THE MEDIATING EFFECT OF MARKET ORIENTATION ON THE RELATIONSHIP BETWEEN TOTAL QUALITY MANAGEMENT, ENTREPRENEURIAL ORIENTATION AND THE PERFORMANCE OF BANKS IN LIBYA

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By

GOBOUL AHMED I. FAIZ

Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
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ABSTRACT

The main purpose of this study was to investigate the mediating effect of Market Orientation (MO) on the relationship between total quality management (TQM), entrepreneurial orientation (EO), and organizational performance (OP). The motivation for this study was driven by the inconsistent findings in the literature concerning the relationships between TQM, EO, and organizational performance. Due to the inconsistent results, a new research has emerged and this has prompted further investigation on the effect of other variables that may better explain the nature of these links. In the related literature, many theories have suggested that the compatibility between strategies, resources, and capabilities as the keys for success. To achieve this purpose, this study has integrated different theories such as the resource-based view, and the Congruence Model. Questionnaires were distributed to 400 Sections of the Libyan banks. 230 questionnaires were returned and used in the analysis using the PLS-SEM. The results of this study revealed that TQM, and EO were positive and have also been proven to be significant predictors of organizational performance. More importantly, the results have also confirmed the mediating effect of Market Orientation on the relationships between TQM, EO, and organizational performance.

Keywords: total quality management, entrepreneurial orientation, market orientation, organizational performance, Libyan banks
ABSTRAK

Tujuan utama kajian ini adalah untuk meneliti kesan pengantaraan orientasi pasaran (MO) dalam hubungan antara pengurusan kualiti menyeluruh (TQM), orientasi keusahawanan (EO) dan prestasi organisasi (OP). Motivasi yang mendorong kajian ini dilakukan adalah disebabkan oleh penemuan yang tidak konsisten yang ditunjukkan oleh kajian lepas mengenai hubungan antara TQM, EO dan OP. Hasil yang tidak konsisten ini telah menerbitkan satu kajian baru dan mencadangkan penyelidikan lanjut terhadap kesan pemboleh ubah lain yang mungkin boleh memberikan penjelasan yang lebih baik. Berdasarkan kajian literatur yang berkaitan, banyak teori telah mencadangkan bahawa kesesuaian antara strategi, sumber dan keupayaan sebagai kunci untuk berjaya. Untuk mencapai tujuan tersebut, kajian ini mengintegrasikan teori yang berbeza seperti teori Pandangan Berdasarkan Sumber dan Model Kekongruenan. Borang soal selidik telah diedarkan kepada 400 bahagian di bank Libya. Sebanyak 230 borang soal selidik telah dikembalikan dan digunakan untuk tujuan analisis menggunakan PLS-SEM. Hasil kajian ini menunjukkan bahawa TQM dan EO terbukti sebagai peramal yang positif dan signifikan terhadap prestasi organisasi. Lebih penting lagi, dapatan turut mengesahkan kesan pengantaraan orientasi pasaran terhadap hubungan antara TQM, EO dan prestasi organisasi.

Kata kunci: pengurusan kualiti menyeluruh, orientasi keusahawanan, orientasi pasaran, prestasi organisasi, bank Libya.
ACKNOWLEDGEMENTS

In the name of ALLAH, the most gracious, the most merciful. Praise be to ALLAH, the creator and custodian of the universe. Salawat and Salam to our Prophet Muhammad, peace and blessings of ALLAH are upon him and to his family members, companions and followers.

First and foremost, I would like to express my heartfelt thanks and gratitude to Allah S.W.T for His blessing and allowing me to complete this project.

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Undoubtedly, this thesis would have been impossible to complete without the assistance of the top management of Libyan banks in the data collection stage.

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<tr>
<td>BSC</td>
<td>Balanced ScoreCard</td>
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<td>CSFs</td>
<td>Critical success factors</td>
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<td>EO</td>
<td>Entrepreneurial Orientation</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>MBNQA</td>
<td>Malcolm Baldrige National Quality Award</td>
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<td>MO</td>
<td>Market Orientation</td>
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<td>OC</td>
<td>Organizational Culture</td>
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<td>Organizational Performance</td>
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<td>PLS</td>
<td>Partial Least Square</td>
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<td>SEM</td>
<td>Structural Equation Modelling</td>
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<td>SMEs</td>
<td>Small and Medium Sized Enterprises</td>
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<td>SPSS</td>
<td>Statistical Package for Social Science</td>
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<td>TQM</td>
<td>Total Quality Management</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Measurement of performance is very important for effective management in any organization (Demirbag, Tekinus, & Zaim, 2006). Deming (1986) argued that improvement of any process cannot be done without measuring its outcomes. Therefore, the organizational performance improvement needs some measurements to determine the extent of effectiveness of organizational recourses on business performance (Gadenne & Sharma, 2002). Kanji and Sa (2007) pointed out that the first condition to enhance performance is to develop and implement a performance measurement system. Traditionally, financial indicators have been used to measured organizational performance that have some shortcomings, however, to overcome these shortcomings some authors added non-financial indicators to the traditional measuring systems (Demirbag et al., 2006).

In today's business changing environment, organizations require to evaluate their external and internal environment for opportunities and challenges in order to remain competitive and sustain their growth. In such environment, organizations in order for them to grow and survive have to improve their performance and achieve competitive advantage over competitors, however how this performance can be enhanced and what strategies that should be implemented towards that, is still the issue that needs to be further investigated.

To achieve an enhanced organizational performance, strategic management is considered as one of the most important factor and it is also the most commonly studied approach in the field of organizational behavior (Chen, 2005). Strategic management is the process of examining current and future environments, initiating
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