

UNIVERSITI TEKNOLOGI MARA

**CUSTOMER ORIENTATION,
CHANNEL MEMBER
RELATIONSHIP AND COMPANY
PERFORMANCE: THE MEDIATING
EFFECT OF CONTRACTOR-
SUPPLIER COMMITMENT IN THE
CONSTRUCTION INDUSTRY**

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ABSTRACT

Construction is a major industry throughout the world which is not only related to its size but also to its role in economic growth. The domestic construction industry (CI) currently contributes 4% to the Malaysian GDP and is expected to contribute up to 5.5% in 2020. The CI's contribution to the nation-building is significant, but it is still typically managed along traditional lines, fragmented, with an unfavourable issue which is how to implement customer orientation within the complex network of the supply chain where the role of channel member relationship and channel member commitment towards company performance are still vague. This study deliberates on the above issue within the construction company and its main building materials suppliers to allow for greater understanding in the field of supply chain management (SCM). Drawing upon two theories namely Resource-Based View (RBV) and Commitment Trust, it analysed the relationship of the four critical constructs; Customer Orientation, Channel Member Relationship, Contractor-Supplier Commitment and Company Performance. This study investigated these relationships in a more coherent and integrated approach from the construction industry supply chain. Thus, the main objective of the study to establish an association between these constructs and their dimensions and to examine the mediating role of Contractor-Supplier Commitment on this linkage. The quantitative method was used to test the relationship between the four constructs. The analysis was conducted using Partial Least Square (PLS) technique. The data was collected from 235 of G7 contractors and their building materials suppliers in the construction industry in Malaysia. The findings revealed that Customer Orientation and Channel Member Relationship have positive effects on Company Performance and Contractor-Supplier Commitment mediates the relationship between Customer Orientation, Channel Member Relationship and Company Performance. These findings were consistent with 'best practices' which emphasised on SCM. However, interestingly, Trust and Co-operation which are the dimensions of Channel Member Relationship were found not significant. This outcome indicates that the industry players do not put trust and co-operation as vital in their relationship. Future studies should explore more on this to gain better insights which could add another body of knowledge in the construction industry and further propel the Malaysian CI contribution to GDP.

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CHAPTER ONE

INTRODUCTION

1.1 Overview

One of the construction industry's uniqueness and major challenge is in managing a network of independent business partners to ensure that projects are delivered as promised. In short, customer orientation, channel member relationship and contractor-supplier commitment are vital ingredients towards long term survival. This introductory chapter highlights on the area and the purpose of this study. It will introduce, justifies and points the effort of this study. It begins with the background of the study, problem statement, research objectives, research questions, scope and significance of the study along with potential contributions of the research towards the present body of knowledge and to the practitioners. The organisation of the entire report is presented in the end of the chapter.

1.2 Background of the Study

Customer orientation, one of the features in market orientation, has its root from the marketing concept (Kohli & Jaworski, 1990; Narver & Slater, 1990; Tomaskova & Kanovska, 2016; Taghipourian & Bakhsh, 2017). So important is this feature, that it has been considered the fundamental component of marketing for decades (Brockman, Jones, & Becherer, 2012), with customer orientation serving as the foundation for the marketing concept and market orientation (Hajjat, 2002; Jeong & Hong, 2007; Nouicer & Abdallah, 2017).

A company is uniquely positioned to shine due to the closeness between the management and the customer (Ramayah, Samat, & Lo, 2011; Shariff, Ahmad & Hafeez, 2017). Thus, customer orientation is a valuable resource or capability for a company to distinguish themselves from other companies (Wernerfelt, 1984; Barney, 1991; Talaja, 2012; Nason & Wiklund, 2018).

Despite its importance in marketing, there has been relatively little empirical consideration of customer orientation and its influence on company performance (Hajjat, 2002; Jeong & Hong, 2007; Jiménez-Guerrero, Pérez-Mesa, de Burgos-