

**SOCIETAL MARKETING ORIENTATION AND
MARKETING PERFORMANCE: THE MEDIATING
ROLE OF KEY MARKET-BASED CAPABILITIES
AND THE MODERATING EFFECT OF
INSTITUTIONAL CONTEXT**

By

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DEDICATION

To my mother and my late father, who have given me so much, thanks for your faith in me, and teaching me that I should never surrender.

To my wife Tajooj and my kids Tarteel and Mujtaba, who have always motivated me. In reality, this thesis is partly theirs too.

To my brothers and sisters, who have always supported me.

To all those who believe in the richness of learning.

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"رَبِّ أَوْزَعْنِي أَنْ أَشْكُرَ نِعْمَتَكَ الَّتِي أَنْعَمْتَ عَلَيَّ وَعَلَى وَالِدَيَّ وَأَنْ أَعْمَلَ صَالِحًا تَرْضَاهُ وَأَصْلِحْ لِي فِي دَرْجَتِي إِنَّي نُسِبْتُ إِلَيْكَ
وَإِنِّي مِنَ الْمُسْلِمِينَ" الاحقاف:15

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LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ANOVA	Analysis of Variance
DOE	Department of Environment
FMM	Federation of Malaysian Manufacturers
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
IMP3	3 rd Industrial Master Plan
KMO	Kaiser-Meyer-Olkin
MDTCA	Ministry of Domestic Trade and Consumer Affairs
MIDA	Malaysian Industrial Development Authority
MITI	Malaysia International Trade and Industry
MSA	Measure of Sampling Adequacy
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Science
UK	United Kingdom
USA	United State of America
WTO	World Trade Organization
VIF	Variance Inflation Factor

**ORIENTASI PEMASARAN MASYARAKAT DAN PRESTASI PEMASARAN:
PERANAN PENGANTARAAN KEMAMPUAN BERDASARKAN PASARAN
UTAMA DAN KESAN PENYEDERHANAAN KONTEKS INSTITUSI**

ABSTRAK

Isu yang melibatkan masyarakat menjadi semakin penting dalam iklim perniagaan kini. Sebagai respons kepada isu ini, orientasi pemasaran masyarakat digunakan bagi membolehkan pihak firma mendapat manfaat persaingan yang lebih baik. Namun demikian, daripada literatur penyelidikan sedia ada, tidak banyak ukuran serta rangka kerja menjelaskan mekanisme dan kontingensi yang memungkinkan orientasi pemasaran masyarakat boleh membantu firma. Oleh itu, kajian ini bertujuan mencadangkan suatu ukuran orientasi pemasaran masyarakat serta mengkaji tahap orientasi ini dalam kalangan pembuatan yang besar di Malaysia. Berlatarbelakangkan pandangan berasaskan sumber dan teori institusi, kajian ini yakin bahawa orientasi pemasaran masyarakat, prestasi pemasaran dan kemampuan berdasarkan pasaran utama, secara positifnya saling berkaitan. Di samping itu, kajian juga mencadangkan bahawa kemampuan berdasarkan pasaran utama merupakan pengantaraan pemasaran masyarakat bagi prestasi pemasaran dan konteks institusi yang menyederhanakan orientasi pemasaran masyarakat dan perkaitan kemampuan berasaskan pasaran. Bagi menguji hipotesis ini, analisis regresi berhierarki dijalankan bagi data yang diperolehi daripada 133 respons daripada 745 soal selidik yang diedarkan melalui mel kepada pemaklum utama. Dapatan menunjukkan bahawa terdapat empat komponen orientasi pemasaran masyarakat, iaitu keprihatinan pengguna, keprihatinan ekonomi, keprihatinan sosial dan keprihatinan alam sekitar. Keputusan kajian mencadangkan bahawa firma pembuatan yang besar di Malaysia melaksanakan komponen ini dalam tahap yang berbeza. Dapatan juga menyediakan beberapa sokongan empirik bagi rangka kerja teori. Terdapat juga bukti bahawa beberapa komponen orientasi pemasaran masyarakat memainkan peranan penting dalam mempengaruhi prestasi pemasaran dan kemampuan berdasarkan pasaran utama *market-sensing*, perhubungan, reputasi dan kemampuan pemasaran dalaman. Keputusan kajian menunjukkan sokongan yang bercampur bagi kesan daripada empat kemampuan berasaskan pasaran terhadap prestasi pemasaran firma. Kajian ini menunjukkan bahawa terdapat beberapa kemampuan berasaskan pasaran yang lebih efektif sebagai pengantaraan perhubungan di antara empat komponen orientasi pemasaran masyarakat dan tiga dimensi prestasi pemasaran. Kajian ini juga menyediakan bukti untuk menyokong kesan penyederhanaan daripada tiga dimensi konteks institusi tetapi dalam cara yang berbeza. Berdasarkan dapatan kajian, perbincangan terhadap dapatan sedia ada serta teori, implikasi dan batasan amalan kajian juga disediakan.

SIDDIG BALAL IBRAHIM

USM, August, 2011

**SOCIETAL MARKETING ORIENTATION AND MARKETING
PERFORMANCE: THE MEDIATING ROLE OF KEY MARKET-BASED
CAPABILITIES AND THE MODERATING EFFECT OF INSTITUTIONAL
CONTEXT**

ABSTRACT

Societal issues appear to be increasingly important in today's business climate. Response to these issues by adopting societal marketing orientation is expected to enable firms to gain better competitive advantage. However, literature search reveals that there is a lack of research offering valid measurement and a systematic framework that demonstrates the underlying mechanisms and contingencies through which societal marketing orientation can help firms to achieve that end. Using a priori approach the study intended to propose a valid measure of societal marketing orientation and to investigate the extent of this orientation among large manufacturing firms in Malaysia. Drawing on the resource-based view and institutional theory, the study posited that societal marketing orientation, marketing performance and key market-based capabilities are positively interrelated. In addition, the study suggested key market-based capabilities mediate societal marketing on marketing performance and institutional context moderates societal marketing orientation and market-based capabilities relationships. To test the hypotheses, the study performs hierarchical regression analysis on data gathered from 133 useable responses out of the 745 mailed questionnaires distributed to key informants of multiple business units. Findings revealed that there are four components of societal marketing orientation, namely, customer concern, economic concern, social concern and environmental concern. The result suggested that large manufacturing firms in Malaysia implemented these components to a different extent. The findings provided some empirical support for the theoretical framework. The results provided evidence that some components of societal marketing orientation played an important role in influencing marketing performance and key market-based capabilities. The results of the study demonstrate mixed support for the effects of the four market-based capabilities on firm marketing performance. This study demonstrated that there are some of the market-based capabilities were more effective in mediating the relationship between the four components of societal marketing orientation and three dimensions of marketing performance. This study also provided evidence to support the moderating effect of the three dimensions of institutional context but in varying ways. Based on the study's findings, discussions of the existing findings as well as the theoretical, practical implications and limitations, of the study were provided.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

Firms today are forced to respond faster to various societal issues including ecological issues (e.g., global warming, ozone depletion, deforestation and desertification, acid rain, and toxic wastes), customer issues (e.g., changes in the customer's preference, resistance to genetically modified foods, fair price, and increased standard of quality of life), and social issues (e.g., poverty, increase funding for the charities and increase awareness for social causes such as global HIV/AIDS prevention and breast cancer). All these issues require individual firms, particularly those firms engaged in manufacturing processes, to develop an organizational culture that increasingly focuses on societal concern (Stone, Joseph & Blodgett, 2004). Those who successfully respond to these issues and adapt their behavior will be plausible to achieve a better performance and place themselves at a distinct advantage in relation to their competitors (Porter & Kramer, 2006).

Given that societal issues appear to be increasingly important in today's business climate, many academics and practitioners agree that management in such turbulence and accelerating change challenges whether the current marketing concept is an appropriate philosophy or not (Mitchell, Wooliscroft & Higham, 2010; Prothero, 1990). While traditional views of marketing concepts strive to satisfy consumer desires, they still receive much criticism since they fail to address the needs of the society at large (Kang & James, 2007).

Under a growing criticism regarding traditional marketing, many manufacturing firms have begun to search for new marketing approaches that may be more favorably received (Szykman & Lisa, 2004). Many firms respond by producing ecologically safer products, recyclable or biodegradable packaging, better pollution control and more

energy efficient operations (Frankel, 2001). Besides, other companies encourage community initiatives such as philanthropy, cause-related marketing, cause promotion, and sponsorships (Drumwright & Murphy, 2001; Kotler & Lee, 2005). Some firms' embraced social responsibility where part of this strategy is the inclusion of the societal marketing (Drumwright, 1996; Ward & Lewandowska, 2008). This concept defined as the organizations task which tries to identify the needs and interests of the consumers and delivers quality services or products as compared to its competitors and in a way that consumer's and society's well-being is preserved. In other words firms have to balance consumer satisfaction, long term welfare of society and company profits (Kotler, 2000).

With an increasing attention to the role firms play in society, Kotler (2000) predicts that more and more corporations will shift towards a “societal marketing concept” as a means of marketing success. Drucker (1984) claimed that such a shift was due to three motives. First, the society costs for neglecting to do this are very high. Second, if a business, which is a part of society, does not contribute to the care and enhancement of quality of life in the society, it will ultimately affect such a business in an adverse ways. Third, improving consumers and society well-being should create business value.

Although there is various empirical research that supports the business value of corporate social responsibility (e.g., Margolis & Walsh, 2003; Orlitzky, Schmidt & Rynes, 2003), surprisingly little attention has been focused on the measurements and the business value of societal marketing orientation. Moreover, little is known about a systematic framework that demonstrates the underlying mechanisms and contingencies through which a such orientation is connected with marketing performance, especially in Malaysia.

Thus, this study addresses the gaps in the literature by investigating the link between societal marketing orientation, key market-based capabilities, and marketing performance. Societal marketing orientation is expected to contribute to the marketing performance directly and indirectly through the development of market-based capabilities (market-sensing, relationship, reputation, and internal marketing capability), which can be leveraged to yield superior marketing performance (efficiency, effectiveness, and adaptiveness). In addition, the study explores the moderating effect of institutional context (regulations, public scrutiny, and competitive intensity) on the relationships between societal marketing orientation and market-based capabilities.

This introductory chapter presents the background of the study on the global and Malaysian context besides the evolution of marketing management philosophy and the emergence of societal marketing orientation. This is followed by the problem statement, research questions, and objectives. The chapter then highlights the significance and scope of the study. The chapter concludes the definitions of the key terms as well as the organization of the remaining chapters.

1.1 Background of the Study

This section provides the background information regarding societal demand in global as well as Malaysia's context. In addition, it explains the evolution and the importance of societal marketing orientation and discusses the expected role in mitigating these problems and providing advantage and opportunities to manufacturing firms.

1.1.1 Global Demand for Societal Issues

Marketing is a focal and highly noticeable institution in free market societies around the globe. However, side effects of it-noise pollution, customer dissatisfaction, extreme consumption, unhealthy lifestyles-tend to devastate the intended main effect

that is achieving sustained business success (Sheth & Sisodia, 2005). This ultimately leads to an exponential growth of societal concerns and a more radical shift in consumer preferences towards social responsibility (D'Souza et al., 2006).

Many researches were cited as identifying raised environmental awareness, a growing consumer interest in green products, and a pronounced willingness to pay for green features even at higher prices. For example, Maignan and Ferrell (2001) found that 76% of consumers were ready to switch brands or stores that were concerned with the community. New green products, introduced in response to this trend, accounted for more than 13% of all new product introductions in 1991 (Ottman, 1993).

Indeed, consumer surveys report that many people claim to be affected in their purchasing decisions by the social behavior of firms. For example, a study of 25,000 consumers in 23 countries found that 40% had at least thought about punishing a specific company over the past year they regarded as not behaving in a responsible manner (Smith, 2003). Furthermore, the result of Kleanthous and Peck (2004) showed that 19% of UK consumers actually make a purchase because of a company's ethical reputation.

Besides, there is a lack of respect within the corporation and a lack of trust by consumers towards marketing (Sheth & Sisodia, 2005) because of the deceptive marketing practices such as high pressure selling, falsely advertising over estimating a product's feature and using misleading labeling. A study by Yankelovich in 2004 (Smith et al., 2005) found that many consumers moved from simply ignoring marketing to actively resisting and, in some cases, fighting it. In this study, more than 60% of respondents believed that marketing and advertising were disruptive and 70% of them tried to tune out as much marketing and advertising as possible.

A recent study on the image of marketing conducted at Bentley College and Emory University establish that 62% of consumers, who responded to the study, had a

negative attitude towards marketing, 28% were neutral, and only 10% had a positive attitude (Sheth & Sisodia, 2005). This finding is consistent with the Gaski's and Michael (2005) longitudinal study, which indicates that overall consumer attitude is still negative. Hoffman (1999) reported a 5400% increase in environmental cases filed in the courts between 1970 and 1993 in USA. Based on study by Mokhiber (1989), companies kill 28,000 people and seriously injure 130,000 people every year through their selling of unsafe and deficient products.

The global demands for societal issues are expected to increase particularly after attention to the global warming and environmental disasters caused by companies. These, for example, socially negligent production management at the Union Carbide chemical plant in Bhopal, India; marketing of unsafe products such as pharmaceutical products Vioxx and Thalidomide; the inadequacies of corporate governance exposed by the collapse of major companies, banks, and insurance companies in the 2008-2009 global financial crisis (Mitchell et al., 2010). More recent, environmental disasters caused by the British Petroleum at the oil spill of the Mexican gulf. These disasters coupled with an increased standard of living and changing values of consumers; this increased media attention given to societal issues worldwide. Therefore, there is a need for corporate marketing to address societal issues and social responsibility as a means to benefit the consumers, the company, and society. With respect to this, societal marketing orientation is suggested to meet the demand of societal issues as well as firm competitiveness.

1.1.2 Demand for Societal Issues in Malaysia

Societal issues have taken their stronghold in developed countries. However, recent evidence suggests that companies in developing countries are not integrating these issues into their business philosophies very well. Porter and van der Linde (1995) notified that developing countries adhere with resource-wasting methods and

forgo environmental standards because they are costly; this will make such countries stay uncompetitive.

In Asian countries, ethical and socially responsible business policies and practices have often been compared unfavorably with those in the western counterparts though they have been receiving increasing public attention (Ramasamy & Hung, 2004). For example, Welford's (2005) survey found that 62% of companies in Japan and 50% of the surveyed firms in Korea had policies on Corporate Social Responsibility. This was considerably higher than the average for the other Asian countries (Malaysia, Singapore and Hong Kong) in his study. For that, many developing countries in Asian continents are viewed as noncompetitive.

In contrast, the idea that firm societal marketing activities oppose competitiveness is slowly but constantly fading away in the minds of many managers of organizations in developing countries (Ndubisi, 2008). In Malaysia, which is the 9th largest trading nation in the world (MITI, 2010), the awareness of social responsibility appeared to emerge rather slowly (Ramasamy & Hung, 2004). Foreign NGOs have raised issues of interests about soil erosion and air pollution due to the open burning related to the Malaysian oil palm industry (Amran & Zakaria, 2007). In addition, a study of corporate social responsibility practices (Chapple & Moon, 2005) in seven Asian countries showed that Malaysian companies are poor in corporate social responsibility.

Nevertheless, Malaysia has demonstrated an increasing awareness of corporate social responsibility in recent years. Indeed, Malaysia is being recognized as the most active emerging economies in relation to corporate responsibility (Zulkifli & Amran, 2006). Study by Perry and Singh (2001) reported that rising incomes, a significant presence of transnational corporations, and official acceptance of local environmental pressure groups provide indications that voluntary initiatives are poised to play an increasing role in

Malaysia. According to Abdul Hamid and Fadzil (2007), the appearance of the non-governmental organizations and professional body such as the Federation of Malaysia Consumer Associations, Worldwide Fund for Nature Malaysia and Business Ethics Institute of Malaysia has contributed extensively to such awareness. Therefore, the consumers may now utilize the services of these bodies to protect their interest and rights and to seek compensation against immoral and unethical traders and suppliers of goods.

The greater awareness among Malaysian public was confirmed by a recent report issued by the MDTCA (2009) as shown in Table 1.1. The report revealed that the number of claim and seizer value filed by consumers decrease over the years. This indicates that firms become more responding to such a public awareness. However, the cost of complaints increases the costs of doing business and hence can put a firm in a disadvantage position. Not only do the costs of doing business increase, but also firms can never recover the cost of complaints in the short-term due to their negative effect on firm's image and reputation, which require long-term efforts to be recovered (Quazi, 2003).

Table 1.1
Number of Legal Action on the Dealer from Years, 2004-2009

Years	Number of Cases	Seizer value (RM)
2004	15,534	177,597,239.12
2005	16,792	188,058,574.84
2006	15,066	271,919,968.54
2007	11,903	145,262,739.99
2008	10,226	111,362,309.00
2009	4,130	43,854,325.73

Source: Ministry of Domestic Trade and Consumer Affair, 2009

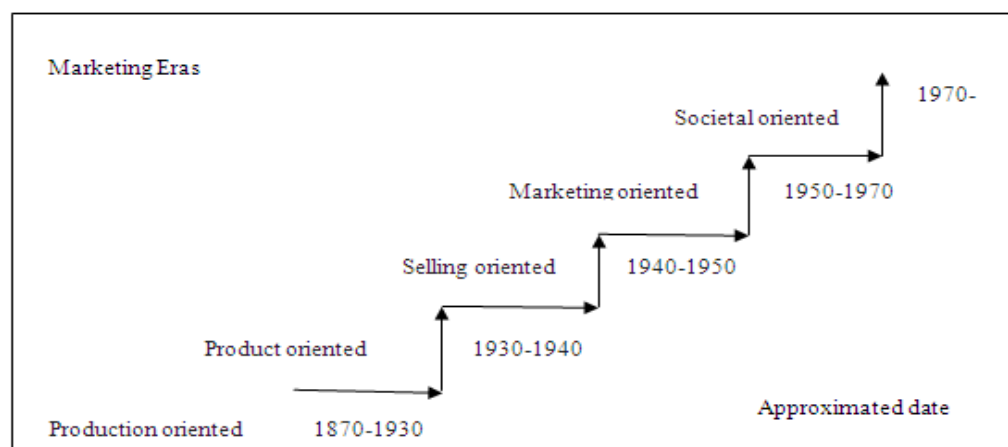
With such a promising progress in social responsibility awareness in Malaysia, it appears that Malaysia manufacturing firms have the particular need to value the societal marketing orientation. This is because societal orientation is still considered to be at its infancy stage in Malaysia (Lu & Castka, 2009). Such a position would support Malaysia's competitive advantage as a clean, green and ethical nation, which is a part of the ultimate aim of Vision 2020 and Third Industrial Master Plan. Besides, Malaysian firms could do

well and develop a source of competitive advantage by initiating the higher levels of societal marketing orientation.

In response to global and local societal demand issues, firms start to adopt social responsibility initiative part of it the implementation of societal marketing concept as a tool to sustain competitive advantage. The development of marketing philosophy and the importance of this concept are given in the next subsection.

1.1.3 The Evolution of Marketing Philosophy and Emergence of Societal Marketing

Many marketing theoreticians concurred that there are five marketing management philosophies under which organizations can conduct their marketing decision (see Figure 1.1). These philosophies are a production orientation, a product orientation, a sales orientation, a market orientation, and the societal marketing orientation (Dawson, 1969; Keith, 1960; Kotler & Keller, 2006; Prothero, 1990). Actually, each philosophy can be used by firms to manage their marketing activities and to create continuing performance improvement (Tosun, Okumus & Fyall, 2008). However, the original principle of the evolution theory is that these philosophies form a hierarchy with later philosophies being greater to those of earlier era (Keith, 1960; Kotler, 1994). The implication is that to move from a lower level philosophy to that on a higher level is not only perceptive, but also a good business.



Source: Adapted from Tosun, et al. (2008, p.129)

Figure 1.1: The Evolution of Marketing Management Philosophies

Production orientation is a marketing strategy, which describes firms producing and marketing a product without adapting it to consumers' needs (Kotler, 1997). This strategy utilizes the price element as a strategic tool for a better performance (Sirgy et al., 2006). The product orientation reflects a product strategic focus and assumes that consumers prefer products with the highest quality and performance (Kotler, 1997). The selling orientation assumes that by targeting customers aggressively through promotion and personal selling techniques, companies can create brand awareness and educate them about the product benefits; this can make a significant difference in marketing performance (Kotler, 1997; Sirgy et al., 2006). On the other hand, the marketing orientation puts much emphasis on existing and potential customers as competitive forces intensifies and consumer affluence reaches new heights (Abratt & Sacks, 1988). According to this orientation, the key to superior performance lies in being more effective than competitors in integrating marketing activities towards the determination and satisfaction of the needs of target markets (Kotler 1997).

The previous four orientations were similar to what Kotler (1972) called the first stage of evaluation of marketing. He grouped them as the marketing concept, which focuses on profit maximizing by recruiting more and more customers to purchase the firm's product. Nevertheless, the traditional marketing concept receives much criticism as it fails to address the needs of society (Bell & Emory, 1971; Laczniak & Murphy, 2006). From ethical and social responsibility perspective, the marketing concept guided by transactional marketing is based on the concept of consumer sovereignty of business ethics (Sirgy & Lee, 2008). Consumer sovereignty assumes that the position of the marketing process is to translate demand into production to satisfy consumer need and want, not to legislate on what demand or production might be (Crane & Desmond, 2002).

More importantly, however, consumer satisfaction is only a first-order understanding of what societal marketing is about (Sirgy & Lee, 2008). While firms strive to satisfy consumer desires, some of them at times have brought unsafe products to the market (Kang & James, 2007). Kotler and Armstrong (2000) suggest that the fast food industry, for instance, offers tasty and convenient food at a reasonable price but consumer and environmental groups are concerned about the impact of the fast food industry on consumer health and the environment. A lack of concern for consumers' long-term interests is further illustrated by the Toyota Company that have made new models of cars that have been later recalled due to defected problems linked with serious accidents and deaths (Stewart, 2010). Excessive waste resulting from throw-away convenience packaging, and health problems due to the consumption of harmful tobacco and alcohol products (Lantos, 2001) are also among the most obvious examples.

These examples illustrate that supplying to consumers' immediate desires does not necessarily serve their long-term interests. Such marketing practices often reflect an organization's desire to satisfy short-term or immediate consumer wants and are based on their marketing decisions largely on short-run company profit. Then, one way to enhance socially responsible marketing is to show marketers how they can develop marketing objectives based on a societal marketing concept (Sirgy & Lee, 1996). This will be only happening when marketers consider the impact of their decisions on the well-being of consumers and other stakeholders and when they develop and implement marketing strategies in socially responsible ways (Lantos, 2001).

Starting from the early 70s, the stage of evolution in marketing philosophies, that Kotler (1971) terms the societal marketing concept, emerged as a response to the critics of the marketing concept (Elliott, 1990; Kang & James, 2007). This perspective

questions whether the pure marketing concept is adequate in an age of environmental problems, resource shortages, rapid population growth, and worldwide economic stress (Tosun et al., 2008). It has been suggested that firms should be aware of their wider social responsibilities in addition to their profit and customer-satisfaction goals (Kotler, Bowen & Makens, 2006).

Kotler (2000) argues that the societal marketing concept embodies a higher and more enlightened plan for marketing thought and practice and suggests that this new concept represents an attempt to harmonize the goals of business to the occasionally conflicting goals of society. As a result, Kotler and Levy (1971) suggest that marketing concept has to be revised not because the basic aim of business has changed, but because the environment in which it is pursuing its aims has changed. They added that unless businesses adapt to these changes, their very future is at risk. Therefore, the rationale for the development of the concept is not only to preserve marketing's future freedom of action, but also to protect the survival of business itself in the increasingly troubled social environment (Dawson, 1969; Kotler, 1972). Accordingly, Kotler (2000) defined societal marketing orientation as the extent to which a firm understands customer needs and wants in a way that enhances customers and society well-being. The major difference between this concept and traditional marketing concept are exposed in Table 1.2 below.

Table 1.2
Major difference between Traditional Marketing and Societal Marketing Concept

Traditional Marketing Concept	Societal Marketing Concept
The responsibilities of company lie with customer and stockholder.	More holistic responsibilities with the stockholders, society and natural environment.
The exchange can be viewed strictly in terms of dyadic, economic transactions.	The scope of exchange should be broader, in terms of generic and expanded relationships.
Viewed business contingencies from the traditional micro perspective of profit making.	Viewed business contingencies from a macro perspective, that is, the emphasis focused on society's well-being.
Win, win situation where only consumers, and business are able to achieve their objectives.	Win, win, win situation where consumers, society and business are all able to achieve their objectives.

Source: Summarized from Sirgy et al. (2006)

Many firms have come to believe that there are benefits to be made from societal marketing behavior (will be further explained in chapter 2). At the most immediate level, it is often claimed that being a societal marketer can bring cost savings and consequently, marketing efficiency. Beyond marketing efficiency, there is a potential market for new products and encourage marketing effectiveness. In addition, the adoption of societal marketing orientation provides firms with an opportunity to develop unique capabilities that make them not only gain a competitive advantage, but also sustain this advantage over a long period of time.

Therefore, societal marketing orientation is vital for easing global and local issues in addition to providing a competitive advantage to manufacturing firms and developing new market-based capabilities. The importance and value of societal marketing orientation motivated the researcher to carry out this study to investigate more on this topic and illuminate it as a promising area of study and practice.

1.2 Statement of the Problem

The marketing literature presents societal marketing as the next development in marketing and the effective marketing tool to compete and sustain competitive advantage in the present hyper competitive fast changing environment (Maignan & Ferrell, 2001; Liechtenstein et al., 2004; Kotler 2000; Porter & Kramer 2002). However, in practice, this concept is of least interest to marketers. A survey of 607 marketing executives showed ‘marketing basics’ (customer satisfaction, customer retention, segmentation, brand loyalty and return on investment) was the concept of the greatest interest to marketers in 2008. At the last of the list, apart from the miscellaneous ‘other’ section was social issues (Marketing Trends Survey, 2007). The main reasons for this low level of interest to societal marketing because it may require substantial changes in the operations of a business and may not yield immediate profits (Abratt & Sacks, 1988; Cleveland, 2005), need resources, expertise and

capabilities that not available to the firm (Porter & Kremer, 2006). This concept also involves risk if there is perceived gaps between practices and realities (Vardadarajan & Menon, 1988). As a result for those obstacles, opponents of societal marketing and related constructs (e.g., Friedman, 1970; Gaski, 1985) claim that social objectives are the dominion of public policy makers, and marketers neither be relied upon to decide societal 'good' nor are they likely to have the abilities to do so.

Given these barriers, questions arise about the types of activities that need to be evaluated and addressed in order to successfully implement the societal marketing concept, as well as process, and contingencies through which this concept creates a sustainable competitive advantage in the marketplace.

In-depth search in the available literature shows that there is a lack of studies on the societal marketing in terms of theoretical models, concepts, and testable propositions (Chattananon et al., 2007; Dos Santos, 2009; Kang & James, 2007; Ward & Lewandowska, 2008). While this shows a lack in the academic research, other social and moral concepts appear to have achieved greater impact in the academic communities. For instance, there is a developing literature on green marketing (Mitchell et al., 2010; Ottman, Stafford & Hartman, 2006), cause-related marketing and charitable donation (Berglinda & Nakata, 2005; Chattananon et al., 2007; Lev, Petrovits & Radhakrishnan, 2010; Sue, 1999; Szykman & Lisa, 2004; Varadarajan & Menon, 1988), and ethical marketing (e.g., Crane & Desmond, 2002; Laczniak & Murphy, 2006) among others. This shows the wide array of corporate marketing practices that aimed at achieving both a positive social and economic impact. However, most previous studies were conducted in the developed market economies of the UK or the USA. Therefore, this study attempts to shed some light on societal marketing orientation and possible benefits for Malaysian large manufacturing firms.

In Malaysia, there is a lack of empirical studies that explore even the mere existence of societal marketing orientation in the country. Except for Ndubisi and Chukwunonso (2005) study, no other study that empirically examined the commitment of Malaysian firms towards societal marketing was found. Their study investigated the adoption of landscaping as indicators for societal marketing orientation and operationalized it as a dichotomous either-or construct. Landscaping adoption reflects only one part of organization commitment toward natural environment and can not cover all societal marketing orientation construct (customer and social concern). Besides, it appeared more appropriate to view a societal marketing orientation of a firm as multi-facet construct and one of the degrees, on a continuum, rather than either adopt or not adopt since firms differ in the extent to which they adopt it (Kohli & Jaworski, 1990). Therefore, it is difficult to draw valid and reliable conclusions about the reality of societal marketing orientation in Malaysia from this study.

Due to the lack of the literature on societal marketing, relatively little systematic efforts have been dedicated to validate a measure of societal marketing orientation. Though some studies addressed the measurement concerns (see, Peterson, 1989; Shoham, 1999; 2000; Ward & Lewandowska, 2005), the primary focus of these studies was not the measure validation. Thus, the measures were used in these studies neither based on theory nor developed based on systematical procedures for scale development (e.g., Churchill, 1979; Deng & Dart, 1994; Sørensen & Slater, 2008). A study conducted by Ward and Lewandowska (2006) attempted to develop societal marketing orientation scale. Although it was the first study that validated a measure of societal marketing orientation, it did not give a clear conceptualization to the concept. However, a particular conceptualization serves as the referent for the development of operational measures (Venkatraman, 1989). As result, their study has mainly

addressed certain aspects of societal marketing orientation such as social concern, which does not represent the full spectrum of constructs and provide only a limited picture of societal marketing orientation. Moreover, the methodological problems, which emerged in low response rate, and the nature of the sample were service organizations and most of them were small and medium size (SMEs) companies. In fact, service organization and SMEs are a lower tendency to implement widespread societal orientation (Benett, 2011). In such a situation, confidence in research results was considerably eroded (Venkatraman & Grant, 1986), which implied that the practical implications derived from such results may be doubtful.

Besides the study conducted by Ward and Lewandowska (2006), a study by Kang and James (2007) was the first study, which tried systematically to conceptualize the concept of a societal orientation. This study suggested five domains for the concept construct. These domains are physical consequence, psychological well-being, social relationships, economic contribution, and environmental consciousness. To validate these domains, the study used interviews with three managers of public service (not profit organizations). While their study is clearly the most comprehensive to date for conceptualizing societal orientation, it is very difficult to generalize to all types of organizations and products. Moreover, the existing ostensible tools to measure a societal marketing orientation are conceptually and psychometrically limited (Blaikie, 2000).

Given these mentioned criticisms in the previous literature that has been attempted to validate societal marketing orientation scale, as a result, business practitioners seeking to implement a societal marketing concept have had no specific guidance regarding exactly what a societal marketing orientation is. Therefore, this study attempts to validate measures of the societal marketing orientation among Malaysian large manufacturing firms.

In addition to validating measures of the societal marketing orientation, this study investigates the marketing performance of societal marketing orientation. The existing empirical work concentrates mainly on the societal marketing and related constructs as independent variables and overall performance or financial performance as a dependent variable. The results of these studies still remain mixed. Some studies showed a positive relationship (De Madariaga & Valor, 2007; Graves & Waddock, 1994; Nakao et al., 2007; Ward & Lewandowska, 2006), others did not report any significant relationship (Aupperle et al., 1985; Davidson & Worrell, 1990; McGuire et al., 1988; Shoham, 2000) while other studies reported a negative relationship (Jaggi & Freedman's, 1992; Shoham, 1999). Three recent meta-analyses, however, provided some evidence of a positive relationship (Margolis & Walsh, 2003; Orlitzky et al., 2003; Wu, 2006). As the result, in the aggregate, the overall and financial outcomes of social responsibility, in general or societal marketing orientation in particular, remain inconclusive.

Part of the reasons for the inconclusive findings may lie in measuring performance of social issues by financial indicators or overall performance (Simpson & Kohers, 2002). While financial indicators reflect the short-run objectives, the central theme of societal marketing orientation objectives is a long-term one since it includes activities related to customer and society well-being (Windsor, 2001). On the other hand, firm's overall performance is a highly aggregated dependent variable (Ray, Barney & Muhanna, 2004). Therefore, this research focuses on marketing performance rather than financial and overall performance since little is known about the marketing performance drivers of a firm's societal marketing activities.

In addition, despite the call for researchers to specify and explore relationships involving different dimensions of marketing performance in empirical research (Clark 2000; Day & Wensley 1988; Slater 1995; Vorhies & Morgan, 2003), previous studies

have mostly ignored the existence of multiple marketing performance measures (Abela & Murphy, 2008). Thus, this research will investigate the relationships between societal marketing orientation and marketing performance using multi-dimensional marketing performance indicators (efficiency, effectiveness, and adaptiveness).

Besides exploring the relationships between societal marketing orientation and marketing performance, this study investigates the relationships between societal marketing orientation and four key market-based capabilities namely; market-sensing, relationship, reputation, and internal marketing capability. Indeed, such capabilities are more likely to be a source of competitive advantage (Armstrong & Shimizu, 2007; Dierickx & Cool, 1989; Ray, Barney & Muhanna, 2004; Surroca et al., 2010). Previous literatures gave anecdotal evidence that firms will gain market-driven benefits and competitive advantages when they integrate their business policies with social responsibility (e.g., Dos Santos, 2009; Miles & Covin, 2000; Ogrizek, 2002). Currently, there is a view among some scholars that societal marketing can be another way for a company and its products to be able to distinguish itself from its competitors (Brown & Dacin, 1997; Hoeffler & Keller, 2002; Porter & Kramer, 2006; Vagasi, 2004). In contrast, there is a limited of study that explicitly addresses the market-based capabilities that are related to the societal marketing orientation.

In addition to investigating the relationships between societal marketing orientation and market-based capabilities, this study explores the relationships between market-based capabilities and marketing performance. Such relationships are rare and the exposition is largely conceptual (e.g., Rose et al., 2009; Srivasava et al., 1999). There is a recognition that some types of market-based capabilities contribute to a firm's financial performance (Day 1994; Ramaswami & Srivastava, & Bhargava, 2009) and overall performance (Carmeli & Tishler, 2004; Gonzalez-Padron, Hult &

Calantone, 2008; Hooley et al., 2005; Srivasava et al., 2005; Olavarrieta & Friedmann, 2008). In addition, some theoretical studies reported that capabilities can turn into core rigidities and might even have a negative influence on some aspects of firm performance (Atuahene-Gima 2005; Haas & Hansen, 2005; Leonard-Barton, 1992). Therefore, there is less emphasis on marketing performance domains, which can be realized from the four key market-based capabilities.

In addition to investigating relationships between key market-based capabilities and marketing performance, the inconclusive nature of the findings between social responsibility and firm performance to date indicates that the relationship may be more complex than a direct causal relationship (Grow et al., 2005; Margolis & Walsh, 2003). Meaning that, they are missing elements in this relationship. Looking for missing elements requires theoretical models to identify variables that are determinants of performance (Surroca, Tribo & Waddock, 2010). In this context, resource-based view suggested market-based capabilities as possible intervening steps between strategic resources and performance (Barney, 2001a, b; Ketchen et al., 2007). In fact, conceptual models (Miles & Covin, 2000; Nevill et al., 2005) and empirical studies (Carter, 2005; Surroca et al. 2010) suggest examining the intermediary role of some assets like reputation and learning in linking social responsibility activities to firm overall performance. Researchers do not take in to account the role of market-based capabilities in mediating the relationship between societal marketing orientation and firm marketing performance.

Besides investigating the mediating effect of market-based capabilities on the relationships between societal marketing orientation and marketing performance, this study investigates the moderating effect of institutional context (regulations, public scrutiny, and competitive intensity) on the relationships between societal marketing orientation and market-based capabilities. In the strategic marketing literature, there is

some empirical evidence that the environment moderates broad business strategies (Greenley & Foxall, 1998; Slater & Narver, 1994a; Ward & Lewandowska, 2005). There is a new approach that attempted to examine the influence of traditional contingency factors such as uncertainty and complexity on the deployment of market-based capabilities (Griffith et al., 2010; Rueda-Manzanares, Aragón-Correa & Sharma, 2008). Despite calls for further research in the social responsibility and marketing strategy literatures to include not only traditional contingency factors, but also institutional determinants (e.g., Goll & Rasheed, 2004; Menguc et al., 2010), however, there is an absence of past research that examined the moderating effect of institutional context on the societal marketing orientation and market-based capabilities relationships.

The study of the institutional context is important given that the Malaysian firms have experienced increasing pressures from a variety of institutional players including market, governmental, and competitive sources regarding corporate social responsibility (Omran & Sofri, 2007; Ndubisi, 2008). The role of institutional context certainly deserves more attention because unlike in Western countries, in emerging economy such as Malaysia, the institutional factors represent the rules of the game continue to evolve (Li et al., 2008; Peng, 2010). While the institutional theory has been identified for its potential value in strategic and marketing research (Homburg, Workman & Krohmer, 1999; Menguc et al., 2010), little is known empirically investigating their effect on societal marketing orientation, market-based capabilities-relationship.

Specifically, the main problem of the research can be stated as follows: “What are valid measurements and extent of societal marketing orientation among the large manufacturing firms in Malaysia? What is the relationship between societal marketing orientation, market-based capabilities, marketing performance? Do market-based

capabilities mediate the relationship between societal marketing orientation and marketing performance? And does institutional context moderate the relationship between societal marketing orientation and market based capabilities?”

1.3 Research Questions

Based on the underlying problem presented above, the study attempts to answer the following research questions

1. What are the valid measurements of societal marketing orientation and extent of this orientation among large manufacturing firms in Malaysia?
2. What is the relationship between societal marketing orientation and marketing performance?
3. What is the relationship between societal marketing orientation and market-based capabilities?
4. What is the relationship between market-based capabilities and marketing performance?
5. Does market-based capabilities mediate the relationship between societal marketing orientation and marketing performance?
6. Does institutional context moderate the relationship between societal marketing orientation and market based capabilities?

1.4 Research Objectives

Answering the research questions, the study seeks to achieve the following objectives:

1. To validate a measure scale of societal marketing orientation and to investigate the extent of this orientation among Malaysian large manufacturing firms.
2. To examine the relationship between societal marketing orientation and marketing performance.

3. To investigate the impact of societal marketing orientation on the market-based capabilities.
4. To investigate the relationship between market-based capabilities and marketing performance.
5. To examine whether market-based capabilities mediate the relationship between societal marketing and marketing performance.
6. To determine the potential moderating effects of institutional context in societal marketing and market-based capabilities relationships.

1.5 The Scope of the Study

This study focuses on the Malaysian large manufacturing firms from various industries registered with the Federation of Malaysian Manufactures (FMM). The choice of the large manufacturing firm as a setting for this research was considered particularly appropriate for four reasons. First, this sector has a major impact on the Malaysian economy. The manufacturing sector is the second largest sector after the services sector in terms of its contribution to total GDP. This sector accounts nearly 26.8% of the national gross domestic products while the exports of manufactured products account for 74.5% of Malaysian's total export in 2009. This sector also contributed to a total employment with 28.4% in 2009 (MIDA, 2009). Based on the Third Malaysian Industrial Master Plan which covers the period from 2006-2020, the manufacturing sector will continue as an important sector.

Second, a specific examination of the manufacturing sector is also important because most manufacturing large firms in Malaysia are multinational firms (FMM, 2008). These firms are more active in caring for the societal issues (Brammer & Pavelin, 2004; Rueda-Manzanares et al., 2008; Sirgy & Lee, 2008) because they are more visible in society (for example, PETRONAS and Sime Darby). Actually, SMEs and service industry assume that the negative impact resulting from their activities are

minimal (Fijtar, 2011), thus less tends to implement societal marketing. Third, large manufacturing firms are more likely to possess the necessary resources (Orlitzky et al., 2003; Waddock & Graves, 1997; Wu, 2006), a longer time-horizon (Segelod, 2000), and higher levels of overall performance (Tosun et al., 2008) than other firms in their industry. Finally, since this study aims to link between market-based capabilities and marketing performance, Day (1994) mentioned that this relationship may be stronger for studies that use samples of large firms in comparison to those using samples of small firms.

1.6 Significance of the Study

This research has a potential to make significant theoretical and practical contributions. The following two sub-sections present some of the possible contribution expected out of the current research endeavor.

1.6.1 Theoretical Contributions:

The theoretical contribution of this study can be considered in terms of the following areas of knowledge:

1. The study will be among the first studies that validate scale measurement for societal marketing orientation. Given that relatively little systematic efforts have been dedicated to valid measure of societal marketing orientation, this study will add to the existing dearth literature in societal marketing orientation. This give new theoretical insight into how societal marketing orientation is generated, thus stimulate more studies on this area.
2. The study will identify the extent of societal marketing orientation in the large manufacturing firms. Given that there is a lack of empirical studies that explore even the existence of societal marketing orientation, particularly in Malaysia, and generally in the developing country, the study can add considerable knowledge in this area and provide a base for future research about the issue.

3. The study will examine the relationship between societal marketing orientation and marketing performance. Given that the contribution of societal marketing orientation to the creation of superior marketing performance remains largely untested, this study can add to the knowledge about how attention to the long-term well-being of customer and society contribute to market valuation. In addition, the study adopted multidimensional marketing performance to evaluate societal marketing orientation thus, can contribute to the body of knowledge by solving part of the reasons for the contradictory findings in previous studies that have investigated the direct relationship between societal marketing orientation and firm's overall or financial performance. This knowledge can also contribute to the resource-based view literature by showing the importance of resources to create value to the firm.
4. The study will investigate the relationship between societal marketing orientation and the market-based capabilities. This can contribute to a better understanding of the determinants of the market-based capabilities. This study further will add to resource-based view by specifying which of resources are more influential in developing market-based capabilities.
5. The study will investigate the relationship between market-based capabilities and marketing performance. This will contribute to the knowledge about the value and importance of each type of market-based capabilities to firm marketing performance. This knowledge can also enrich resource-based view approach regarding intangible resources as determinants of firm's success.
6. The study will examine mediating effect of market-based capabilities on the relationship between societal marketing and marketing performance. This will contribute to the resource-based view about articulate processes by which internal and market-based resources converted into competitive advantages. In addition to

that, an empirical test of this mediating relationship might, at least, provide a partial explanation for the past conflicting findings of studies that have investigated the direct relationship between corporate social responsibility and firm performance in general and societal marketing orientation in particular.

7. The study will clarify the institutional context in which the societal marketing orientation does result in market-based capabilities. This can contribute to knowledge about how resources and capabilities are developed inside the firm in interaction with external institutional influences. Such knowledge can further enrich the resource-based view theory by giving it certain institutional approach and the institutional theory by specifying which of the institutional isomorphisms are influential in the effect the linkage between the resource and market-based capabilities.

1.6.2 Practical Contributions:

Several practical contributions are expected to emerge from the current research. These practical contributions are as follows:

1. This study will attempt to validate measurement scale for societal marketing orientation among Malaysian large manufacturing firms. Therefore, validating such a parsimonious instrument can help managers of large manufacturing firms to better understand the societal marketing orientation. It will also help them learn how to operate with such an orientation as well as assist managers to pinpoint areas of weakness and enable them to take corrective action.
2. This study will attempt to provide an operational framework for the relationship of societal marketing orientation, market-based capabilities, marketing performance, and moderating effects of institutional context in manufacturing large firm's works in developing countries in general and in Malaysia, in particular. This framework can serve as a practical guide for marketing managers by enhancing their