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# THE ADOPTION OF MARKET ORIENTATION IN HIGHER EDUCATION INSTITUTIONS: APPROACHES, ANTECEDENTS AND CONSEQUENCES

Theoretical  
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## Abstract

*During the last few years, the entire business environment has changed, being characterized by volatility and discontinuities. Change has become so intense that companies have lost, on a large extent, their visibility and the strategic planning capacity. In order to operate in such a dynamic environment, companies should be flexible in the strategical, organizational and operational points of view. The higher education institutions are not an exception. Universities have to cope with this change. In this context, the adoption of market orientation approach and principles, which is a business's concept and practice, may lead to a sustainable development and a higher adaptation capacity to change. Thus, the purpose of this study is to emphasise the approach of market orientation concept in the particular context of higher education institutions and to display some general factors that can intensify or inhibit the market orientation adoption, labelled as antecedents, but also the consequences of market orientation implementation.*

## 1. INTRODUCTION

Nowadays we are living in a transition period towards a new era characterized by radical changes, global competition, fast flow of information and instant communication. Thus, the complexity of business environment has increased rapidly under the acceleration of the globalization process. The change has become so intense that the need of new business models is obvious. These new models will be characterized by innovation and will be derived by a market with fast evolving preferences and behaviours. The highlighted shifts affect all the aspects of today's life, all national markets, all industries, the profit, but also non-profit sectors. In order to operate in such a dynamic environment, companies and non-profit organizations should be flexible in terms of strategical, organizational and operational point of view. The higher education institutions are not an exception and the universities have to cope with this change. According to Pavi i et. al. (2009), the mission of education, generally speaking, is the satisfying of the expected further societal needs in order to ensure social development, instead of meeting all existing students' needs. In line with this mission, the universities should make a balance in the attempt of satisfying the short term needs of different stakeholders groups with the long term development of the society. In this context, the adaptation of market orientation approach developed for private sector by the higher education institutions may lead to a link and to the integration of all these needs, sometimes contradictories.

Market orientation, which has its origins in the modern concept of marketing, was one of the most exciting and interesting research fields over the past 20 years. In 1950, General Electric reorganized its activities through a new vision and a new role regarding marketing, thus marketing became the core function coordinating product development, product

design and production based on market information. The first who used the concept of marketing denomination was McKitterick in 1957. In the same year, Felton defined the concept of marketing as a corporative engagement and as the integration of all marketing functions and their attunement with other functions of the organization. In 1972, McNamara placed the client in a central position, defining the concept of marketing as a managerial philosophy, based on the client orientation, and emphasized the role of marketing in the dissemination process of market information across the organizational departments in order to reach inter-functional coordination. Thus, with the beginning of 1950, the concept of marketing was acclimated, criticized, discussed and rehabilitated under a new denomination: market orientation. The present market orientation literature is based on the research work of Narver and Slater (1990), Kohli and Jarworski (1990), that has come to impose a new perspective regarding marketing concept and of the formation during the last 25 year of a specialized body of literature that has developed around of this new perspective. Given the effects of the adoption of market orientation, which have been empirically demonstrated in various contexts - different types of companies, different industries, both in developed economies and developing economies, we established the research question for this study.

*How can the principle of market orientation be adopted by higher education institutions?*

*How can the models of market orientation be implemented in the particular context of higher education?*

*What factors can inhibit or stimulate the process of market orientation adoption?*

## 2. Market orientations – approaches and models

In 1988, it has been highlighted in an article published in Harvard Business Review by Shapiro, a first practitioner's question related to market orientation: "To what the Hell Is Market orientated?". In his article, Shapiro shows how the President of the Controller Wolverine Company analyzes the need to become market oriented in a meeting with top management: "The situation can't get much more serious....As you all know, over the past couple of years everything has gone to hell in a hand basket. We're in deep trouble, with both domestic and foreign competition pre-empting us at every turn. The only way to get out of this mess is for us to become customer driven or market orientated. I'm not even sure what that means, but I'm damn sure that we want to be there. I don't even know whether there is a difference between being market driven and customer orientated or customer driven and market orientated or whatever.

Still, the conceptual nature of market orientation was defined in 1990 in two articles that were published in the Journal of Marketing, representing the first major works that came to offer a series of answers to the President of the Controller Wolverine Company. These works presented the results of the researches conducted by two separate teams: Narver and Slater, Kohli and Jarowski. In one of these works, the concept of market orientation is used as the implement of marketing concept within the organization.

During the last 25 years several perspectives of approaching market orientation were introduced by different researches: culture perspective (Narver and Slater, 1990), behavioural perspective (Kohli and Jarowski, 1990), strategic perspective (Rueckert, 1992), client orientated perspective (Deshpandé et. al., 1993, Day, 1994), strategic actions perspective (Lado, Olivares, and Riviea, 1998). Thus, the great number of different definitions of market orientation has resulted from the several perspectives of

approach proposed in the specialized literature:

*Market orientation is a business philosophy whose final purpose is to create the superior value for the client* (Narver and Slater, 1990).

*We use the term market orientation to illustrate the implementation of the concept of marketing within the organization* (Kohli and Jaworski, 1990).

*Market orientation within a business unit is the degree at which the business unit gets and uses information about the clients, develops a strategy leading to the clients' needs and implements the strategy having thus, the capacity of responding to the clients' needs and desires* (Ruekert, 1992).

*Market orientation refers to gathering information about the clients' present and future needs, the dissemination of this information within the organization and the response of the organization according to this information* (Kohli, Jaworski and Kumar, 1993).

*Market orientation represents the superior abilities for understanding and satisfying the clients* (Day, 1994).

*Market orientation is a strategy leading to obtaining the durable competitive advantage* (Rivera, 1995).

The various perspectives of approaching mentioned above underline the complex nature of market orientation phenomenon that is seen at the same time as: a business philosophy, an organizational culture, an organizational behaviour, a source of competitive advantage, a competitive strategy, a set of managerial practices, a resource or a capability.

No matter the particular exploration of the concept would be, all approaches have started from the same premise – market orientation connects the organization to its operational environment, through gathering market information and disseminating this information inside the organization, along with the functional departments, having as

final purpose the superior value creation for the customers, and thus, improving the organizational performance.

According to Pavi i et. al. (2009) in non-profit sector, the concept of market orientation implies the responsibility and the focus of the whole organization and its management of relations with customers/users and other relevant stakeholders, including forces shaping their behaviour, taking into account that the main goal of a non-profit organization/institution is to define and serve needs, wishes and interests of its customers/users, as well as to protect and enhance the welfare and long-term goals of society as a whole. Padanyi and Gainer (2004) highlighted that non-profit organization can adopt different degrees of market orientation in the approach of each stakeholders group. Thus, a new organizational model of university should rise and in the new framework the university should listen, understand and be responsive to various needs and expectations regarding the mission of education, where the most important focus is to connect the stakeholders with the university, each category representing a clients' group.

From our point of view, the approach of market orientation in the particular context of higher education institutions should be seen as a managerial philosophy whose implementation leads to the creation of an organizational "outside towards inside" oriented culture which has as a result the connection of all functional departments to the needs and expectations of different stakeholders groups and their alignment to the same common goal - the long-term value creation and sustainable development of the society. This orientation represents a new manner of seeing the role and mission of higher institution, which helps the institution to provide quick response to changes, and leads to the flexibility of organizational structure and processes increasing the

institution's capacity of learning the basic on external information. Anyway, the approach of market orientation in higher education institution should take into account the particularities of the context:

1. The particular mission of higher education and the particular role that higher education institutions play in the new type of economy - knowledge economy.
2. The multiple stakeholders of the higher education institutions and the multiple needs that should be balanced with the purpose of long-term development of the overall society.
3. The particular nature of seeing the client of these institutions.
4. The complex relations' system that these institutions should develop and manage in order to assume their mission.
5. The particular context of regulations which delineate the functioning of such institutions.
6. The complex organizational structures and lack of resources.

#### ***Models of market orientation***

During the time, two perspectives about market orientation have imposed themselves both in the academic environment and in the practical activity of the companies: (1.) the cultural perspective (Narver and Slater, 1990) and (2.) behavioural perspective (Kohil and Jarwoski, 1990).

Approaching market orientation from a cultural point of view, Narver and Slater (1990) identified three components of the concept: client orientation, competition orientation and inter-functional coordination. Client orientation is considered the basic component of the market orientation. The two researchers state that when consumers' needs are identified and understood, the superior value can be built, communicated and delivered. According to the second component, the organization must identify which are the strengths and weaknesses of the main competitors, the goals they

pursue and what strategies they adopted in order to reach them. The third component refers to the coordination of resources of the organization in order to create superior customer value. Approaching the concept from a behavioural point of view, Kholi and Jawroski (1990) identified, in their turn, three components of the market orientation:

- gathering information about the consumers' needs, desires and demands and about other components of the environment in which the organization operates;
- disseminating the information gathered to all functional departments within the organization;
- the response of the organization based on the information gathered.

At a more detailed analysis one can notice that the two models are complementary rather than alternatively. Thus, our analysis is based on the integration of these models.

According to these models, private companies are focusing on two distinctive stakeholders groups: customers and competition. In the case of higher education institutions, the focus should be broader. In the specialized literature there were outlined important views regarding the stakeholders groups. For instance, Amaral and Magalhães (2002) defined the higher education stakeholders as collective or singular entities with a legitimate interest in the higher education sector and thus holding a right to participation. These singular or collective entities can be summarised as it follows: students, employers, graduates, government entities, local communities, secondary and high schools, students' families, research and development actors, competitors, donors, diverse partners, management of the institution, members of staff (teaching, research and administrative staff).

The core group is represented by the students, considered the central clients of the institution. Moreover, the student can

be seen as the input, but also as the output of the higher institution education system. In this view, this output will constitute the input into the labour market. Thus, the student can be seen as input, but also as the output of the higher institution education system. Thus, the higher education institution should be connected to a second important stakeholder group represented by the employers, as the main beneficiary of the university performance in terms of delivering the competence and skills needed in private organizations. On the other hand, according to Duke (2001), employers may contribute to the costs associated with the university functioning through raising the training standards of their staff as well as commissioning research on the specific problems of the private companies. Consequently, the relation with the employers group implies multiple directions of collaboration, meaning external information collection regarding the skills and the competences needed in private companies, but also regarding the research and the development interests. These pieces of information should be integrated in the curriculum, but also the proactive participation of the private companies in the educational activities and in the research activities/projects is needed in order to develop such a relation. The response on the higher education institution in the market orientation model can be seen as the competences (social capital) and research-development results transfer towards private companies and overall society. Thus, it appears more and more necessary to create a code of best practices to harmonize the elements that underline the relationship between academic and business environment to take into account the specific needs and the legislative framework that govern the modern university relationship with all these categories of stakeholders. In this sense, market orientation can ensure the link between students, teaching and research staff, employers and government.

In this link, the Government should interfere through stimulating regulations in order to sustain such collaboration and partnership. The precisely implementation of the legislative support mentioned above would contribute substantially to increasing the practical specialist training as it requires the active involvement of the economic agent by the accountability of a person in the position of tutor whose role is to agree with the supervising teacher with the specific activities of the organization, to practice basic that will contribute to the development of the competences specific to a program of study covered by the student and the field in which the organization operates (Diaconu and Pandelica, 2012).

Taking into consideration the underlined particularities of the higher education institutions, the adoption of market orientation approach represents, in our point of view, the implementation of a mix of various components, practices, methods, instruments and competences in higher education institution in order to gather information regarding different stakeholders groups current and future needs and interests, to ensure the flow of this information across functional areas within educational institutions, to analyze and take joint decisions (integrating the information gathered in the decision - making process), and to disseminate the outputs of the entire process represented by the response of higher education institution.

The first component in our view is represented by gathering external information through adopting various methods and tools for external consultation of the different stakeholders groups providing the inputs in the educational system.

The second component is represented by the information flow – disseminating external information in the internal environment of higher education institution, using internal inter-functional

channels which ensure the flow of this information across functional areas, and, thus, integrating the results of consultation in the decisions-making process with the broad participation (joint decisions - value co-creation).

The third component is the response of higher education institution – delivering skills and competences in accordance with employers' needs, social capital development, knowledge and research-development results transfer towards business environment and overall society.

In this approach, higher education institutions will adopt a more proactive behaviour, having a higher capacity to respond in a changing environment and to improve their performance.

### **3. The antecedents of market orientation in higher education**

In order to develop the market orientation approach, the higher education institution should focus on the antecedents of market orientation, representing factors categorized as enhancers or inhibitors into the process. Thus, the degree of market orientation depends on the presence or absence of some internal factors of the company, factors that have been labelled by specialized literature as antecedents of market orientation. Many researchers have empirically identified and tested many categories of factors that can intensify or inhibit the development of market orientation within private companies as follows:

1. Top management emphasis
2. Risk aversion
  - Interdepartmental connection
    - The degree of commitment of the employees
    - Team spirit
    - Interdepartmental teams
3. Interdepartmental conflicts
4. Organizational systems
  - Formalization
  - Centralization

- Payment systems orientation
- Market-oriented training

In the particular case of higher education institutions, the most important antecedents of market orientation should be represented by: management mindset and emphasis, managerial competences and skills, employees' commitment degree and team spirit, connection between institution functions and units, internal conflicts and the degree of formalization.

Certainly, in higher education institution the management mindset and emphasis is an important factor that intensifies or inhibits the adoption of market orientation approach. Also, the managerial competences and skills will directly impact on the development of a market oriented culture and behaviour of higher education institution.

On the other hand, the employees' commitment degree and team spirit (cross-functional working) are intensifying the interdepartmental / interfunctional connection and thus, they will impact directly on the market orientation approach.

The connection between departments/functions/faculties, the extension of formal and informal contacts between employees of various units, intensify the market orientation as they lead to a better transmission of external information and to a diffusion of knowledge and best practices within the organization.

Interdepartmental / interfunctional conflicts as a result of pursuing different goals, inhibit the capacity of response of the higher education institution, diminishing, thus, the market orientation approach.

Last, but not least, a higher degree of formalization that involves excessive roles, procedures and authority through rules reduces dissemination and usage of external information and therefore, the market orientation approach. Thus, the decision-making process becomes difficult

and the capacity of response is diminished on a greater extent.

#### 4. CONCLUSIONS

The purpose of the present study was to analyze the approach of market orientation concept in the particular context of higher education institutions and to display some general factors that intensify or inhibit the market orientation adoption, labelled as antecedents, but also the consequences of market orientation implementation.

Starting with the two relevant models of market orientation (Narver and Slater, 1990; Kohli, Jaworski and Kumar, 1993) we propose a particular approach of the market orientation concept for higher education institution. In our view, in this particular case, the higher institution should have a broader focus than private companies which are connected with two distinctive categories of stakeholders: customers and competition. Thus, the higher education institution should be orientated towards multiple stakeholders groups' needs and interests, to make a balance between these needs in order to accomplish its mission. In our approach, market orientation may lead to such an orientation. Moreover, the adoption of market orientation in higher education institution will be intensified or inhibited by some internal factors. We identified these factors such as: management mindset and emphasis, managerial competences and skills, employees' commitment degree and team spirit, connection between institution functions and units, internal conflicts and the degree of formalization.

The present study is a conceptual one and further empirical investigations are needed in order to demonstrate the approach and the relations that we identified starting from the market orientation literature. Still, the paper brings its contributions in understanding the market orientation concept implementation in the particular context of higher education institution.

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