



Journal of Innovation & Knowledge

www.elsevier.es/jik



Practical paper

Exploring market orientation, innovation, and financial performance in agricultural value chains in emerging economies

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ARTICLE INFO

Article history:

Received 13 February 2017

Accepted 30 March 2017

Available online xxx

JEL classification:

M3

Q1

P3

Keywords:

Beef cattle

Market orientation

Innovation

Performance

Emerging economy

ABSTRACT

This study explored the usefulness of market orientation in an agricultural value chain in an emerging economy: Vietnam. Drawing on data from 190 actors in a beef cattle value chain in Vietnam's Central Highlands, the study examined the relationship between market orientation and innovation. The findings indicate that there is no significant relationship between market orientation and performance. However, customer orientation and inter-functional coordination are positively related to innovation, and there is a positive relationship between innovation and financial performance. The findings provide insight into the relationships among market orientation, innovation, and performance in agricultural value chains in emerging economies.

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<http://dx.doi.org/10.1016/j.jik.2017.03.008>

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Explorar la orientación de mercado, la innovación y el comportamiento financiero de una cadena de valor agrícola en una economía emergente

R E S U M E N

Palabras clave:

Ganado bovino
Orientación de mercado
Innovación
Comportamiento
País emergente

Este estudio explora la utilidad de la orientación de mercado en las cadenas de valor agrícola en el contexto de una economía emergente, Vietnam. Utilizando datos de 190 actores en una cadena de valor de ganado bovino para carne en el Altiplano Central de Vietnam los autores analizan la relación entre orientación de mercado e innovación. Los resultados indican que no existe ninguna relación significativa entre la orientación de mercado y el rendimiento. Sin embargo, la orientación del cliente y la coordinación entre funciones están positivamente relacionadas con la innovación y existe una relación positiva entre la innovación y el comportamiento financiero de la cadena. Los resultados contribuyen a entender la relación entre el MO, la innovación y el comportamiento en un contexto de mercado emergente y cadena de valor agrícola.

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Introduction

Market orientation (MO) is the degree to which an organization applies the marketing concept in their strategic and tactical marketing decisions (Jaworski & Kohli, 1993, 1996; Kohli & Jaworski, 1990). MO has been found to be an antecedent in the creation of superior customer value, increasing competitive capacity, and enhancing financial performance (Kohli & Jaworski, 1990; Narver & Slater, 1990). While MO has typically been explored at the customer–marketer dyad unit of analysis; there has been increasing interest in exploring the efficacy of MO at the value chain level of analysis (Baker, Simpson, & Siguaw, 1999; Grunert et al., 2002; Langerak, 2001; Siguaw, Simpson, & Baker, 1998).

MO as a unifying business philosophy within a value chain suggests that actors in every segment of the value chain focus on serving the ultimate customers' needs and strategically coordinate with all other chain members to create a superior value proposition in a vertically coordinated marketing system (Baker et al., 1999). In a value chain, the degree of MO of each actor is influenced by the other actors, and the competitiveness of the whole chain is influenced by the coordination of chain actors in generating, sharing and disseminating market intelligence throughout the chain (Fig. 1).

Since 1986 Vietnam has experienced dramatic changes in socio-economic development which are based on market-oriented policy reform (Kien & Heo, 2008). While globally the livestock sector generally and beef cattle production particularly has become more efficient and effective through innovations in breeding stock, animal health, and technology these innovations have not yet been widely adopted throughout Vietnam (Ayele, Duncan, Larbi, & Khanh, 2012). Likewise, the linkages between a value chain's market orientation, innovation, and financial performance have not been explored in emerging economies such as Vietnam. The purpose of this paper is to examine these interrelationships between MO, innovation, and financial performance within beef cattle agricultural value chains in the context of an emerging economy, Vietnam.

This study is motivated by two issues. First, the topics of MO, innovation, and performance in agriculture value chains are critically important to small cattle farmers attempting to increase their incomes in emerging economies such as Vietnam. Since the liberalization of Vietnamese economy agriculture has become much more market-orientated, with an increasing focus on efficiency, effectiveness, and economies of scale, resulting in smallholder cattle farmers directly competing with lower priced, high quality beef imports from Australia. Second, cooperation and coordination are becoming more important in agricultural value chains (Royer & Rogers, 1998). This trend requires both the dissemination of market intelligence through the chain and coordination of strategy among the chain actors to be responsive to customer's needs. The cooperation and coordination of Vietnamese smallholder cattle value chains are low due to a lack of communication between chain segments. The challenge for an emerging economy such as Vietnam's is to engage their small farm producers in the emerging modern retail economy thus avoiding locking them into subsistence production and poverty (Reardon, Barrett, Berdegue, & Swinnen, 2009). While the linkages between MO, innovation, and performance has begun to be explored in beef value chain actors in developed nations (Micheels & Gow, 2008, 2011, 2012) there is a gap in research on the MO, innovation and performance relationships in agricultural value chains within an emerging market context.

Literature review

The relationship between MO, innovation, and financial performance has been addressed by substantial research; however, to fix the context of agricultural production, the study applied framework produced by Johnson, Dibrell, and Hansen (2009) and Micheels and Gow (2008, p. 4). The framework was constructed by three sub-constructs: MO, innovation, and financial performance.

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