STUDY ON THE RELATIONSHIP BETWEEN MARKET ORIENTATION AND CUSTOMER-FOCUSED WORKPLACE CULTURE AMONGST SELECTED REAL ESTATE ORGANIZATIONS IN MALAYSIA

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ABSTRACT

Customer-focused organizations are held together by a central value that every decision begins with customer for advantage. In reality, however, organizations are facing many challenges and internal issues that deter an organization to becoming customer focus. The principal objective of the current study was to examine the relationship between market orientation and customer-focused workplace culture (CFWC). The research model was built by adapting to the theory of market orientation and self-determination. The research uses quantitative method and stratified sampling method to collect data. There were 192 responses in the survey collected from senior employees amongst selected real estate organizations in Malaysia. The researcher first uses PLS-SEM examines the relationships between the behavioral components of market orientation and CFWC. The behavioral components of the current study were customer orientation, information sharing and innovation and creativity. In a separate test, the researcher then uses the disjoint two-stage approach to creates higher order construct model and examines the relationships between market orientation and the research outcome. The researcher outlined two competing explanations of mediation, i.e., internalized extrinsic motivation and intrinsic motivation and then present evidence for each for comparison. In general, this research confirmed that: market orientation, customer orientation and innovation and creativity have positive correlation with CFWC and the relationships are partially mediated through intrinsic motivation; whereas information sharing has no direct effect with CFWC but the relationship is fully mediated through intrinsic motivation. On the contrary, internalized extrinsic motivation has no mediation effect between market orientation and CFWC. This research contributes new insights and produces new model, namely Customer Focus Cultural Means Framework for business leader and professional practitioner who wish to understand about workplace culture, particular on setting and formulating strategy in customer-focused organizations.

Keywords: Customer focus, workplace culture, market orientation, motivation

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Business Administration

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This thesis was submitted to Asia e University and is accepted as fulfilment of the requirements for the degree of Doctor of Administration.

Dr. Khairul Nizam Mahmud
Asia e University
Chairman, Examination Committee
25 August 2023

DECLARATION

I hereby declare that the thesis submitted in fulfilment of the Doctor of Business Administration degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

Name: Ong Yew Leong

Signature of Candidate: **Date**: 25 August 2023

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LIST OF ABBREVIATION

ASEAN	Association of Southeast Asian Nations
AVE	Average Variance Extracted
CA	Cronbach's Alpha
CCC	Certificate of Completion and Compliance
CET	Cognitive Evaluation Theory
CFWC	Customer-focused Workplace Culture
CI	Confidence Interval
CUSO	Customer Orientation
COVID-19	Coronavirus Disease
DOSM	Department of Statistics Malaysia
DV	Dependent Variable
GDP	Gross Domestic Product
GNI	Gross National Income
HOC	Higher Order Construct
HR	Human Resource
HTMT	Heterotrait-Monotrait
ICT	Information and Communications Technology
IMF	International Monetary Fund
IV	Independent Variable

USP   Unique Selling Proposition

VIF   Variance Inflation Factor

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter includes the synopsis of the current study. The title of the research is Study on the Relationship Between Market Orientation and Customer-focused Workplace Culture Amongst Selected Real Estate Organizations in Malaysia. The content includes background of the study, which the researcher articulates the important of market orientation and customer focus in today's business organization, particular in real estate sector in Malaysia, and addresses the challenges and internal issues that deter an organization to becoming customer focus for thrive. This chapter also includes the problem statement, objectives of the research, significance of the study, research questions, research hypotheses and the definition of key terms. The last session of this chapter then be ended with the organization of the thesis.

1.1 Background of the Study

In the past decades, real estate sector in Malaysia has become one of the pillars for economic growth. According to the Department of Statistics Malaysia (DOSM), the sector has seen recorded a total of RM27.6 billion or 1.78% contributed to the total Gross Domestic Product (GDP) of RM1.55 trillion of the country in year 2021. Despite active transactions, in fact, real estate sector in Malaysia is in a highly competitive market. For instance, in property market, supply and demand relationships plays a major role to fulfilled the social space for economic activities and growth. Therefore, industry players are competing with each other to survive. Any property product with remarkably innovation feature (roof covering with solar panel, for instance) may immediately stimulate sales, but the market soon will reach a maturation stage and attract rivals. Many organizations, therefore, tend to swift from product-driven to

market-driven strategy to avoid competing in a commoditized market and make the winning move with customers insight others don't have.

In a market-oriented organization, the decisions are made based more around the customer needs and preferences, rather than technical or sales operations (Keelson, 2012; Kohli & Jaworski, 1990; Kotler & Amstrong, 2017; Narver & Slater, 1990). It is highly depending on the generation of, dissemination of and responsiveness to the market intelligence in the process (Kohli & Jaworski, 1990). Kohli and Jaworski (1990) defined market intelligence as an analysis of how customer needs and preferences may be affected by exogenous factors. Previous studies conceptualized market orientation as the business philosophy that guides business operations in a market-oriented organization (Keelson, 2012; Kohli & Jaworski, 1990; Narver & Slater, 1990). The business philosophy integrates customer orientation, competitor orientation and inter-functional coordination as business culture (Narver & Slater, 1990). Customer orientation or customer focus (Gulati, 2007) is an approach in which organization focused on creating value from customer base and provide long-term solutions to serve targeted customers and market segments (Narver & Slater, 1990). Competitor orientation defined as acquiring information of competitors in the target market such as, market surveys, how peers pursuing the strategy of novelty for differentiation, and regularly conduct due diligence on rules and regulations in the business, etc. (Narver & Slater, 1990). Whereas inter-functional coordination is based upon customer and competitor information integrate with business strategy in the company-wide operation processes (Narver & Slater, 1990). In short, market orientation and customer focus advocate broader view than just sales, marketing or customer relations activities but more strategic concerns related to customers. Organizations winning in the competition are moving towards customer focus as

customers in the era of information technology have become more knowledgeable and high demanding (Deshpandé et al., 1993; Gulati, 2007; Habel et al., 2020). The approaches, however, required highly interdependence when employee interaction and coordination with each other for thrive. Interdependence defined as a state where people in organization are emphasize on integration, managing relationships, and group coordination efforts (Groysberg et al., 2018). It can be said that the integration of customer focus strategy internally (and externally) deemed as important to improve the coordination and collaboration for customer solution (Gulati, 2007; Kohli & Jaworski, 1990; Kotler & Amstrong, 2017; Narver & Slater, 1990).

During the implementation, however, leaders were commonly facing many internal issues and challenges that deter organizations to become customer focus. For example; according to a CMO Council research, (1) functional silos make connecting customer data difficult topped with 52% in The Challenges of Organizations to Becoming Customer Focus (Figure 1.1), followed by (2) corporate culture not aligned around the needs of the customer, (3) no common definition for customer centricity to unify functional goals and processes, (4) front-line resources are not equipped to best manage customer issues, (5) sales-focused organizations that thinks quota before customer, (6) personality clashes with other stakeholders, and so on (The CMO Council, 2014). Besides, apart from the above challenges, resist in collaboration between business functions and exists of silo mentality (Forsten-Astikainen et al., 2017) were some of the common issues and stumbling blocks that deter an organization as well as an individual to perform better. Worst still, leaders in business organizations sometimes exert more internal control and rely heavily on extrinsic incentives simply for higher goals achievement. The adoption of carrot-and-stick approach aggressively further deter individuals to see opportunities, experience

conflict in both their work and life, resist feedback and learning, and eventually leading

to personal career stagnate and team morale and performance down (Daniel H. Pink,

2009; Deci et al., 2017). Likewise, organization narrowly focuses on explicit reward

and punishment system usually at the expenses of activities that are hard to measure

and often ignored, such as coaching and mentoring, exploration, and sharing best

practices.

Figure 1.1: The Challenges of Organizations to Becoming Customer Focus

52%	Functional silos make connecting customer data difficult.
39%	Corporate culture not aligned around the needs of the customer
35%	Missing key technology platforms to manage data and customer profiles
31%	No common definition for customer centricity to unify functional goals and processes
28%	Front-line resources are not equipped to best manage customer issues.
28%	Insufficient expertise in data analytics and intelligence
28%	Sales-focused organization that thinks quota before customer
22%	Lack the budget to execute customer-centric programs
9%	Personality clashes with other key stakeholders
5%	Other

Source: The CMO Council, 2013

1.2 Problem Statement

Over the past decade, between year 2014 to 2023, the real estate sector in Malaysia

has been characterized by sluggish sales and a rising number of unsold homes (Figure

1.2). According to the National Property Information Center (NAPIC), Malaysia,

residential property overhang in major cities in Malaysia has piled up to 36,863 units

in year 2021 (worth RM22.79 billion), showing an increase of 24.7% in volume and

of 20.5% in value year-on-year if compared with precedent year (NAPIC, 2021).

NAPIC defines property overhang as residential housing that have received

Certificates of Completion and Compliance (CCC) but the property remained unsold

for more than nine months after the official product launching date. The sector's poor outlook is reflected in the low valuation of property stocks, most of which are trading at around one-third of its book value, for instance, as at June 10, 2022, Price-to-Book (P/B) value of IOI Properties Group Berhad (KLSE:5249) is 0.277 (Figure 1.3). Moreover, the COVID-19 pandemic that had huge impacts to retail, hospitality and leisure sectors due to national lockdowns and the implementation of movement control order by Malaysian government – international boarder shutdown and cancellation of flights, tour packages and hotel bookings that caused low occupancy rate, etc. – simply exacerbated the poor revenues and firms' performance in the industry (Ozbay et al., 2021).

Figure 1.2: Malaysia Unsold Property and Overhang Status 2017-2021

Residential Market Status 2017 – 2021

	2017	2018	2019	2020	2021
Overhang	24,738	32,313	30,664	29,565	36,863
Unsold Under Construction	61,882	80,894	72,692	71,735	70,231
Unsold Not Constructed	12,626	19,865	16,774	12,975	21,960
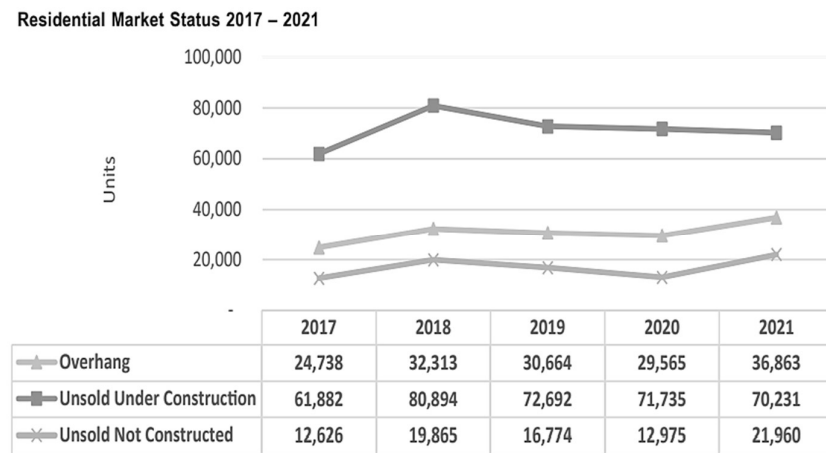
Source: NAPIC – Property Market Report 2021

Figure 1.3: Market Price of IOI Properties Group Berhad 2014-2022
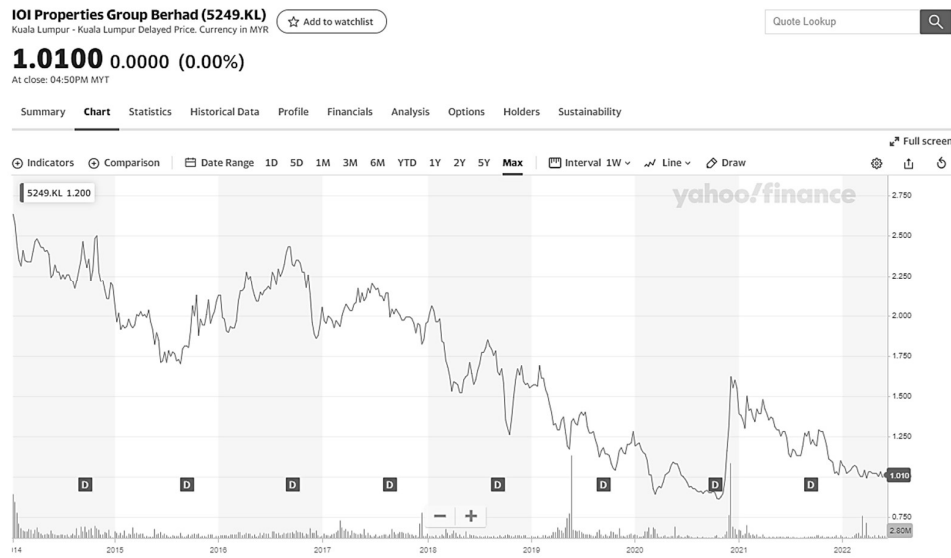
Source: Yahoo! finance

During the COVID-19 pandemic, despite Malaysian government launched several property stimulus packages, such as, the Home Ownership Champagne (several incentives were introduced to home seekers), a record low finance interest rate and the six months loan moratorium. The performance of real estate players in the industry, however, still underperforming throughout the year from 2020 to 2022. Besides, during the market downturn, many property developers offered great discounts to property buyers. The slashing of selling price initiative though increases sales revenue but has affected the financial performance. For instance, UEM Sunrise Berhad (KLSE:5148) continue posted a net loss of RM213.9 million before income tax for its financial year 2021, despite having a stable revenue of RM1.184 billion (Figure 1.4). The downturn of real estate sector within the country that had started since 2014, in fact, does not appear to pick up anytime soon. The outlook of real estate market in Malaysia seems rather uncertain due to non-stabilize political aspect, increases of construction and compliance costs and the imbalance of household income versus property price, just to mention a few.

Figure 1.4: Five Years Group Performance of UEM Sunrise 2017-2021

In RM'000	2021	2020	2019	2018	2017
Revenue	**1,184,511**	1,136,881	2,909,461	2,043,986	1,860,611
Cost of sales	**(963,483)**	(838,105)	(2,103,636)	(1,302,726)	(1,317,476)
Operating expenses	**(340,748)**	(372,729)	(402,030)	(339,652)	(350,124)
Operating (loss)/profit	**(119,720)**	(73,953)	403,795	401,608	193,011
Other income	**37,530**	76,150	75,598	74,347	56,211
Finance costs	**(144,712)**	(132,850)	(117,509)	(100,966)	(91,146)
Share of net results of associates & joint ventures	**12,981**	(64,678)	19,883	41,060	43,609
(Loss)/profit before income tax and zakat	**(213,921)**	(195,331)	381,767	416,049	201,685
(Loss)/profit attributable to owners of the parent	**(213,047)**	(277,284)	221,597	279,998	113,111
Shareholders' equity	**6,693,120**	6,901,607	7,264,324	7,057,251	6,889,021
(Loss)/earnings per share (sen)	**(4.2)**	(5.5)	4.9	6.0	2.5
Return on equity	**-3.1%**	-4.0%	3.1%	4.0%	1.7%

Source: Annual Report 2021, UEM Sunrise Berhad

In the past decade, the issue of imbalance of household income versus property price escalation that led to homeownership unaffordability was no longer a new subject (Yap & Ng, 2018). Apart from the Malaysian government introduced various housing policies to curbed the speculation and runaway inflation on property prices to ensure the successful deliverability of affordable home, many real estate players aggressively shifted from targeting high-end price property market, such as luxurious semi-detached and detached bungalow, condominium and serviced apartment, to focusing on mass production with residential property priced at range within affordable level (the price of affordable home varies from state to state and urban and suburban area). On one hand, policy maker and industry players willing to work hand-in-hand to curb the speculation of property prices, improves the property overhang situation and helping the B40 group of home seekers (the bottom-tier households that earning income of below the lowest threshold) to owning a house. On the other hand, due to excessive of cost cutting exercise, overemphasize on high production efficiency and slashing of property selling price by property developers, many of the industry players

were forced to focusing on aggressive sales strategy and the profit before customer approaches – compromising the product quality, feature and service, and ignoring the important of customer needs and preferences – that have adverse impact to firm's reputation, building the customer relationships and long-term profitability.

As mentioned, real estate sector in Malaysia is in a highly competitive market. In order to survive in the competition, one of the keys to success is that real estate organizations can and should transforming to become customer focus for differentiation strategy and long-term profitability. How the customer-focused organizations gain the advantages for better performance is that they held together by a core value that every single decision starts with the customer (Rust et al., 2010; Shah et al., 2006). For instance, many real estate organizations in the sector tend to casting the working environments that are conducive to innovation, nurture the talent, and inspiring employees to tap into their creative idea. The main objective is to innovate the product, service and business model to impress the customers, stimulate sales and growing the market share. Organization's pursuit of novelty, however, always undermined by policies and practices that were established for maximize the profits (Rosenkopf & McGrath, 2011), such as cost effectiveness, formal rules, standard operating procedure (SOP), bureaucracy and centralization (Hirst et al., 2011). Eventually, the product and service that customized merely meet internal requirements, less creative and become production-driven. Besides, in order to transform from product- or production-driven to becoming customer focus organization, leaders are advised to pay attention on unite the resources, focus directly on customer needs, and effective collaboration in business process (Gulati, 2007). However, building a collaborative behavior and forging strong connections, again, always deter by communication breakdown and silos mentality (Forsten-Astikainen et