	4	5
10.	We measure customers satisfaction systematically and frequently	1	2	3	4	5
11.	We give close attention to after-sales service	1	2	3	4	5

12.	We understand how we can contribute to creating customers value in our business	1	2	3	4	5
13.	We constantly monitor our level of commitment and orientation	1	2	3	4	5
14.	All of our business functions (e.g. finance, operation etc) are integrated in serving the needs of our business target markets	1	2	3	4	5
15.	We share resources with other business units	1	2	3	4	5

....

Section C: *Business performance.*

The following items refer to the extent of business performance by your company. Please answers the questions based on your company practice.

1. Profitability measure:
   What is your company's **average** profit for the last 3 month?

   ____

2. Market response (Sales):
   What are your company's **average** sales for the last 3 month?

   ____

......THANK YOU FOR YOUR COOPERATION......

APPENDIXII:
SPSS ANALYSIS

The Influence of Market Orientation on Student Own Business Performance in University Utara Malaysia

1) Frequencies Analysis: Demographical Characteristic

Statistics

		GENDER	AGE	RACE	EDU.LEVEL	FUNDING	B. CATEGORIES	B.AGE
N	Valid	44	44	44	44	44	44	44
	Missing	0	0	0	0	0	0	0
Mean		1.8182	1.5227	1.0909	1.2500	2.0000	3.3864	1.6818

Frequency Table

a)GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	8	18.2	18.2	18.2
	FEMALE	36	81.8	81.8	100.0
	Total	44	100.0	100.0	

b)AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-22 YEARS	24	54.5	54.5	54.5
	23-27 YEARS	17	38.6	38.6	93.2
	28-32 YEARS	3	6.8	6.8	100.0
	Total	44	100.0	100.0	

c)RACE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALAY	41	93.2	93.2	93.2
	CHINESE	2	4.5	4.5	97.7
	INDIAN	1	2.3	2.3	100.0
	Total	44	100.0	100.0	

d)EDU.LEVEL

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	DEGREE	34	77.3	77.3	77.3
	MASTER DEGREE	9	20.5	20.5	97.7
	PHD	1	2.3	2.3	100.0
	Total	44	100.0	100.0	

e)B.CATEGORIES

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	FOODS	3	6.8	6.8	6.8
	SERVICES	7	15.9	15.9	22.7
	TELECOMMUNICATIONS	4	9.1	9.1	31.8
	OTHERS	30	68.2	68.2	100.0
	Total	44	100.0	100.0	

f)B.AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LESS THAN 5 MONTH	33	75.0	75.0	75.0
	5 MONTH	4	9.1	9.1	84.1
	1 YEARS	1	2.3	2.3	86.4
	3 AND ABOVE	6	13.6	13.6	100.0
	Total	44	100.0	100.0	

2) Frequencies Analysis: Profit and Sales Frequencies

Statistics

		PROFIT	SALES
N	Valid	44	44
	Missing	0	0
Mean		1.6591	2.0455

Frequency Table

PROFIT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LESS THAN RM1000	24	54.5	54.5	54.5
	RM1000-RM3000	11	25.0	25.0	79.5
	MORE THAN RM3000	9	20.5	20.5	100.0
	Total	44	100.0	100.0	

SALES

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LESS THAN RM1000	15	34.1	34.1	34.1
	RM1001-RM3000	15	34.1	34.1	68.2
	RM3001-RM5000	11	25.0	25.0	93.2
	MORE THAN RM5000	3	6.8	6.8	100.0
	Total	44	100.0	100.0	

3) Descriptive Analysis on Market orientation and its elements

Descriptive Statistics

	N	Mean	Std. Deviation
com1	44	3.7462	.42147
cus1	44	3.7614	.36726
inter1	44	3.4261	.58712
mo	44	3.6446	.39731
Valid N (listwise)	44		

4) Correlations Analysis: relationship between all variables

Correlations

		com1	cus1	inter1	PROFIT	SALES
com1	Pearson Correlation	1	.873**	.533**	.139	.098
	Sig. (2-tailed)	.	.000	.000	.369	.525
	N	44	44	44	44	44
cus1	Pearson Correlation	.873**	1	.532**	.348*	.279
	Sig. (2-tailed)	.000	.	.000	.021	.066
	N	44	44	44	44	44
inter1	Pearson Correlation	.533**	.532**	1	-.005	-.036
	Sig. (2-tailed)	.000	.000	.	.973	.817
	N	44	44	44	44	44
PROFIT	Pearson Correlation	.139	.348*	-.005	1	.851**
	Sig. (2-tailed)	.369	.021	.973	.	.000
	N	44	44	44	44	44
SALES	Pearson Correlation	.098	.279	-.036	.851**	1
	Sig. (2-tailed)	.525	.066	.817	.000	.
	N	44	44	44	44	44

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

5) Regression Analysis: relationship between market orientation and profit

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	inter1, cus1, com1[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: PROFIT

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.513[a]	.263	.208	.71668

a. Predictors: (Constant), inter1, cus1, com1

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.341	3	2.447	4.764	.006[a]
	Residual	20.545	40	.514		
	Total	27.886	43			

a. Predictors: (Constant), inter1, cus1, com1

b. Dependent Variable: PROFIT

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.168	1.126		-1.038	.306
	com1	-1.203	.538	-.630	-2.234	.031
	cus1	2.205	.617	1.006	3.573	.001
	inter1	-.281	.223	-.205	-1.258	.216

a. Dependent Variable: PROFIT

6) Regression Analysis: relationship between market orientation and sale

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	inter1, cus1, com1[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: SALES

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.443[a]	.196	.136	.87298

a. Predictors: (Constant), inter1, cus1, com1

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.425	3	2.475	3.248	.032[a]
	Residual	30.484	40	.762		
	Total	37.909	43			

a. Predictors: (Constant), inter1, cus1, com1

b. Dependent Variable: SALES

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.592	1.371		-.432	.668
	com1	-1.226	.656	-.550	-1.869	.069
	cus1	2.220	.752	.868	2.953	.005
	inter1	-.327	.272	-.204	-1.204	.236

a. Dependent Variable: SALES