
ORGANIZATIONAL CHARACTERISTICS AND MARKET ORIENTATION OF CURD INDUSTRY OF KANTHALAI: A MANAGERIAL PERSPECTIVE

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ABSTRACT

The objective of the study is to see the impact of organizational characteristics on the market orientation and to determine the level of market orientation of the curd manufacturing organizations in Kanthalai Region. The study used primary data collected through questionnaires from the proprietors and owners of curd businesses. The relationships were determined using multiple regression statistical techniques. Researchers investigated the seven organizational factors namely owners' emphasis on market orientation, owners' attitude towards the risk taking, interdepartmental connectedness, conflict, formalization, centralization, market based rewards system as the independent variables and market orientation as dependent variable. Owner's emphasis on market orientation, managers' attitudes towards risk, interdepartmental connectedness, conflict within the organization and market based reward system are very important organizational characteristics that lead to market orientation. According to this study, these characteristics are not supported by curd businesses firms in the Kanthalai region and they are not market oriented.

Key words: Market orientation, Curd, Kanthalai, Organizational characteristics

1. Background of the Study

Many studies address the relationship of market orientation and firms' performance and results state that there are positive relationship between these two constructs according to the literatures. Many entrepreneurs are doing the curd production since seventieth decade in this region but it is very hard to conclude that they are marketing oriented. They are doing the traditional business activities without giving proper attention to the customers' needs and wants. They do not adopt or adjust their business as per the customer requirements. It is worthy to note here that there are potentials to grow. Most of the business entities are managed by the owner and conducted by the family. These businesses are like home based business. Market orientation should be adopted by all firms irrespective of small or medium or large scales of companies. Turbulence in technology and market and competition necessitate adoption of market orientation for firms irrespective of their sizes. As a results, many organizations are now adopting market orientation as a culture, some are adhering to the market orientation as philosophy or behaviour (Kohli and Jaworski, 1990; Navrer and slater, 1990).

Top management characteristics, interdepartmental dynamics and the organizational system's characteristics are the factors on which the relationship between market orientation and organizational characteristics depend on (Jaworski and Kohil, 1993). Those characteristics would be different from organization to organization. Some companies are small scale. Those companies do not have the clearly established separate departments required by the market orientation. Owners' attitude towards the risk taking and customer focus will be low; sometimes, there may not be proper organizational systems and consequently, they are producing product in a traditional manner to satisfy the consumer needs without concerning the market orientation.

In the case of curd business in the Kanthalai region, there are many curd producers supplying the curds to the end users and business firms. They adopted traditional ways of producing and marketing curds with no concern of customer requirements and no innovation in the marketing in the region. The market development

and improvement is essential to sustain the business in the market. If not, the industry needs to face with many challenges and run down the product in the market. In this region, curd businesses face with big competition from many established companies which come out with innovative curd products with different qualities.

Although the customers in the region are shifting from Kanthalai curd to established brands, Kanthalai curd has its image and fame among the customers. Due to the intense competition and promotion of the established brands, the demand for the Kanthalai curd is declining in the region and it has questionable sustainability in future too. Thus, this study set forth examine the research question is why these small entrepreneurs do not fit with their market? Hence, the major objective of this study was to investigate the impact of the market orientation on organizational characteristics of the curd businesses in the Kanthalai region. The specific objective was to evaluate the extent to which the market orientation is adopted in the curd industry of the Kanthalai region.

2. Review of Literature and Development of Hypotheses

Market orientation is most important for business firms to survive in the market within the changing customer needs and changing marketing environment. Therefore, the consumers do not remain in the same product and their requirements and usage of the product are also changing. Accordingly, company should produce the new product that is concern with market orientation which means that companies need to adopt market orientations.

In early 1990s, Kohli and Jaworski (1990) define market orientation as a “set of behaviors and activities in an organization”. This involves getting information about present and potential customer needs, disseminating it across divisions of the organization and responding to that needs. In other words, in order to create superior value, organization generates and disseminate market intelligence. Narver and Slater (1990) reinforce Kohli and Jaworski’s (1990) conceptualization by defining market orientation 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”. Based on this, they identified three behavioral components: customer orientation, competitor orientation, and inter functional orientation. The notion about the positive relationship between market orientation and firm performance is well argued in the literatures (Narver and Slater,1990; Ruekert,1992; Despande et al.,1993).

The governors and decision makers of the company are the top level managers. They take the decisions and disseminate to the other level of people in the organization. Therefore, decisions should be taken with regard to the consumer needs and that should be taken in the perspective of customer. This is to be successful top level managers should have good understanding about the customer and the market. Organizations’ top management should provide strong supports for serving the customers by establishing values and beliefs. Market orientation can also be attained when there is a positive mind set of the top management on the market orientation. Senior managers’ reinforcement is essential in organizations in order to encourage generation, dissemination and response to the intelligence of market (Levitt, 1960).

The determining factors of the market orientation are discussed below. Firstly, the top management risk taking is discussed. Risk is the degree of the frailer of the decision. A market oriented company should be close to the environmental changes to protect itself in the market. Owing to the changes in the market, companies need to adopt new technology, face new competitors, innovative product to be introduced and new product development should be done. Hence, top management should have ability to take the risk to invest or taking decision to adapt to the market changes. If the top managers hesitate to get the risk to adapt to the market changes, the company will be out of the business and industry. Therefore, top managers should study the market changes and instigate how to adopt to the market changes and they should get the possible and most suitable decision if that decision is more risky. Organizations’ commitment towards innovation and responsiveness to the market changes are induced by the acceptances of the top management’s risk taking behavior (Kohli and Jaworski, 1990, Jaworski and Kohli, 1993).

The second factor that determines the market orientation is interdepartmental connectedness. The departments within the organization should well be connected for being market oriented. Marketing department should suggest the production department to produce goods required by the customers. This can take place only when there is a connectedness among the departments. When the departments are connected

well within the organization, interaction and exchange of information are essentially facilitated (Ruekert & Walker, 1987). Further, the concentration at the organization within the inter departments creates interdependency and employees are encouraged to function rigorously in the process of knowledge generation, dissemination and in utilization (Jaworski and Kohli, 1993).

Conflict between the departments is another determinant factor of market orientation. Sometimes there may have some conflict among the departments that arises as a result of the miscommunication among the people who are working in the several departments. That will be an important issue to do the business smoothly. As an example, there may have conflict between the purchasing department and the production department. Then the purchasing department always makes the delays for purchasing or they will purchase the low quality production materials. That will be made an important issue on the production department to produce the product with high quality product in a right time. Therefore, conflict between the organizations is most important to avoid to the market orientation.

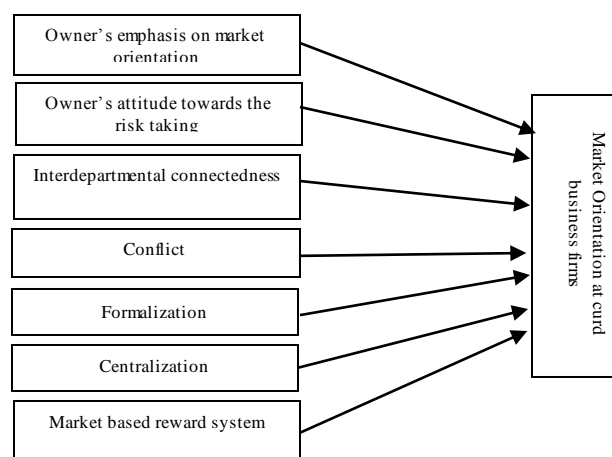
Another factor determining market orientation is formalization. This infers that there must be proper organizational structure. An organization should have work procedures and managerial flow from top to bottom. When there is a change in the dynamic environment, organization should be able to adopt it and this is important for market orientation. Formalization in organization is also likely to curtail the generation, dissemination of information and its implementation (Jaworski and Kohli, 1993).

Centralization is another factor that also impacts on the market orientation. Centralization means that all decision making power be concentrated on the top management, which limits the creativity of the people and that lead to create the machinery people. According to literature centralization is an obstacle to the market orientation. Centralization is that the power in the organization relies on the single point in an organization. Zaltman et al. (1973) and Despande and Zaltman (1982) emphasize that centralization negatively impact on the market orientation.

Market based reward system is another factor that affect the implementation of market orientation. Company should maintain good reward system to the customer. If the company does not have proper market rewards system, the company cannot be oriented to the market. If they want to become a market oriented company, they should provide the customer service system.

All the researchers have put forwarded, the market orientation is the most important to the organizational success in the market place. This research is going to focus on the small entrepreneurs in curd industry in Kanthalai region. They are facing lot of dilemmas in relationship to marketing management and they are producing same product without changing anything of the product that proffered to the customers. Therefore, there are products going to be out of date as a result of the intense competition from established competitors.

Based on the review of literatures, the following conceptual framework was formulated.



Source: Jaworski and Kohli (1993)

Based on the above conceptual framework, the following hypotheses were formulated.

H₁: The higher the owners' emphasis on the market orientation, positively impact on the market orientation

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in the curd business firms

H₂: The top management risk taking at the curd business firms increase the overall market orientation of the curd businesses.

H₃: The interdepartmental connectedness contribute to the market orientation of the curd businesses.

H₄: When there is a conflict among the divisions, decrease the market orientation of the curd businesses.

H₅: The greater the formalization at curd businesses, the lower the market orientation of the curd businesses.

H₆: The centralization at the curd businesses, decrease the market orientation of the curd businesses.

H₇: The market based reward system at the curd businesses, increase the market orientation of the curd businesses.

2. Methodology

This study is quantitative in nature. This study is based on primary data. The data were collected using questionnaires consisting of items on each variable. Statements for each variable in the questionnaire were adopted from previous researchers. Items for owner emphasis on market orientation, market reward system and interdepartmental connectedness were adopted from Kanjendra (2008). The items for conflict, formalization and centralization were adopted from (Olivares and Lado, 2003). The population for the study was those who produce curd in Kanthalai region. The items for market orientation were derived from (Gounaris and Avlonitis, 1995). Nine organizations producing curd were drawn using convenient sampling techniques due to restriction in information availability and manageability. Of these nine organizations, there were 23 employees and nine proprietors were issued questionnaires and were obtained. The details of the 9 firms are given below.

Table 1 Respondents Details

Name of the company	No of Owners	No of Employees
Sandeepani curd products	1	2
Premasiri curd	1	5
Manage Curd	1	1
Daasa Curd	1	1
Nilantha Curd	1	7
Lasantha Curd	1	1
City Curd	1	1
Bandu Curd	1	5
Total	9	23

This study aims to determine the impact of organizational characteristics in reaching market orientation. Therefore, the dependent variable of this study is market orientation. The analysis was carried out using the multiple regression analysis.

3. Discussion and Findings

Multiple regression was used to analyze the data collected from the respondents. The summary of the regression results are given in Table 2.

Table 2 Regression Results

Predictable variables	Beta	<i>t</i>	<i>p</i>	VIF
OEMO	0.203	1.147	0.263	1.411
Risk taking	0.446	1.415	0.170	4.456
Connectedness	-0.087	-0.438	0.666	1.773
Conflict	0.570	1.913	0.068	3.983
Formalization	-0.527	-2.810	0.010	1.579
Centralization	-0.416	-2.492	0.020	1.247
MBRS	-0.031	-0.200	0.843	1.074

$F_{7, 24} = 2.982, p < 0.05, R\text{-Square} = 0.465, \text{Adj. } R\text{-Square} = 0.309, \text{Dubin-Watson} = 1.883$

According to results of multiple regression, the model is best fit at 5% level since the R-Square value is 0.465 and the probability value is less than 0.05. The Durbin-Watson is also 1.883 which is not far from 2. This means that 46% of the variation of the market orientation of the curd businesses firm is explained by the organizational characteristics such as owner's emphasis of market orientation, risk taking behavior of managers, interdepartmental connectedness, conflict, formalization, centralization and market based reward system. Adjusted R-Square is also 0.309 which means that there is 31% impact of organizational characteristics on the market orientation. Variation Inflation Factor is also calculated to check whether there is multicollinearity issues. All VIF values are less than five and there is no serious multicollinearity issues.

The results of the hypotheses testing are shown in Table 3.

Table 3 Hypotheses Testing

Hypotheses	Results
H1:Owner emphasis → Market orientation	Unsupported ($t = 1.147, p > 0.05$)
H2:Risk taking → Market orientation	Unsupported ($t = 1.415, p > 0.05$)
H3:Connectedness → Market orientation	Unsupported ($t = -0.438, p > 0.05$)
H4:Conflict → Market orientation	Unsupported ($t = 1.913, p > 0.05$)
H5:Formalization → Market orientation	Supported ($t = -2.810, p < 0.05$)
H6:Centralization → Market orientation	Supported ($t = -2.492, p < 0.05$)
H7:Market based reward → Market orientation	Unsupported ($t = -0.200, p > 0.05$)

The first hypothesis with regard to the relationship between owners' emphasis on the market orientation and market orientation in the curd businesses in the Kanthalai region, is unsupported. Success of the market orientation would be depending on the degree of the understanding of the owners about the market orientation and who understand the benefits of the market orientation. If there is no such understanding about market orientation, it will not realistic. It is felt that there is a lack of understanding about the market orientation among the owners of curd producing organizations in Kanthalai region. Further, curd businesses need to effectively respond to the market changes and accordingly, the curd products need to be manufactured and sold.

The second hypothesis is regarding the risk taking behavior of managers and market orientation of curd business organizations. This is also unsupported. It is found that owners' attitude toward risk taking is very important for market orientation. In the curd businesses, there is no evident to have managers' attitude towards risk taking and this most determining factors of the market orientation. Marketing environment is changing dynamically. New technology may come in the production of curd and marketing as established firms are doing currently. These small firms in this regions should also be able to adopt such changes in the market place although there is financial obstacles. This will help to be market leaders and if failed to adopt,

they may lose competitive advantage. Hence, it is necessary for curd businesses to invest on innovative marketing strategies.

The relationship between interdepartmental connectedness and market orientation is also not supported. Connectedness within the departments is also important for market orientation of a firm. Although there is such visible departments or division within the curd businesses, there must be good relationship be within the people who are engaged in different tasks in the curd businesses. Interdepartmental contacts are essential. If they are maintaining a good relationship between other departments that would be very easy to the market orientation to be implemented. In the case of Kanthalia curd businesses, interdepartmental connectedness is not significant. This should also be improved in the curd businesses in the region.

The fourth hypothesis is when there is greater conflict within curd business organizations, there will be less market orientation. In other words, there may be difficult to implement market orientation if the conflict persist among people and divisions in curd business firms. This hypothesis is also unsupported by this study. This may be due to small firms and there is no big departments or division within the curd businesses. This infers that the extent to which the conflict arises within the department is very low and thus, it is easy to implement the market orientation within the curd business firms.

The hypothesis with regard to greater formalization of the organization and lower market orientation is supported as found in the many literatures. Most of the organizations have formal structure. Formal structure is sometime brings the positive as well as negative impact. In the market orientation perspective, formalization at the curd business firms is negatively impact upon the marketing orientation of the curd business firms. If the organizational structure is highly rigid or standardized at the curd business firms that will not allow to the innovations and that limit the employees' competencies or their creative skills. Therefore, formalization at the curd business firms makes the restrictions for the market orientation of the curd firms.

The sixth hypothesis is the relationship between centralization and market orientation. That is, greater the centralization at the curd business firms lower the market orientation. This is also supported as in the previous studies. Centralization means that power of decision making is concentrated on the top managers or owners. In the market orientation of curd businesses' perspectives, high degree of centralization makes a negatively impact upon the market orientation at curd business firms.

Final hypothesis was with regard to relationship between market based reward system and market orientation. This is also unsupported. Many organizations are having the reward system based on their market performance. This leads to a market orientation of the firms. In the case of curd business organizations, market performance needs to be taken into consideration and help curd businesses to become more market oriented.

4. Conclusion, Recommendation and Limitations

The major objective of this study is to examine the relationship between market orientation and organizational characteristics of the curd businesses in the Kanthalai region. The specific objective was to measure the extent of adoption of market orientation in the curd industry of the Kanthalai region. In the case of market orientation of the curd businesses, the model is significant support to the Jaworski and Kohli (1993). When looking at the individual independent variables, there is a possibility of concluding that there is no market orientation at the curd businesses in the Kanthalai region. This is due to the fact that all hypotheses except two hypotheses, there is no evidence to accept.

Owner's emphasis on market orientation, managers' attitudes towards risk, interdepartmental connectedness, conflict within the organization and market based reward system are very important organizational characteristics that lead to market orientation. According to this study, these characteristics are not supported by curd businesses firms in the Kanthalai region and they are not market oriented. When these characteristics under this study are seen in curd business firms in Kanthalai, these firms can be said to be marketing oriented and will enjoy a competitive advantage over the established firms marketing curd in the country.

Curd business firms in the region face intense competition from established companies. Market orientation should be adopted by these small curd business firms and that provides a good path for improved performance of the business. The vital recommendation that the government has to do for these curd business in the Kanthalai region is to give training on the marketing management and on how can these curd businesses become marketing oriented. Training on marketing may include brand marketing process, marketing communication and distribution network for selling curds in the country. Product and process innovation should also be explained for the proprietors in the Kanthalai region.

In addition, these small firms do not have updated information and they do not have proper mechanism to obtain updated information. Therefore, they should establish the intelligence generation system to monitor competitive activities and act accordingly. If not, becoming market oriented firms will be questionable.

There were limitations for this study. This study was conducted in rural area where the people were with limited knowledge in marketing and management and their answer for questionnaires may be bias. This study was limited to only Kanthalai region and was not included other regions where curd business are prominent. This study should further extended to other areas too to confirm and give proper recommendations.

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