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Strengthening the levels of food companies' market orientation- the road towards strengthening the innovation and competition of agribusiness in B&H

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Abstract

High level of trade deficit indicates low competitiveness in B&H agribusiness, which brings the question whether its low competitiveness is mirroring its low market orientation, i.e. capability to apply integrated business philosophy which ensures adequate competitive advantages and sustains development of companies. To answer that, a survey was conducted through a MKTOR scale for measuring market orientation, on fifty food companies in the period May – December 2013. Statistical analysis was done using SPSS, and it included reliability test, exploratory factor analysis and confirmatory factor analysis, along with the tests of statistical significance and descriptive statistics. B&H food companies are only partly market-oriented, 3.430 (max 5.0), with Crombach's Alpha of 0.943. Factor analysis revealed three market orientation factors: intelligence generation (0.393), intelligence dissemination (0.503) and responsiveness (0.522). Level of market orientation in small (3.511) and large (3.364) was statistically different, meaning that the smaller companies are less capable of understanding the market. Also, small and big companies have significantly different performances on the basis of all three market orientation factors. However, we may say that for both types of companies, intelligence generation and intelligence dissemination are a weak link, whereas responsiveness is better than total average. Results show that food companies in B&H have low ability of collecting key information about the market. Furthermore, omissions in internal organization and lack of knowledge about marketing are barrier to use efficiently the collected, often disorganized data on market necessities. Therefore existing, collected data are not utilized to enhance creative communication and building of added value that will make difference on market place and enable B&H food companies to develop sustainable competitive advantages.

Keywords: market orientation, MKTOR, B&H food industry

Introduction

High level of trade deficit indicates low competitiveness in agribusiness, especially in food industry that drivers and shapes food production development in Bosnia and Herzegovina (B&H). Previous studies (Nikolić et al., 2011, Rahimić and Uštović, 2011) indicate that the food industry is not able to recognize and respond to the requests from the market, which slows down the process of restructuring and recovery of a sector, and lowers the possibility of strengthening the quality of life and building a healthier society. The question is being raised whether its low competitiveness is mirroring its low market orientation, i.e. capability to apply integrated business philosophy that enables companies to achieve organizational goals through creation of a new value for customers, which in the end ensures adequate competitive advantages and sustains development of companies and sector as whole. There is no single definition of business practice known as 'market organization' in literature, hence in order to measure the levels of this business philosophy's implementation, various models (measurement scales) are developed and used. Two of them, MKTOR and MARKOR, are the most popular models. It has to be outlined that all of the models are more adjusted to measure the market orientation on more developed, sophisticated markets. That is the main reason why it is necessary to test model adjustment to conditions of transitional markets, such as B&H. That is the main reason why it is necessary to test model adjustment (a scale) to conditions of transitional markets, such as Bosnian and Herzegovinian. Therefore, the aim of this research is twofold: first to test the adjustment of two most frequently used models of market orientation (MKTOR and MARKOR), and second to measure level and factors underlying market orientation of food companies in B&H in order to recommend measures to improve level of BH food industry market orientation, which has to serve as the backbone of public policies striving to promote innovations and sustainable agribusiness development strengthening resilience and adaptability of local communities as a step towards sustainable development. This issue is even more important in countries like B&H that are trying to deal with negative effects of transition, while at the same time overcoming consequences of war and poverty.

Method

Top managers at fifty food companies took part in a research survey done in the period from May to December, 2013. The sample consisted of 50% small and 50% big companies from the following subsectors: dairy, non-alcoholic beverages, meat sector and confectionery.

The questioner combines constructs of two approaches to measure market orientation: MKTOR scale (Narver and Slater, 1990) and MARKOR scale (Jaworski and Kohli, 1993). Therefore questionnaire encompassed five fields of research: external factors, internal factors, market orientation, company's efficacy and general information about the company. Top managers have been asked to display level of agreement (1 strongly disagree to 5 strongly agree) with offered statements to catch and evaluate situation regarding market orientation of company in question.

Crombach's Alpha test was used to determine reliability of scales while confirmatory factor analysis (CFA) using EQS (Structural Equation Program) was used to assess the measurement model acceptability. Statistical significance was done using t test. Statistical analysis was performed in SPSS and AMOS SPSS statistical package. Factor analysis was made using Principal Component Method with Varimax rotation

Results

Two scales and their components exhibited a high level of reliability. Crombach's Alpha value of MKTOR scale has been slightly higher than MARKOR scale, 0.943 and 0.923 respectively (Fig. 1).

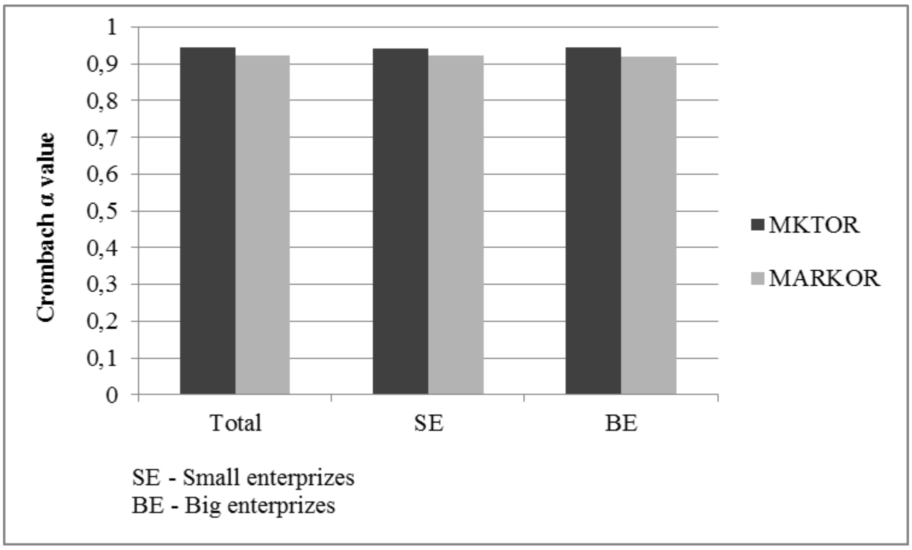

Figure 1. Results of reliability test

On the opposite side, overall model fit (both scales) determined by few most commonly used indexes (root mean square residual - RMR, goodness of fit index - GFI, normed fit index - NPI) was not good (Fig 2). Each of the constructs should be corrected with elimination of question which reduces acceptability, or definition of questions have to be more precise (translation has to be improved to address better issues in questions).

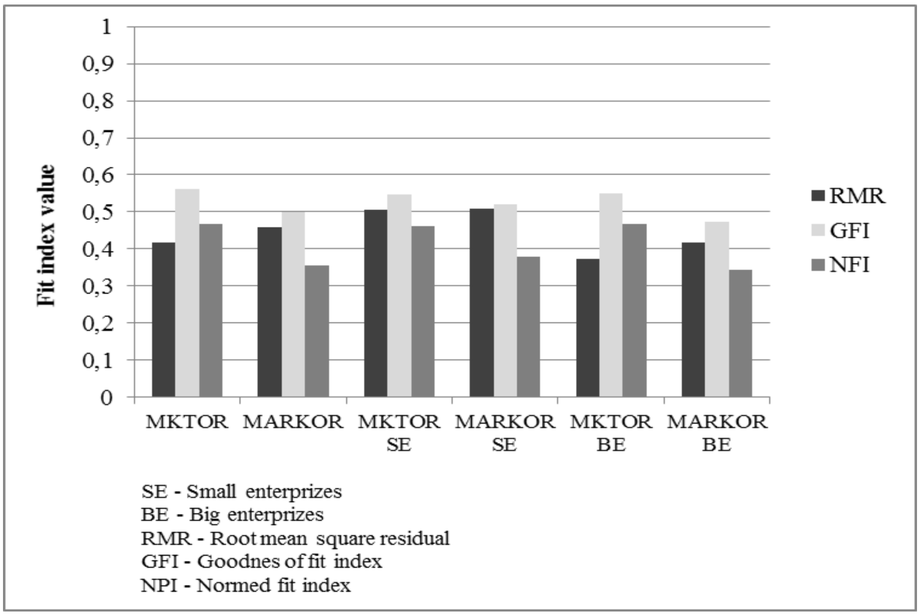

Figure 2. Overall model fit

B&H food companies are only partly market-oriented (3.431 MKTOR scale and 3.619 MARKOR scale) which is in line with previous researches made in B&H (Agić, 2010, Kurtović, 2007, Lakomica, 2010). Level of market orientation in small (3.511 MKTOR and 3.796 MARKOR) and big (3.364 MKTOR and 3.459 MARKOR) companies was statistically different, meaning that the smaller companies are less capable of understanding the market.

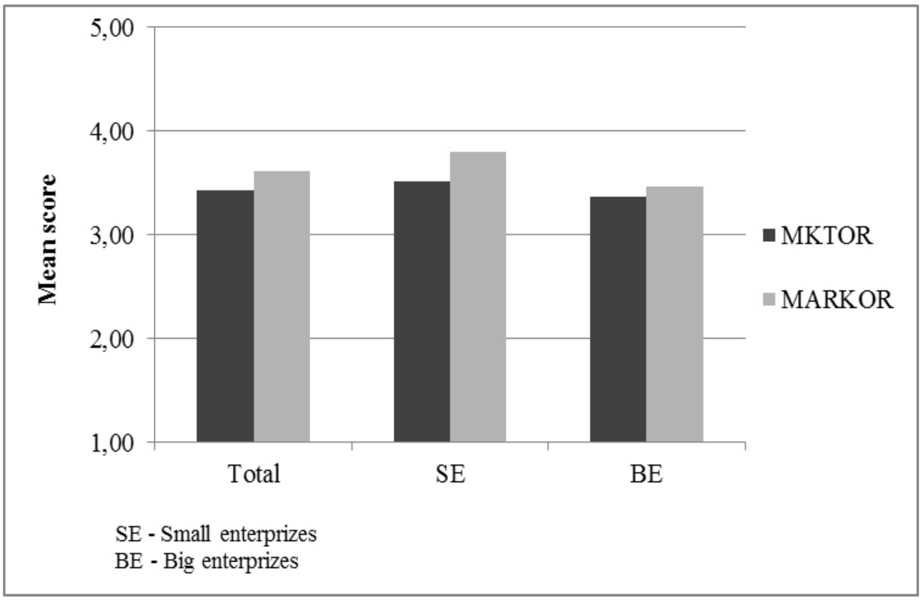

Figure 3. Level of market orientation

By implementing factor analysis, for both scales three influential factors stand out:

- for MKTOR scale: intelligence generation (average factor loading 0.393), intelligence dissemination (average factor loading 0.503) and responsiveness (average factor loading 0.522); and
- for MARKOR scale: orientation towards customers (average factor loading 0.677), orientation towards competitors (average factor loading 0.510) and interfunctional coordination (average factor loading 0.515).

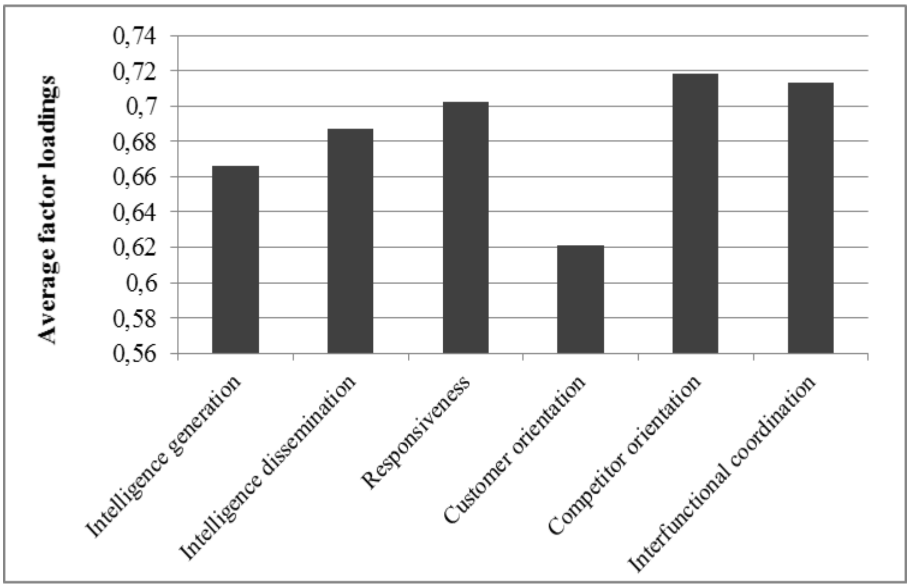

Figure 4. Results of factor analysis

Small and big companies have significantly different level of market orientation (p>0,05). It means that their capabilities to adopt market requests differ. However, we may say that for both types of companies, intelligence generation and intelligence dissemination are a weak link (assessed below average), whereas responsiveness is assessed better than total average. Small companies, as expected are less capable to acquire and utilize market information in order to enhance competitiveness at market place. But in the same time they are “closer” to the market and therefore have better insight into customer needs and ability to tailor their products to customer needs.

According to MARKOR scale, larger companies pay more attention on competitors and construction of interfunctional coordination, but in the same time pay less attention to customers (assessed below average). On the contrary, smaller companies are closer and more oriented to customers, and they don't pay much attention on competitors and interfunctional coordination. This is expected because small companies have limited resources, and usually are focused on everyday business problems. Consequently they are not paying sufficient attention to competitors. For small companies interfunctional coordination is not big issue due to the fact that number of employees and departments is low.

Discussion and conclusion

Results show that food companies in B&H have low capability to collect and utilize key information about the market needs. Furthermore, omissions in internal organization and lack of knowledge about marketing prevent the collected, often disorganized data on market necessities from being the basis for creative communication and discovering the new ways for creating added value and constructing sustainable competitive advantages. Therefore, public policies should be focused on mechanisms that will help companies to strengthen the internal abilities and management knowledge in the area of construction of propulsive corporate culture which would encourage cohesion, communication and creativity enabling effective utilization of available market information. Those policies should encourage co-opetition, strengthen the interest bonds between companies and encourage them to exchange experiences, allow them to create benchmark networks so they could learn from each other since it is the best way to improve business performances on which sustainable competitive advantages should be developed. Moreover, support programs should be shaped on the „Triple Helix“ principle, to create a cooperative, target-oriented network among companies, educational centers and executives, administration and local community.

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