

# The Level of Acceptance in Adopting the Philosophy of Market Orientation in the Malaysian Public Organizations

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## Abstract

*A major feature of the new public management (NPM) concept is its market-oriented approach. The premise of NPM reform wave is that more market orientation in the public sector will lead to greater cost-efficiency for government, without having negative side effects on other objectives and considerations. It is hypothesized that the presence of those four independent variables will influence public employees to exhibit market-oriented values. Therefore, the objective of this study is to examine the influence of organizational leadership, professional attitudes, entrepreneurial values, and macro-environment context within the parameters of the new public management (NPM). Survey questionnaires were sent out to 248 public officials in four federal government agencies in the capital city of Shah Alam, Selangor, Malaysia. The response rate was 60.5%. The findings indicated that only professional attitudes and macro-environment context are statistically significant while organizational leadership and entrepreneurial values were positively related to market orientation but were statistically insignificant.*

**Keywords:** *market-orientation, new public management, public administration, organizational leadership, professional attitudes, entrepreneurial values*

## INTRODUCTION

There is no doubt that bureaucracy exists in all government departments of the world. Most of the time, the opinions tend to be negative. Wasteful, inefficient, arrogant, irresponsible, impersonal, autocratic, and undemocratic are among the harshest criticisms thrown at bureaucracy. Yet, despite these criticisms, public service plays essential roles in implementing and enforcing government policies. Citizens' lives have been affected by government agencies through a variety of policies in areas such as local government series, taxes, income redistribution, environmental protection, crime prevention, and healthcare management. Yet, public services operate within a legal and financial framework that is very different from the profit-oriented private sector. This means that services cannot be produced on demand but placed within a wider context of societal demand and supply, which must be decided politically. Movement towards means-tested payment has caused anger and dissatisfaction among the public who are not willing to pay extra for government services and thus, expect government to continue to subsidize those services.

Within public services, a combination of factors including economic competition, rising expectations, environmental concerns, and the emphasis on quality improvement has fueled intense debate whether the public sector has to change its orientations from a more selfish and self-protective ethos to one that is more market-oriented, customer-driven, and quality-focused. Because of that, public organizations can no longer enjoy being a passive actor in this rapidly changing era. Every little change that affects the way a private sector is doing business also affects the momentum of public sectors, especially service agencies. Currently, consumers have become a major force in shaping the direction of organizations. As a result, the emphasis on customer satisfaction has become the norm in both the private and public sectors. In fact, citizens have become more and more involved in the decision-making process of many public agencies, especially agencies that are constantly dealing with people. However, in the public sector, increased customer satisfaction does not necessarily lead to increased efficiency through economies of scale, nor does it generate higher income as it does in the private sector (Pfeffer and Coote, 1991). Instead, higher levels of satisfaction may increase demand but result in reduced quality because existing resources are stretched more thinly. Consequently, extra demand on resources has led to a situation where those who are in need and eligible for a service are excluded consciously or inadvertently.

Nevertheless, the demand for better service as well as the financial and procedural constraints put tremendous burden on public agencies to successfully achieve their goals. These are measured through key performance indicators (KPIs) for each government department. Agencies that are not able to achieve preset organizational targets are reprimanded. The worst case scenario would be a demotion or a transfer to a lesser-ranked government agency or even the possibility of a termination.

### **TRADITIONAL BUREAUCRATIC PARADIGMS**

In reality, government is virtually the only sector in society today that has yet to embrace the total philosophy of reinventing and reengineering in this Information Age. Meanwhile, private enterprises have spent the last decade decentralizing authority,

flattening hierarchies, empowering employees, focusing on quality and emphasizing customer satisfaction. In contrast, we can see that government agencies have remained sluggish, bureaucratic, and centralized. In fact, the concept of government that we inherited from the past such as monopolies, preoccupation with rules and regulation and strict hierarchical is still relevant in today's government. Unfortunately, these concepts present greater obstacles for public agencies especially in service delivery organizations to respond to rapidly changing environment in which customers are more knowledgeable and selective with the services they get. In addition, an increased awareness on social, economic, environmental and political uncertainties and priorities affecting every day policy and practice has invited intense debate on how public sector culture needs to be changed to reflect more of a private sector orientation.

Furthermore, bureaucracy has also become a focal point of criticism not only for its excessive power but also for its waste and mismanagement of resources, its obscurity in the decision-making process, and its insulation from political control. Public outcry about inefficiency, red tape, detailed rules and regulations, and impersonalization of treatment are all testimony to the growing distance between the people and their governing institutions (Meier 1993; Mosher 1968 & 1982; Redford 1969; Ripley and Franklin 1991; and Rourke 1992).

There is a general consensus that the mere existence of various institutions of public accountability is not enough; they have to be effective in protecting the interests of the public. This is because the quality of governance is determined not by the objective perceptions of a few experts but by the net impact of government policies on the well beings of citizens (Huther and Shah 1998; Shah 1996). Thus, quality of governance is enhanced by closely matching government services with citizen preferences as well as by moving government closer to the people they are supposed to serve; something that ensures greater accountability of public service. In recent years, there has been proliferation of concern for the consequences of governance and malgovernance (Kaufman, Kraay & Zoido-Lobaton, 1999). For example, a few empirical studies have demonstrated the link between accountability and performance. Wade (1994) finds that

when irrigation officials in India and Korea face more local pressure, they tend to perform better than traditional arrangements that insulate them from political pressure. In addition, Isham, Narayan, and Pritchett (1995) found that aid-financed rural water supply projects performed much better with greater participation of their beneficiaries. Moreover, a wealth of cross-country empirical research strongly reveals that good governance improves government accountability to citizens and enhances quality of public services (Kaufmann 1999). In Malaysia, the complaints are broken down into various categories to depicting public dissatisfaction toward the Federal and State government agencies (Tables 1 and 2).

**Table 1: Number of Complaints against Federal Government Agencies in 2002-2004**

| No | Category                      | 2002 | 2003 | 2004 |
|----|-------------------------------|------|------|------|
| 1  | Delay/no action               | 1139 | 1055 | 892  |
| 2  | Unfair action                 | 392  | 259  | 215  |
| 3  | Lack of facilities            | 100  | 94   | 108  |
| 4  | Defective policies            | 17   | 10   | 22   |
| 5  | Misuse of power and authority | 38   | 54   | 89   |
| 6  | Rude behavior                 | 114  | 99   | 85   |
| 7  | Failure of procedure          | 60   | 48   | 70   |
| 8  | Lack of enforcement           | 200  | 137  | 156  |
| 9  | Unsatisfactory services       | 131  | 112  | 121  |
| 10 | Others                        | 69   | 149  | 99   |
|    | <b>Total</b>                  | 2260 | 2017 | 1857 |

Source: Khalid (2005)

**Table 2: Number of Complaints against State Government Agencies in 2002-2004**

| No | Category                      | 2002 | 2003 | 2004 |
|----|-------------------------------|------|------|------|
| 1  | Delay/no action               | 472  | 555  | 378  |
| 2  | Unfair action                 | 189  | 130  | 122  |
| 3  | Lack of facilities            | 122  | 113  | 80   |
| 4  | Defective policies            | 6    | 3    | 0    |
| 5  | Misuse of power and authority | 10   | 37   | 43   |
| 6  | Rude behavior                 | 17   | 14   | 19   |
| 7  | Failure of procedure          | 33   | 21   | 31   |
| 8  | Lack of enforcement           | 214  | 175  | 178  |
| 9  | Unsatisfactory services       | 85   | 71   | 50   |
| 10 | Others                        | 30   | 42   | 27   |
|    | <b>Total</b>                  | 1178 | 1161 | 928  |

Source: Khalid (2005)

These concerns have certainly renewed concerns in protecting public interests as the effectiveness of a nation's governance over its citizens' interests are reflected in the

proper management and administration of government agencies. The growth of public agencies has forced theorists and practitioners to revisit traditional bureaucratic paradigms such as participation, accountability, responsiveness, and efficiency. Yet, the very nature of public administration poses problems to accommodate these values. For example, bureaucracy has a tendency to rely on expertise and knowledge over accountability and participation (Weber 1968; Mosher 1968). In addition, lack of accountability at the ballot box as well as various civil service regulations that insulate civil servants from political pressure further compound the fear that bureaucratic power comes at the expense of public interest (Krislov and Rosenbloom 1981).

Hence, the traditional public administration that tends to be rigid, rule bound, centralized, insular, self protective, and profoundly antidemocratic has often collided with the contemporary paradigm of bureaucracy that allows citizens greater access to decision making process through which the will of the people may be expressed, which in turn makes officers both responsive and responsible (Lynn, 2001). Thus, a critical question in the field of public administration relates to legitimacy of bureaucratic characteristics within democratic principles. In this regard, Rosenbloom (1993) opines that the legitimacy of bureaucracy occurs when bureaucratic policy-making is subject to popular control. If bureaucracy is isolated from public accountability then there is no way that bureaucracy can be responsive to public interests and desires. As a result, we are faced with the persistent problem of how best to ensure bureaucratic responsiveness and accountability to the public.

### **Market Orientation and Bureaucracy**

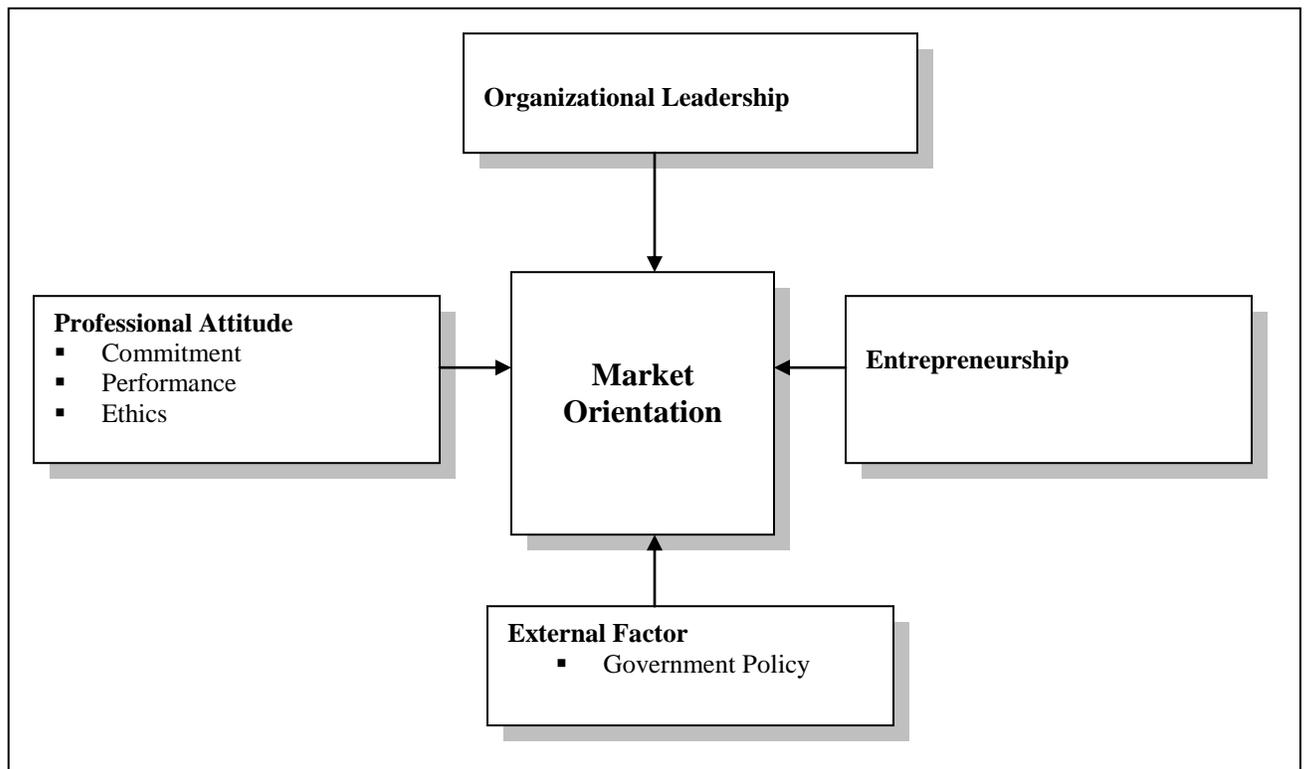
Market orientation is the result of the adoption of marketing concept in government agencies. Narver and Slater (1990) define market orientation as a culture, behavior, decision criteria, and a way to conceive management. Even if the application of market orientation in public organizations may still be considered “peripheral,” there have been numerous works that highlight diverse application of marketing in public administration. Clark and Stewart (1994) discuss several experiences that show the application of certain marketing tools by public organizations as a way of getting closer to the citizen for a

more effective satisfaction of his/her needs. Similarly, Cowel (1989) asserts that the adoption of the marketing concept by public agencies may facilitate the provisions of services suitable to citizens' demands as the application of marketing concept will provide public agencies with suitable instruments in order to reduce criticism from the public as well as improving the relationship between agencies and the public to better satisfy their needs.

### Variables in the Model

Following Kohli and Jaworski's (1990) basic model, the authors has re-conceptualized the market orientation construct and the new model is depicted in Figure 1.

**Figure 1: Theoretical market orientation model**



Kohli and Jaworski (1990) classify market orientation in three groups: personal, organizational, and external factors. Under personal category, several studies consider professional attitudes as important provisions for satisfying public services. Holtham (1992) argues that there is a need for professionals in public organizations be able to face turbulent environment and show commitment to their jobs. Professional attitude consists

of three dimensions: professional commitment, professional improvement, and professional ethics. Thus, it can be derived that public service officers' professionalism has a positive influence on a market orientation.

Secondly, Slater and Narver (1994) point out that organizational leadership is a necessary condition for a transition towards market orientation. Only if top managers express the importance of a commitment towards satisfaction of consumer needs, will the rest of the organization assume that orientation (Jaworski and Kohli, 1993). Therefore, the acceptance of a more receptive philosophy and attitudes towards the public is a key ingredient to the successful implementation of a market orientation in public organizations. Thus, it is expected that an emphasis on market orientation by organizational leaders will influence the organization's market orientation.

In addition, entrepreneurship, conceptualized as an organizational response to increasingly complex environment, has generally been recognized as an important prerequisite for successful transformation of public organizations wanting to be more customer-driven and quality-oriented. For example, Osborne and Gaebler (1992) have posted entrepreneurship as a response to changing environments and the basis for governments to become market oriented. Therefore, there is a need for government to take a more proactive position to fix their policies in light of changing environments as well as to educate the public towards risk acceptance as something inherent in public service provisions (Painter 1993). Thus, it is hypothesized that higher level of government entrepreneurship will influence the organization's market orientation.

Finally, Selnes et al. (1996) analyzed how the macro environment context (government policy) affects market orientation. Slater and Narver (1994) also investigate external factors as moderating variables in the market orientation-performance relationship. McNamara (1972) observed how different types of policies determine the level adoption of the marketing concept in public organizations and concluded that under certain conditions, the implementation of the market orientation was difficult or even impossible

to be achieved. As a consequence, it can be inferred that the adoption of market orientation will be influenced by the features of the environment.

## **METHODOLOGY**

The overarching question (primary objectives) in this study is to explore the extent to which market orientation culture is applied in the public service in Malaysia. Specially, this research will examine:

1. relationship between leadership, professional attitudes, entrepreneurial spirits, and macro environment with market oriented culture
2. level of market-oriented culture among civil servants

### **Research Setting**

The focus of this empirical research conducted in this article is several government agencies located in Shah Alam, Selangor, Malaysia. Since the focal point of the research is the discretionary power of bureaucracy, it is imperative that only higher civil servants were selected. They include officers from managerial and professional groups to top management positions. The selection of higher civil servants also resonates with the argument by Meier and Stewart (1992) who contend that public administrators who are the subjects of the analysis must first have a significant amount of discretion in the decision-making process. Second, the decisions must have important implications to the groups they serve and third, the administrators should be responsible to the decisions they make. Because these assumptions clearly fit the characteristics of higher civil servants, they are appropriately selected in this study.

### **Data Collection**

Two main sources of data collected were : (1) government documents, official records; and (2) survey questionnaires from a sample of Malaysian higher civil servants from Group A (management and professional groups) drawn from State Secretary Office, University Teknologi MARA, Customs and Immigration Department, State Religious Office, and Road and Transport Department.

Two hundred and forty-eight (248) questionnaires were distributed to the randomly sampled respondents at the above government agencies. 150 or 60.6% were returned.

### **Operationalization**

Table 3 displays the variables used in this model. The independent variables examined the adoption of market orientation in public organizations. Ordinary least squares regression is used to estimate the equation.

**Table 3: Operationalization of Dependent and Independent Variables**

|                       |   |
|-----------------------|---|
| Dependent Variables   | Market Orientation<br>Measurement instrument has been valid in several case studies:<br><ol style="list-style-type: none"> <li>1. result oriented</li> <li>2. job oriented</li> <li>3. open system</li> <li>4. loose control</li> <li>5. pragmatic</li> </ol> |
| Independent Variables | Organizational Leadership<br>Professional Attitude<br>Entrepreneurship<br>External Factor   |

### **FINDINGS AND DISCUSSIONS**

Table 4 presents the results of the regression analysis for the dependent variable market orientation against factors that influence the adoption of this philosophy in public organizations. Overall, the variables included in the model account for 24 percent of the variation found in market orientation. Perhaps, most crucial, administrators who have professional attitudes are significantly more likely to adopt market orientation concept in their work (beta=0.24). Second, as hypothesized, environmental surrounding such as government policies determine the acceptance of market orientation concept in public organizations. Specifically, favorable government policies are significantly more likely to influence public administrators to adopt market orientation philosophy in their work (beta=0.18). Finally, although organizational leadership and entrepreneurial values do not attain statistical significance, both variables are positively related to market orientation, suggesting that the adoption of market orientation in public organizations is also influenced by organizational leadership and entrepreneurial values.

**Table 4: Regression Model for Market Orientation**

| <i>Independent variables</i>  | <i>Unstandardized coefficients</i> | <i>Standard error</i> | <i>Standardized coefficient</i> |
|---|------------------------------------|-----------------------|---------------------------------|
| <b>Organizational leadership</b>  | 0.069                              | 0.128                 | 0.054                           |
| <b>Professional attitudes</b>   | 0.312*                             | 0.149                 | 0.240                           |
| <b>Entrepreneurial values</b>   | 0.206                              | 0.163                 | 0.125                           |
| <b>Macroenvironment context</b>   | 0.391*                             | 0.185                 | 0.184                           |
| R <sup>2</sup> = 0.247<br>Adjusted R <sup>2</sup> = 0.227<br>F = 11.916<br>Number of cases = 150<br>* significant at 0.05 |                                    |                       |                                 |

## CONCLUSION

This study was undertaken to determine the importance of the application of market-oriented culture in the public service. This is consistent with the government policy that demands public sector to reengineer its orientation to be more customer-oriented and entrepreneurial-driven. Yet, to change traditional bureaucratic culture that has long been embedded in the culture of Malaysian civil service is not an easy task. That is why this research was aimed at exploring the influence of organizational leadership, professional attitudes, entrepreneurial culture, and macro environment context on market orientation in the Malaysian Civil Service. The data analyzed indicated that only professional attitudes and macro environment context influence significantly, the adoption of market orientation concept in public organizations. Organizational leadership and entrepreneurial culture were statistically insignificant relative to the adoption of market orientation philosophy in governmental organizations. Yet, by exploring the relationship between market orientation and factors that influence the adoption of that concept in public organizations, this study was able to gauge the level of acceptance among public administrators in adopting the philosophy of market orientation in public organizations. It is hoped that future research might explore other variables that could further enhance the adoption of market orientation concept in governmental agencies as envisioned by the present leaders of the country.

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