

Trust in Mediating the Relationship between Market Orientation and Relational Satisfaction

Zainuddin Zakaria¹, Azyanee Luqman², Siti Hajar Mohd Hussain³, Mohd Ariff Kamaludin¹,
Muhammad Abi Sofian Abdul Halim⁴

Faculty of Business Management

¹Universiti Teknologi MARA, Dungun, Terengganu, Malaysia

²Universiti Teknologi MARA, Machang, Kelantan, Malaysia

³Universiti Teknologi MARA, Merbok, Kedah, Malaysia

⁴Faculty of Business and Maritime Management, Universiti Malaysia Terengganu, Terengganu, Malaysia

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ABSTRACT

In this paper, the researchers hope to determine how the concept of trust (benevolence and credibility) can mediate the relationship between market orientation and the relational satisfaction of private higher learning institutions (HLI) that forms academic franchise with public universities. It discovered that only the perception of credibility and not benevolence mediates the relationship between market orientation and the relational satisfaction experienced by the private HLI. The conceptual model that created through the findings will help managers, decision makers and education authorities to a better of understanding about the role of trust in the collaboration of public and private HLI.

KEYWORDS: Relational Satisfaction, Trust, Market Orientation, Higher Learning Institutions, Malaysia.

INTRODUCTION

Organisations would be creating superior competitive advantage by providing and enhancing better relationship with their customer beyond the development of quality products, good pricing, excellent distribution and attractive promotion. In order to create better relationship, the author argues that one must be a market oriented organisation. An organisation develops a market orientation to build relevance into the products and services it offers its customers [1-2]. In the effort to achieve the objectives, a market orientation culture serves as a foundation to the creation and implementation of effective competitive strategies, innovation and response. Market orientation can be defined as a philosophy of business management that is characterised by the recognition and practice of the importance of customer orientation, profit orientation, and communication of market needs across departments. Moreover, an organisation can be categorised as a market oriented firm if it fulfils 2 criteria, i.e., being customer focused and having a well-coordinated marketing activities. Organisations that are customer focused are organisations that are involved in carrying out actions that analyses customers' needs and external environment with the objective to design and create products and services geared towards consumer's desires and preferences[3-4].

A well-coordinated marketing effort involves spreading the information collected by the marketing department across all departments in the firm. These activities will create common activities through internal collaboration in a harmonious approach. Both customer focus and coordinated marketing lead to higher profitability and for large public companies profitability is linked to financial objectives in order to satisfy shareholders[5]. Furthermore, in [6] proposed that the adoption of market oriented values will eventually help create a sustainable competitive advantage for the company, thus ensuring survivability

REVIEW OF LITERATURE

One of the major transformations of the marketing approach is the shift from a purely transactional approach to customer relationship approach. The transformation was mainly fuelled by the changes in the dynamics of the global market and the changes in the demand and expectation of customers and consumers[7-8]. Furthermore, results confirm that the 5 dimensions scale (bonding, trust, communication, satisfaction and commitment) possess adequate reliability and internal consistency as well as convergent validity. Results of regression analysis show that

relationship marketing orientation is significant in explaining the variation in customer loyalty. The findings contribute to understanding the relationships between different dimensions of relationship marketing orientation, customer loyalty and demographic variables which provide critical implications for bank managers.

This shift or in thinking is basically changing the selling orientation. It is an orientation of not only looking as mere customer who only purchase products or services (market oriented) but selling, satisfying and retaining them as loyal customers. The objective of this approach is to transform the customers into client, supporter, advocate and ultimately as partners. It is clear that the customer relationship approach is a not a short run approach where a potential customer is treated base on the number of transaction by itself but treating them as though they are part of the family [9].

In the context of educational collaboration, in [10] suggests a comprehensive definition in describing the nature of interaction in a university-industry relationship. The definition suggested by them is stated as relationship marketing involves proactively identifying, creating, developing, maintaining, enhancing and, when necessary, terminating relationships that are trusting, committed and interactive in nature with selected customers (partners), in order to create a mutual value over time. This definition will be the core idea with the concentration on public university-profit oriented private colleges in a collaborative relationship, namely the relationship between public universities and its associated colleges.

Market Orientation

The value of having a market oriented focus is postulated to create a long term sustainable competitive advantage. Evidence showed that there is link between being market oriented and creating better performance and increasing profitability for an organisation. Furthermore, market oriented organisations are also customer oriented that focuses on learning and anticipating the changing needs of the customers. This will in turn create better value, good service management and higher satisfaction for customers.

Some researchers did not distinguish between organisational culture and market oriented behaviours. However, most researchers consider both elements as interrelated constructs. This is supported by [11] who argues that culture is a complex system consisting of various norms and values that becomes part of the organisation. Moreover, the types and variance found in the processes and behaviours of the organisation are very much affected by this complex system. Furthermore, they argued that previous researches supported the idea that market orientation behaviour may be embedded in the culture of an organisation which in turn affects its market awareness and action.

Past scholars have suggested that a firm operating in a business environment of constant changes, a market orientation approach is especially critical for staying in tune with customers' preferences and expectation. This means that generation and dissemination of "real-time" market information is necessary to create sustainable competitive advantage. Nevertheless, with the rapid change in information technology, the advantages of being market oriented are more difficult to capture and sustain. With respect to firms operating under highly competitive conditions, it is possible for market-oriented firms to achieve better sales. This may be due to the ability of a market orientation approach to facilitate proactive and reactive tactics that can transform higher sales gain into long term profit [12].

Furthermore, firms that are market oriented would be able to create sustainable competitive advantage. It is postulated that market-oriented firm is considered to have an internal strength that cannot be easily imitated by the competitor [13-14]. Moreover, in [15] suggested that the cultural focus of market-oriented firms goes beyond the specific structures and formal and informal processes within an organisation. They argued that it relates to the fundamental values determining the actual practices in an organisation, i.e. the way people behave or the way they do things in that organisation. This argument clearly highlighted that the behaviour and action of the employees are the manifestation of the organisation culture that they belong to. Many of the market orientation research in the 1990s have been credited to the work of [16-17]. The result of the investigation of the work of past scholar has motivated [18] to propose a modified version of definition of market orientation which is adopted in this paper. Market orientation is defined as a modified perspective where customer orientation and competitor orientation reflect the specific focus of the behaviours associated with the generation, dissemination and responsiveness to market intelligence. In turn, the manner in which the latter are actually performed is reflected in the coordinating mechanism component which steers the entire process.

Relationship between Public Universities and Associated Colleges

About 10 forms of relationships were suggested by [19] which based on the suggestion by past scholars. The forms of relationships can be classified into 4 categories such as supplier partnership, lateral partnerships, buyer partnerships and internal partnership. The researcher argues that the relationship between public universities and the private colleges closely resembles the lateral partnerships or alliances between competitors, as the associated

colleges is the competitors for students that would otherwise applied to public universities for higher education. In addition, the private colleges may also form alliances or partnership with other universities, locally or abroad. This creates a form of network that possesses special challenges for public universities and the colleges.

The researcher proposed that the relationship between the public universities and the associated colleges is very similar to the relationship between a franchisor and franchisee. As mentioned above, public universities are the franchisor and the associated colleges are the franchisee. In a franchisor-franchisee relationship, [20-21] argues that the relationship of both parties can be explained by 2 dominant theories, the agency theory and the resource scarcity theory. Before the 2 theories are discussed later, it is best to investigate and discuss the motivation for organisations to form alliances and partnership. Furthermore, it will be logical to discuss factors that may contribute to the success of the inter-firm relationship. These factors will form the basis for the study of the relationship quality between public universities and the associated colleges.

In this paper, the researchers hope to determine how the concept of trust, represented by benevolence and credibility may mediate the relationship between market orientation and the relational satisfaction of private higher learning institutions (HLI) that forms academic franchise with public universities. It discovered that only the perception of credibility and not benevolence mediates the relationship between market orientation and the relational satisfaction experienced by the private HLI. The conceptual model created through the findings will help managers, decision makers and education authorities to increase their understanding on the role of trust in the collaboration of public and private HLI.

METHODOLOGY

The respondents chosen are management staff from 50 private colleges in Malaysia. These private colleges were selected from a population of 65 private colleges that has created academic collaboration with Malaysian public universities. These colleges offer selected academic courses that is identical to the academic courses offered by these universities. A total of 209 management staffs participated in the survey. Data was collected by using questionnaires with a total of 11 items for the construct trust, which 5 items for credibility and 6 items for benevolence. As for the construct market orientation, 8 items were used for perceptions of the private colleges on their own market orientation and 7 items on perceptions of their partner's market orientation. In the construct of relational satisfaction, 3 items were utilised for economic satisfaction and 4 items for non-economic satisfaction. The authors and enumerators distributed then collect all the questionnaires within a period of 6 months.

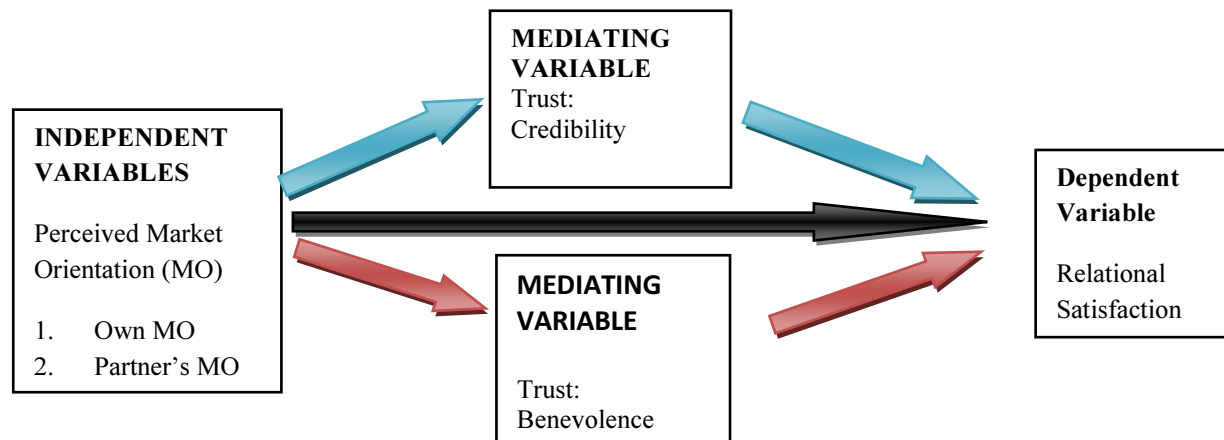


Figure 1: Conceptual framework between independent, mediating and dependent variables

RESULTS AND DISCUSSION

The authors conducted regression analysis in 3 steps as suggested by [15]. All results are shown below.

Step 1:

The dependent variable is regressed on the independent variable. In other words, the authors are determining whether the independent variable is a significant predictor of the dependent variable.

Independent Variable→Dependent Variable

$$Y = \text{Constant} + \beta X_1 + \beta X_2 + e$$

$$Y = 2.022 + 0.360X_1 + 0.340X_2 + 0.257$$

Y= Relational Satisfaction

X₁= Perception on Own Market Orientation, X₂= Perception on Partner's Market Orientation

Both β value for X₁ and X₂ are significant with R-Square (r²) value of 0.420.

Step2:

In the second step, the mediator (trust, benevolence and credibility) is regressed on the independent variable. In other words, the authors are trying to confirm that the independent variable is a significant predictor of the mediator. If the mediator is not associated with the independent variable, then it could not possibly mediate anything. Since there are 2 dimensions (benevolence and credibility) representing the mediating variable, they are regress separately on the independent variables. All results are shown below.

Independent Variable→Mediator

$$Me = \text{Constant} + \beta X_1 + \beta X_2 + e$$

$$Me_1 = 3.010 + 0.508X_1 + 0.293$$

$$Me_2 = 2.232 + 0.368X_1 + 0.261X_2 + 0.288$$

Me₁ = Credibility, Me₂= Benevolence

X₁ = Perception on Own Market Orientation, X₂ = Perception on Partner's Market Orientation

All β value in both equations is significant with R-Square (r²) value of 0.258 for Me₁ and R-Square (r²) value of 0.353 for Me₂.

Step 3:

This step demonstrates that when the mediator and the independent variable are used simultaneously to predict the dependent variable, the previously significant path between the independent and dependent variable (step #1) is now greatly reduced, if not totally insignificant. In other words, if the mediator were to be removed from the relationship, the relationship between the independent and dependent variables would be noticeably reduced. The equation is therefore shown below.

$$Y = 0.873 + 0.152X_1 + 0.269X_2 + 0.458Me + 0.264$$

X₁ = Perception on Own Market Orientation, X₂ = Perception on Partner's Market Orientation

Me (Mediating Variable) = Credibility

Both β value for X₁ and X₂ are significant with R-Square (r²) value of 0.591.

The authors also discovered that the beta value (β) for the mediating variable; credibility is significant and the beta value (β) for both dimensions of the independent variable (X₁ and X₂) is lower compared to the beta value (β) for both dimensions (X₁ and X₂) of the independent variables in step #1. These results confirm that there is partial mediation indicating that the mediating variable accounts for some but not all of the relationship between the independent variable and dependent variable. In addition, the R-Square (r²) value in step #3 is higher (0.591) than the R-Square (0.420) value in step #1, highlighting the mediating effect of credibility in the relationship between market orientation and relational satisfaction.

CONCLUSION

Results of the first multiple regression analysis highlighted the importance of the perceptions of the organisation's own market orientation (MO) and the organisation's perception of its partner's MO. In [22] discovered that in addition to relational norms, trust (credibility and benevolence) is an important factor that associated with relational satisfaction experienced by the private colleges. In this paper, it has determined that only credibility and not benevolence mediates the relationship between market orientation and relational satisfaction. In the context of collaboration between HLI, it is paramount for administrators of both public and private HLI to maintain and improve their credibility and market orientation in order to increase their level of relational satisfaction and subsequently the length of the collaboration. Credibility is conceptualised as the belief of the participant in the relationship that the other party is sincere, trustworthy, keeps word and is committed to the obligations in performing the role that is required and obligated in the relationship. Thus, the credibility that build by an organisation is tied to the volume or required level of capability or the skill possessed to perform the tasks which obligated by the

relationship[23-24]. The long term success of the collaboration may well depend on the successful implementation of these elements.

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