Understanding and Measuring Market Orientation and Innovation in Schools

Daniel N. Arifin*, Lawrie Drysdale
Melbourne Graduate School of Education, The University of Melbourne
Melbourne, Australia
*Corresponding Author: daniel.arifin@unimelb.edu.au

ABSTRACT

Market orientation has been investigated in for-profit and not-for-profit organizations in countries around the world and is defined as an orientation towards the market, putting focus on the customers. Past studies have shown a positive link between market orientation and organizational performance; and also that adopting market orientation principles will enhance the magnitude and effectiveness of innovation activities.

The concept of marketing and market orientation is highly relevant to schools, particularly in countries like Australia and Indonesia, due to the intense competition between schools and within school systems. Marketing is now becoming more relevant in other industrialized countries because of the need to enhance the school reputation, attract students and resources, and attempt to understand the aspirations of the various stakeholders.

A deep understanding of market orientation of a school compared with the region will assist school leaders in determining the policy and strategic planning. This paper conceptualizes the principles of market orientation in schools, which will allow a school to map out its strengths and weaknesses in the five dimensions: customer orientation, competitor orientation, inter-functional coordination, long-term-growth focus, and market intelligence.

Keyword: Marketing, market orientation model, school, performance

1. Introduction

Market orientation has been a topic of investigation in many countries around the world, both by for profit and not-for profit organizations. Market orientation, which is an organization’s orientation towards the market, placing focus on the customer, has been found to have a positive link with organizational performance (Kotler, 1984; Kotler, Andreasen, & Kotler, 1996; Kotler & Fox, 1995; Levitt, 1960, 1975; Narver & Slater, 1990); i.e. a high degree of market orientation is accompanied by high organizational performance. However,
despite these findings, there is little research on the relationship between market orientation and school performance.

Marketing was primarily viewed as promotion and selling and strongly linked with increase of profit; therefore, was regarded essential only by organizations seeking profit. Non-profit and service organizations did not consider marketing as their primary focus, based on that definition. However, further studies conducted in the 1970s (Hunt, 1976; Kotler, 1972; Kotler & Levy, 1969; Robin, 1978) considered and confirmed the applicability of marketing concepts and techniques to other sectors. Over time, the concept of market orientation has emerged as part of the evolution of marketing in the mid 1980s. Fundamentally, market orientation refers to the ability of an organization to understand the targeted market. In this sense, marketing is focused on finding a match between product/service offered with market needs (A. Payne, 1993); and market orientation is the act of focusing an organization’s offerings and values based on an understanding of customer needs (Evans, James, & Tomes, 1996). Previous studies have shown correlation between the successes of an organization with its ability to be market oriented. The findings have shown consistency for both profit and non-profit organizations.

In Indonesia, the rise of the national ‘plus’ schools have further sparked the intensity of school marketing (Lubis, 2004). These National plus schools are essentially private schools that offer a curriculum, which fulfills the national requirement, but is further augmented with imported materials. It is quite evident that even the name – national plus schools – carries the weight of marketing, as a means of differentiating the schools from other private schools.

Drysdale (2002) reported that schools adopt marketing for three main reasons: attracting enrolments, gathering resources and funding, and reputation in the market place (imaging, branding, and positioning). In respect to enrolments, education institutions in Australia have also undergone a shift in the last two decades (Campitelli, 2013) in regards to attracting students. This shift is likely the result of a general shift in the market. In order to get their children into their preferred schools, parents are willing to go to lengths and make drastic life changes, including residential relocation, compromise on financial security, and sacrifice travelling (Campbell, Proctor, & Sherington, 2009). This change in parent aspiration has caused a shift in market demand, affect reputation, and place private schools as viable competition to public schools.

These movements in the market clearly show that marketing is becoming a more and more essential concept, if not critical, for schools to understand and implement; however, before a market orientation measurement tool for schools can be developed, it is essential to understand the conceptual framework of market orientation that is specific for the school sector.
2. Research Into Market Orientation

Market orientation broadens the reach of the marketing concept, by acknowledging that a sole focus on customer alone is not adequate (Evans et al., 1996; Hunt & Morgan, 1995; Kohli, Jaworski, & Kumar, 1993). Organizations need also to understand the importance and significance in understanding the external environment, which expanded the definition of marketing to incorporate competition, long term planning, growth, and survival. Supported by Kohli & Jaworski (1990) and Narver & Slater (1990), the popularity of market orientation started increasing in the 1990s, with the establishment of the link between market orientation and organizational performance.

Compared to profit seeking organizations, non-profit organizations face an extra challenge. Due to the nature of non-profit organizations, they need to compete with other non-profit organizations as well as the for-profit organizations, but with less resources and funds. Due to this, some writers (Kotler et al., 1996; Kotler & Zaltman, 1996; Shapiro, 1973) further advocate and underline the importance of marketing for non-profit organizations.

Up to date, there have been numerous studies proving the existence of a link between market orientation and performance (Appiah-Adu & Singh, 1998; Caruana, 1999; Narver & Slater, 1990; Ngansathil, 2001; Pelham, 2000; Siguaw, Brown, & Widing, 1994; Slater & Narver, 1994; Webb, Webster, & Kreppa, 2000), with robust connections confirmed by writers, such as Deng and Dart (1994), Narver & Slater (1990), Siguaw, Brown, and Widing (1994). The performance measures used range variably from return on assets, sales growth, to ability to attract non-government funding. The notion of market orientation as a generic determinant of organizational performance is further supported by a meta-analysis (Ellis, 2006) of 56 studies containing 58 samples, conducted in 28 countries.

2.1 Market Orientation in Schools

Within the education sector, the concept of market orientation is not as exposed. Although some studies have been conducted at the higher education level, there is very little research into whether this phenomenon exists in schools.

Although schools may be perceived by many as an educational organization that does not place an emphasis on profit making, schools still have a business side – thus a school’s survival is quite reliant on its ability to attract, maintain, and increase the number of enrolled students by marketing themselves to the external environment (Davies, 1997; Grace, 1995; Holcomb, 1993; Kotler & Fox, 1995).

Studies conducted in Israel, England, and New Zealand found that principals have acknowledged the existence of a link between marketing and competition amongst schools (Ball, 1994; Birch, 1998; Lauder, 1999; Oplatka, 2002), resulting in further plans of the school placing more resources to their marketing activity. A different story was found in a Slovenian study (Logaj & Trnavcevic, 2006), where although there were traces of marketing
philosophies and focus in the school, the concept of internal marketing was unfamiliar to the participants. A similar study in the school context has been done by Drysdale (2002); which showed that the marketing function is essential to increase the reputation of the school, as well as impacting on better student admission.

In the last three decades, market mechanisms have started to be introduced in the education sector around the globe (Waslander, Pater, & Weide, 2010). Countries in Asia (China, Hong Kong, and Pakistan), Latin America (Chile and Nicaragua), Europe (Finland, France, Poland, and Sweden), and North America (United States and Canada) have introduced government policies that broaden parental choice and encourage school competition.

The function of marketing is as crucial in the educational sector as it is in the profit sector. An educational institution cannot merely focus on providing an effective form of teaching and neglect the managerial function of marketing. This would cause the school to lose its competitiveness to the competition and, as a consequence, lose its appeal to the stakeholders. Foskett (2002) suggests that marketing more than selling a school’s products and services; but it is a holistic management process aimed at increasing the schools effectiveness by satisfying parents’ needs. Peterson (2006: 23) suggests that competition is also found amongst the different school sectors:

In turn, their siphoning of students will cause not-for-profit and public schools to rethink their approaches to schooling. They will seek to learn from and replicate the more efficient management structures and more effective instructional methods of the for-profits. If all goes according to the free-market theorist's model, introducing the profit motive into education will spark a perpetual discovery process that benefits students, employees, and, let us not forget, investors.

Consistent with Foskett’s (2002) conclusions, studies written by Bell (1999), Birch (1998), James and Phillips (1995), and Oplatka (2002) found that most schools do not yet have a systematic marketing plan that is coherent.

Within Australia there are two reported studies (Drysdale, 2002; Holmes, 1998) of market orientation in schools. Both studies employed a qualitative approach based primarily on case studies. Apart from this, most studies within the education sector was conducted at the higher education level. While research into market orientation in schools are still extremely scarce.

Foskett (2002) suggests that markets and marketing are miasmic concepts in the education sector, probably due to unfamiliarity of the teaching profession towards these concepts. However, as the law of economy dictates, markets will exist where choice exists. Thus schools have no choice but to engage in the process of marketing to some extent; and
schools that do not embrace the concept and further take action of devising a plan of implementing market orientation into its culture may face the threat of extinction.

2.2 Barriers and Resistance to Market Orientation

Past studies (Deng & Dart, 1994; Kohli & Jaworski, 1990; Kohli et al., 1993; Narver & Slater, 1990; Slater & Narver, 1994) have placed a focus on the definition and conceptualization of market orientation. However, another body of research have suggested that marketing practitioners may experience difficulties in becoming market orientated (Gummesson, 1994; A. F. Payne, 1988; Richard Whittington, 1992; Romer & van Doren, 1993), followed by problems in maintaining the levels of market orientation.

Resistance to marketing has been a common finding in non-profit organizations and service organizations, including those in the education and health services (Drysdale, 2002). Schools should not dismiss the potential barriers to becoming market oriented. Studies by (Lloyd C Harris, 1999; Hooley, Lynch, & Shepherd, 1990; Liu, 1996; Ruekert, 1992) have shown that it can be very slow for organizations to become market oriented in the practical sense – possibly affected by internal and/or external barriers. Liu and Davies (1997) suggests market structure as a major external factor affecting adoption of market orientation. When a popular school has more students applying then the number of available seats, the school sees very little need to be market oriented. Internal barriers relate to two major categories: people and systems (Lloyd C. Harris, 2002). Staff attitudes play a major role in adopting a new school culture. Negative attitudes towards marketing and lack of commitment are examples of barriers of schools in adopting market orientation. Confirming the views of Star (1989) and Brown (1995), Drysdale’s study (2002) found that most teachers expressed a negative perception towards marketing; most likely due to their misconception of marketing – interpreting marketing as commercialization and the ‘McDonaldization’ of education.

3. The Model of Market Orientation in Education

Among the different conceptual models of market orientation, two are known to be the more popular ones: the MKTOR model suggested by Narver and Slater (1990) and the MARKOR model suggested by Kohli et al. (1993).

The MKTOR model, as suggested by Narver and Slater (1990) consists of three behavioral components: customer orientation, competitor orientation, and interfunctional coordination, and is presented in Figure 1.
Customer orientation consists of all activities that capture information regarding the targeted customers of the organization; with the aim of understanding their needs and desires. Gathering accurate information on customers’ perception will create an understanding of whether there is a direct fit between the organization’s offerings with customer’s needs. This understanding of customer perception, specifically what the customer values (Day & Wensley, 1988) not only captures current trends, but should also extend towards market shifts in the future. Competitor orientation captures information regarding other organizations that is categorized as competitors towards the organization – understanding their strength, weaknesses, as well as both short and long-term strategies. It is essential to maintain an awareness of the strategies employed by other competing organizations, and if possible, gathering intelligence regarding future plans of the competing institutions. The third component is interfunctional coordination – which describes the coordination of an organization’s resources with the aim to increase the proposed value for customers (Narver & Slater, 1990). Narver and Slater (1990) further suggests that the interfunctional coordination component is not merely a marketing concept, but further describes it as an coordinated symphony orchestra, coordinated by the conductor to create a synergistic effect. This requires contribution from the whole organization, and not just the marketing department.

The MARKOR model suggested by Kohli and Jaworski (1990) suggests that market orientation is composed of three components: market intelligence generation, information dissemination, and organization wide responsiveness; and is influenced and determined by three factors: support from top management, the level of inter-departmental
conflict/dynamics, and organizational system. The resulting degree of market orientation then impacts on employee commitment, morale, and business performance. Kohli and Jaworski’s (1990) study further reveals that the higher the level of market orientation, the higher the staff satisfaction and also business performance.

The main differentiation between the two concepts of market orientation is that MARKOR (Kohli & Jaworski, 1990) views market orientation as the implementation of the marketing concept, conducted through a set of behaviors, while MKTOR (Narver & Slater, 1990) interprets market orientation as a corporate culture that manifests into certain customer values. Both MARKOR and MKTOR concepts and implementation were designed for the business environment.

In the education sector, Drysdale (2002) has adopted and combined the model of market orientation from MARKOR and MKTOR, as presented in Figure 2.

Drysdale’s (2002) model puts highlights the significance of customer orientation and places it central to the whole concept. The model also acknowledges that having an effective market intelligence system is essential.

This paper suggests a conceptual model of market orientation for schools that consists of five dimensions: customer orientation, competitor orientation, inter-functional coordination, long-term growth, and market intelligence, shown in Figure 3. Adapting from MKTOR (Narver & Slater, 1990), MARKOR (Kohli & Jaworski, 1990), and Drysdale (2002), this model maintains the importance of the five dimensions and suggests a latent higher order variable: market orientation.
The five dimensions work together to capture the necessary information regarding the school’s attempt to understand its customers, the school’s interests in seeking information about other competitors, how the different departments and faculty integrate together as a whole, the school’s focus on growth and survival, as well as the availability and consistency of the systematic procedures of data gathering within the school.

4. Conclusions and Considerations

Understanding and measuring the market orientation level of a school can be a powerful tool in determining future strategies and organizational direction. School staff should no longer keep a blind eye towards the concept and importance of marketing and market orientation. This should not be the focus of the principal alone, but instead, become an organizational response to the changing nature of the market. Teachers especially, regularly meet and deal with parents, receive their comments, listen to their feedback and complaint; thus as a consequence, become the face of the school. It then becomes clear that teachers not only maintain dealings with students behind closed doors, but also play an essential role in the school’s market orientation, similar to that of the customer relations department. The aforementioned writers (Drysdale, 2002; Foskett, 2002) provide evidence that schools are responding to customer needs and becoming more innovative by differentiating the school’s offerings, adding new services, and developing a range of extracurricular activities, refining educational pedagogy.

In assessing the level of market orientation of a school, it is essential to capture the multiple facets of market orientation in order to paint a more accurate picture of the current situation and gather a deeper understanding for what is required in the following steps. The
five dimensions of market orientation in education need to be measured: customer orientation, competitor orientation, inter-functional cooperation, long-term growth, and market intelligence. The comprehensive data and information gathering on the level of market orientation will draw attention of the school staff’s attention to articulate their perception on the school.

The model of market orientation in education described here provides the framework for schools to identify both strength and weak facets of the school, which ultimately will assist the school leaders in prioritizing aims and goals in developing future strategies. This conceptual framework of market orientation in schools forms a base foundation for a tool to be developed that is tailored specifically for the school sector. It is anticipated that as the much-needed empirical research in the area of market orientation in schools develop, further links and relationships will be found between market orientation and the many aspects of school performance.

REFERENCES


UNDERSTANDING AND MEASURING MARKET ORIENTATION


UNDERSTANDING AND MEASURING MARKET ORIENTATION


UNDERSTANDING AND MEASURING MARKET ORIENTATION
