

# **ĐỊNH HƯỚNG THỊ TRƯỜNG VÀ ẢNH HƯỞNG CỦA NÓ ĐẾN TÌNH HÌNH HOẠT ĐỘNG KINH DOANH CỦA CÁC CÔNG TY PHẦN MỀM TẠI HÀ NỘI**

## **MARKET ORIENTATION AND ITS EFFECTS ON BUSINESS PERFORMANCE OF SOFTWARE COMPANIES IN HANOI**

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**Tóm tắt:** Nghiên cứu này nhằm khám phá mức độ định hướng thị trường và tác động của định hướng thị trường đến hoạt động kinh doanh tại các công ty phần mềm tại Hà Nội. Cụ thể, nghiên cứu khám phá ba mối quan hệ chính: (1) Mối quan hệ trực tiếp giữa việc tạo ra trí thông minh và hiệu quả kinh doanh; (2) Mối quan hệ trực tiếp giữa phổ biến thông tin tình báo và hiệu quả kinh doanh; và (3) Mối quan hệ trực tiếp giữa khả năng đáp ứng thông minh và hiệu quả kinh doanh. Mô hình nghiên cứu được phát triển bởi Jose Gonzalez và Larry Chiagouris (2007) được sử dụng cho nghiên cứu. Một nghiên cứu thực nghiệm với khảo sát 60 công ty phần mềm tại Hà Nội đã được thực hiện vào cuối năm 2010. Bài báo cho thấy rằng trong khi phổ biến và phản ứng thông minh có tác động tích cực đáng kể đến hiệu quả kinh doanh, thì việc tạo ra thông minh có tác động tích cực đến hiệu quả kinh doanh nhưng không đáng kể.

**Từ khóa:** định hướng thị trường, kết quả hoạt động kinh doanh, công ty phần mềm, Hà Nội

**Abstract:** This study aims to explore the level of market orientation and its impact of market orientation on business performance in software companies in Hanoi. Specifically, the research explores three major relationships: (1) The direct relationship between intelligence generation and business performance; (2) The direct relationship between intelligence dissemination and business performance; and (3) The direct relationship between intelligence responsiveness and business performance. Researched model developed by Jose Gonzalez and Larry Chiagouris (2007) is employed for the study. An empirical research with the survey of 60 software companies in Hanoi has been carried out in late of 2010. The paper suggests that while intelligence dissemination and responsiveness have positive significant impact on business performance, intelligence generation has positive impact on business performance but not significant.

**Keywords:** market orientation, business performance, software company, Hanoi

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## 1. INTRODUCTION

From the first time Benson P. Shapiro (1988) wrote "What the hell is Market oriented", over the last two decade, the term "market orientation", which has long been considered as a core construct in marketing theory, has got much attention of marketing scholars from many countries all over the world. Most of them agreed with the conclusion that market orientation has positive effect on business performance. Applied these concepts, lots of empirical studies from many countries have been carried out to assess the level of market orientation and the relationship between market orientation and profitability (Narver and Slater, 2000), market share, new product (Johan Frishammar and Sven Ake Horte, 2007),...

So market orientation is not a new concept of marketing theory. But in Vietnam, before 1986, there had no idea about "market", "supply" or "demand". All firms were stated-own companies, operated under the direction of the Government. Since 1986, Vietnam has step by step transformed from planned economy to regulated market economy. So the term "market orientation" was a really new concept with many of Vietnamese firms and very little empirical researches studied about the effect of market orientation on business performance in Vietnam. To develop the economy, Software industry is considered as one of leading -edge industries of Vietnam in the 21st century. Until now, software industry contributes not much for Vietnamese GDP (only 0.51% in 2008). For the few past years, Vietnam software industry developed with the growth rate about 40% from 2002 - 2007, and downed to about 20% in 2008 because of the world's economy crisis. To reach that achievement, Vietnamese software companies have followed market driven to satisfy the needs of various kind of customers that are inside and outside Vietnam. As one of the most dynamic and competitive industry field, software industry field is a valuable context to test a marketing theory in context of Vietnam. Hanoi and Ho Chi Minh City are the two economic - cultural - political centers of Vietnam, also the places that concentrate most of Vietnam software companies and represent all characteristic of Vietnam software industry.

Although there are numerous of studies related to market orientation and its impact on business performance, only few researches focus on Asian countries. Until now, there are little empirical studies examine the relationship between market orientation and performance in these countries, and also in

Vietnam, a transitioning economy. The positive effect of market orientation on business performance has been proved in free market-oriented in U.S, in western companies, but does market orientation really have impact on business performance in context of Vietnam with the chosen industry field to be analyzed that is Hanoi software sector?

With software companies in Hanoi, they now operate under market driven, but do they realize what level of market orientation they have? Can they improve any activities of market orientation to achieve more in the future?

A number of research objectives have been set as follow:

- To identify the components of market orientation;
- To access the level of market orientation in software companies in Hanoi;
- To investigate the relationship between market orientation and business performance in software companies in Hanoi;

## 2. METHODOLOGY

This research uses the study of Jose Gonzalez and Larry Chiagouris (2007) as the theoretical framework to explore the relationship between market orientation's components and business performance. These researchers have adapted the theory from Narver and Slater (1990), Jaworski and Kohli's market orientation framework (1993), Deshpande and Farley (1998) to build the model showed in Fig.1.

The proposed model is simplified within the impact of market orientation's components on business performance as in Fig.2.

**Dimensions of market orientation:** Independent factors of the model are the three dimensions of market orientation conceptualized by Jaworski and Kohli (1993): Intelligence generation, intelligence dissemination, organizational responsiveness as mentioned.

**Intelligence generation** refers to the collection and assessment of both customer needs and the forces (task and macro environments) that influence the development and refinement of those needs. Importantly, multiple departments should take part in this activity because each department has a unique market point of view (Kohli and Jaworski, 1993). To give a supplemental suggestion, Narver and Slater (1994) said that market orientation is a corporate culture that differentiates one business from another in its tendency to always give superior value to its

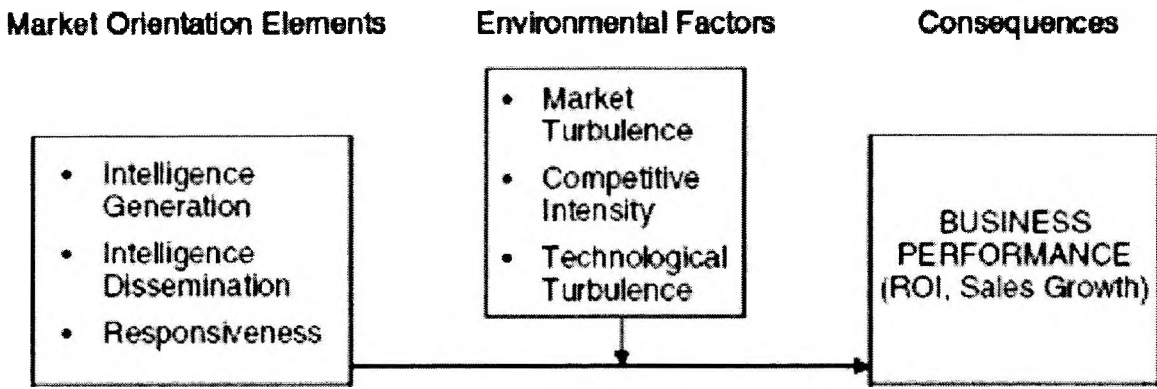


Figure 1. Gonzalez and Larry Chiagouris' theoretical framework  
(Jose Gonzalez and Larry Chiagouris, 2007)

tendency to always give superior value to its customers. A business with careful market information collection and processing capabilities can predict more precisely and make rapid changes in the market place and know what the superior value to customers is (Pelham, 1997).

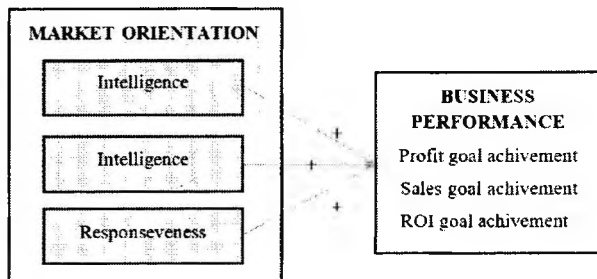


Figure 2. Research model

**Intelligence dissemination:** In order for market orientation to operate correctly, information developed in the intelligence generation stage must be shared with other functions of the company. Superior performance from market orientation can only occur when there is appropriate interfunctional coordination. Information exchange is crucial to achieving this goal (Han, Kim and Srivastava, 1998). Successful dissemination or sharing of information provides opportunity to marketers to ask questions and amplify or modify interpretations to provide new insights (Quinn 1992; Glazer 1991). To reach this aim, businesses need to provide favorable conditions for information exchange and discussion. This may include information about technology, task forces, face-to-face meetings, integrator roles, or liaison positions (Slater and Narver 1995). Openness in communication across every business functions assists in responding to customers needs.

Information dissemination is critical to the success of the market orientation process.

**Responsiveness:** Superior performance can only be achieved by responding continuously to the customer's changing needs. Thus, once the marketers have gathered the market intelligence, processed it by sharing it with the appropriate inter-functional groups, then it is time to develop action plans. Day (1994b) argued that a market orientation culture supports the need to gather the market intelligence and functionally coordinate actions to gain a competitive advantage.

These three components of market orientation are measured by MARKOR scale with 20 items. With some modifications as expert's suggestions after doing pilot survey, a 19-items scale is used to measure the level of market orientation in software companies in Hanoi and given in the appendix 1.

**Business performance:** This study only focuses on financial performance of companies. Following the study of Ali Kara, John E.Spillan, and Oscar W.Deshields, Jr. (2005), financial performance is measured by 5-point Likert scale with 3 items, including questions about performance of profit, sales volume, and return on investment (ROI) in the last three years that respondents evaluate the performance of their organizations.

**Hypotheses:** Following the theoretical model and the objectives of the study, these hypotheses are given and tested to examine the relationship between market orientation and business performance in Hanoi software companies:

*Hypothesis 1 (H1):* Intelligence generation has positive association with business performance in software companies in Hanoi

*Hypothesis 2 (H2):* Intelligence dissemination has

positive association with business performance in software companies in Hanoi

*Hypothesis 3 (H3):* Responsiveness has positive association with business performance in software companies in Hanoi

*Hypothesis 4 (H4):* Intelligence generation, intelligence dissemination and responsiveness have positive association with business performance in software companies in Hanoi.

**Questionnaire instrument:** Resulting from the intensive measurement instrument development process, the questionnaire for respondents includes 33 items and is consolidated into four sections: Personal background information, company information, market orientation and business performance. The first part asks about the background of respondents including position, age, sex, and education level. In the second part, respondents answer questions about company information, such as number of employees, years in business, type of ownership... The third and the fourth part are main sections of the questionnaire with questions related to market orientation and business performance. These questions were based on variables of market orientation and business performance and measured by a five-point Likert's scale range from 1 (strongly disagree) to 5 (strongly agree). The questionnaire was made in both English and Vietnamese.

**Sample selection and sample size:** This study chooses VINASA's members to be the sample of this research. The respondents who answered the questionnaire are the chiefs/staffs of marketing/business department or Board of manager in VINASA's members. There are 100 members of VINASA in Hanoi, but author could reach only 90 companies and got 60 feedbacks returned, making the response rate of 66.67%. The research was done with paper, word file and online web-page based, with structured questions easier to answer. There was not any direct interview with companies. All candidates could answer the questionnaire without any additional explanation about the meaning of the questionnaire.

### 3. RESULTS

#### 3.1. Sample profile

##### *Age of respondents*

The survey shows that there are 55 respondents, accounting for 91.67% of the total, in range of 20 - 40 years old. There are only 5 respondents,

taking 8.33% of the total, in range above 40 years old. It is easy to explain this result, because software industry is a dynamic field with day-to-day upgraded technology, so most of people who work in this field are at young age.

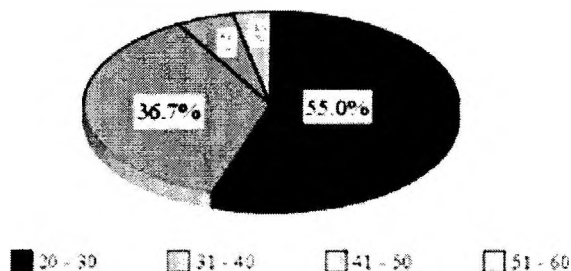


Figure 3. Age of the respondents

##### *Position of respondents*

Positions of respondents are shown in Fig.4. This research is about a concept in marketing theory, so the objects who can understand well the questionnaire and give exact feedbacks are these software companies' marketing/business staffs or their managers. The research has attained this criterion, with 50% of the respondents are board of manager or chief of marketing/business department, and 40% of the total are software companies' executive of marketing/business department.

As shown in Figure 5, most of software companies in Hanoi are joint stock and limited company, accounting for 78.3%, and only 5% of the total is stated-owned companies. This result proves clearly for the typical characteristic of Vietnam software industry: Individual investors are the main capital source for bulk of software companies. Although Vietnam Government pays much attention to develop software field, but there's very little government's capital invested in this field. So we can see the fact that: Government's support is only in creating environment, promulgating policies, supporting finance resource is limited. We can also see that there are 10 joint venture and foreign invested companies, taking 16.7%, related with foreign capital. That means Vietnam software industry field has attracted initially foreign investment.

##### *Reliability analysis*

The results of reliability analysis in the table above indicate that all Cronbach's Alpha indexes are quite high with the value ranging from 0.76 to 0.83, which surpass the acceptable value of 0.7 suggested by Nunnally and Burnstein, 1994). So the

questions used to measure variables in this research have high reliability and meet the standards recommended for research purposes.

### 3.2. Market orientation of software companies in Hanoi

Conceptualized by Kohli and Jaworski (1993), market orientation is defined by three components, those are: Intelligence generation, intelligence dissemination and responsiveness. Following results are what reveal in software companies in Hanoi.

**Intelligence generation:** As mentioned above, factor Intelligence generation is measured by 6 items. Detailed results are shown in Table 2. From Table 2, we can see that 80% of respondents agree and strongly agree that their companies meet customer frequently. There are also 68.3% of respondents affirm that their companies have good interaction between service department and customers. That makes these two items have good mean values of 4.2 and 4.0. This result is easy understanding in the cases of software companies, because these companies have to meet their customers to present their software products or services, then to install or to deploy software products for them, training customers' system administrators or end-users how to manage or use the softwares, and the last is fixing bugs during the time of warranty time. So there is a closed relationship between software companies and their customers, at least during the time of deploying, training and warranting. We also can recognize that 60% of the respondents think their companies often survey end-users to assess the quality of their products/services and detect quickly to customers' preferences, while 40% of them have no idea or not think that they are good at these activities.

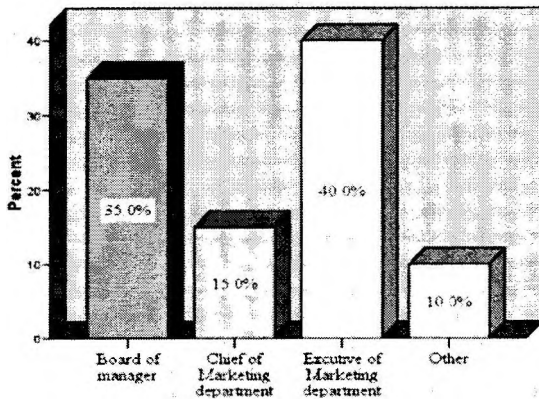


Figure 4. Position of Respondents

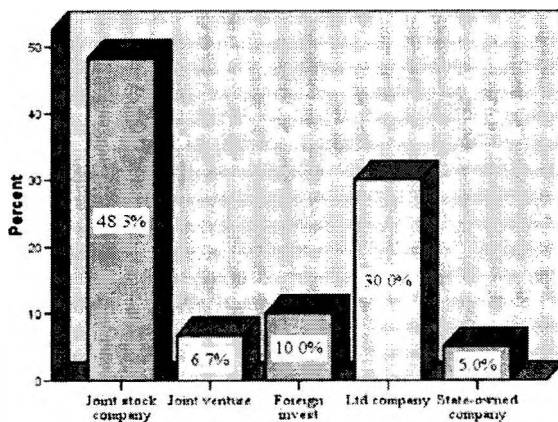


Figure 5. Company's type of ownership

No	Variable	Items	Cronbach's Alpha
1	Intelligence generation	q1.1,q1.2,q1.3,q1.4,q1.5,q1.6	0.80
2	Intelligence dissemination	q2.1,q2.2,q2.3,q2.4,q2.5,q2.6	0.80
3	Responsiveness	q3.1,q3.2,q3.3,q3.4,q3.5,q3.6,q3.7	0.83
4	Business performance	q4.1,q4.2,q4.3	0.76

Table 1. Reliability statistic of variables

The mean values of these items equal 3.77 shows that Hanoi software companies have not done well in terms of generation about customer satisfaction's information. This reflects the fact that in software market, most software products have "core system"

and then are customized due to customers' preferences. But the ability of customization varies from companies to companies and depends much on customers' budget. Maybe in software market in Hanoi, the flexibility of companies is not high enough, or

Item	Strongly disagree & disagree	Neutral	Agree & Strongly agree	Mean	Std. deviation
<i>Often meet customer</i>	4.0%	15.0%	81.0%	4.20	0.93
<i>Interact between service department &amp; customer well</i>	8.3%	23.3%	68.3%	4.00	0.99
<i>Detect quickly to customers' preferences</i>	13.3%	26.7%	60.0%	3.77	1.03
<i>Often survey end-users to assess quality</i>	10.0%	30.0%	60.0%	3.77	0.96
<i>Detect quickly to industry's fundamental shifts &amp; trends</i>	5.0%	21.7%	73.3%	4.02	0.93
<i>Periodically review the effect of changes in business environment</i>	5.0%	21.7%	73.3%	4.03	0.88

Table 2. Intelligence generation of software companies in Hanoi

Note: Highest mean value is 5

customers' budget does not meet software companies' price of customization.

About the aspect of business environment, 73.3% of the asking respondents agree and strongly agree that their companies periodically review the effect of changes in business environment and detect quickly to industry's fundamental shifts and trends. This means that most of software companies in Hanoi care about their business environment's information. There are meetings, seminars, events... about software industry's issues in Hanoi in recent years, and the incessantly increasing of attendants years by years, most of whom are in board of managers or chiefs of marketing/business department, demonstrate the much more attention for business environment in Hanoi software companies.

**Intelligence dissemination:** The second factor of market orientation, intelligence dissemination, is determined by 6 items as in Table 3. The result reveals that 76.7% of respondents affirm of having interdepartmental meeting about market trends once a quarter in their companies. There are 66.6% of them agree that there has discussion between marketing personnel and other functional departments in the companies about customers' trends. With the mean's values of these two items are in turn equal

to 4.15 and 3.92, we can say that software companies in Hanoi implement relatively well the dissemination about market and customers' trends. Table 3 also shows that 46.7% of respondents agree and 21.7% of them strongly agree that they disseminate customers' satisfaction at all level in their companies. The rates are not very high, just at acceptable ratio.

But the result denotes the fact: Only 53.5% of the total concurs with the statement "Periodically circulate documents about customers". Why do they disseminate customers' trends and satisfaction slightly well, but be very mediocre at circulating documents about customers? This customers' information through the form of documents in software companies in Hanoi take place mainly within each department, this only occurs once a quarter when there has an interdepartmental meeting, and from the opinion of respondents, they think this frequency is not regular enough.

About the side of business environment's information dissemination, 63.3% of respondents assert that all over their companies know important things happen to market in short period, and 66.7% of the whole think that every department in their companies detect quickly to other departments about...

XEM TIẾP Ở SỐ SAU