

AN EXPLORATION OF CUSTOMER- DEFINED PERCEPTION OF MARKET  
ORIENTATION: ANTECEDENTS AND CONSEQUENCES

BY

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## **Abstract**

*As universities worldwide are being required to be more responsive to the needs of their customers, the literature has focused on identifying exactly who is the customer in the higher education industry. It is common to view the student as the customer but this notion is not universally accepted. This paper reviews the debate in the education and marketing literature about students as customers and reveals the difficulty in using the word customer to describe the student/university relationship. The author argues that the debate must move away from identifying the customer and focus on the university as a service provider. An emerging perspective on market orientation suggest that strategic insights may be gained when firms take into account their customers' view on the organization's level of market orientation. Recent research offers evidence on the applicability of a customer- defined market orientation construct. This study extends this line of research by exploring the customer- defined orientation antecedents and outcomes in higher education institutions. This paper accentuates the subject by initially reviewing a number of theoretical viewpoints as to why a customer perspective should be sought when assessing organizational phenomena such as market orientation. Consequently, a number of hypotheses were put forward followed by the results of this study. Correlation analysis and regression analysis among other statistical tools were used in this study. The result using regression analysis showed that all the proposed relationship were significant. The result further demonstrated that service quality acts as a partial mediator where customer satisfaction was not derived completely by service quality. This paper eventually concludes by elaborating the various conclusions derived from the study.*

**KEYWORDS:** Antecedent, Customers, Higher institution, Markets, Market orientation.

## **Introduction**

Higher education all over the world has undergone many changes over the last few decades. As some commentators have observed, “ what was an enterprise of culture now displays the features of an enterprise culture in which education is a commodity”(Symes and Hopkins 1994). Interest in quality issues in higher education is also a worldwide phenomenon(Wilson 1996). Although the word “ customer” is being used apologetically by some commentators who frame it in quotation marks, it is being used ardently by others as the key to the vexed question of how we decided what quality is in universities(Baldwin 1994). As universities are being required to be more responsive to the needs of their customers, the debate in the literature has mainly been about identifying exactly who is the customer in the higher education industry. It is common to view the student as the customer but this notion is by no means universally accepted either from an educational or a marketing perspective.

Faced with choices as a result of a wide range of opportunities and inevitable resource limitations, higher education institutions continue to define and refine mission statements and put in place processes to ensure realization of these missions. In addition, prospective students are demanding higher education institution to provide better quality service and offer high value programs and services. Hence, with the demands for increasing student enrollments, the pressure to satisfy industry needs and the increasing sophistication has led higher education institution’s pandering to students in a manner consistent with market orientation perspective. This prompts the introduction of various programs and market- driven curriculum changes. With higher education becoming increasingly turbulent, they not only need to be responsive to consumer groups, i.e. students, they ought to provide a rigorous, thorough, and relevant education programs to serve the long term interests of students and the institution itself.

Nevertheless, while there are many literatures of market orientation in the profit sector(Kohli and Jaworski, 1990;Narver and Slater, 1990), there has been little research to look at the impact of market orientation in the nonprofit context such as education( Caruana et al., 1998). Like many other organizations, higher education institution(HEI) are not exceptional in facing the turbulent changes and challenges . Faced with the competitive and economic pressures, these institutions need to find out their own fund rather than relying heavily on the government and look at other cost cutting and or increasing revenues mechanism(Caruana et al., 1998). However, how far HEI offering such programs adopt a market orientation perspective in their institution? Does the course structures and curriculum depict the needs and wants of the customer(students)?

### **Students as Customers: The Marketing and Management Perspective**

The term ‘customer’ is a central term in the quality movement known as Total Quality Management or TQM. Although it has been argued that TQM has a limited amount to offer higher education (Hall, 1996), the movement has also been embraced by others as potentially the solution as to how to improve the quality of the services provided by higher education institutions (Williams, 1993). One of the main themes of TQM is the importance of meeting customer needs. It has been argued that universities that do not treat their students as customers entitled to an efficient and high quality service will lose out to those that do (Williams, 1993, ). Although the idea of treating students as customers is controversial because of the implied shift in power, applying TQM in the classroom simply means that teachers should be more open to student feedback and should measure success by how well students are learning (Turner, 1995, ). However, Sirvanci (1996) stresses that there are some fundamental differences between customers and students. Customers are free to purchase goods and services and businesses do not restrict sales to a select group based on personal attributes. Yet universities restrict admissions

and are not open to all prospective students even if the students are willing to pay the price being asked. Customers generally pay the price for the goods and services they purchase with their own funds. Students do not necessarily pay for their higher education themselves because tuition may be subsidized by taxpayers and often completely or partially paid by parents. Customers are also not required to prove merit. However, once admitted to a university, students are continually tested and graded and those who fail are required to repeat a course and are prevented from taking more advanced courses. As Hall (1996) comments, can there be any other markets where the supplier is able to take the customer's money, engage in a long and complex interaction with them and then refuse to give them the product that they want, the degree?

It has been suggested that students are in fact the 'products' rather than the customers of the higher education industry. Students progress through the courses required for their degrees just as raw material flows through the manufacturing process. They are raw material when they enter the institution, the product in process while attending the institution and the finished product when they graduate (Sirvanci, 1996, ). The customers then are potential employers and society at large. Further difficulties arise because students participate in the education process and must also take some responsibility for quality (Hall, 1996, ). Higher education is different from other services because students have multiple roles that cannot be simplified or reduced to that of the customer. Sirvanci (1996) notes that students are also labourers because they are expected to learn course material by writing papers and preparing for tests. Teachers then act as quality inspectors by grading students to ensure that only those who demonstrate sufficient knowledge move to the next stage of the education process.

Helms and Key (1994) also support the idea of the dual role of students in the classroom. Students are like customers because they choose institutions, pay for tuition, select programs and

so on, but they are also like employees because they must be actively engaged in their jobs, be motivated to perform and performance expectations are placed on them. The teaching environment therefore runs the gamut from a near customer role in a large introductory course to a nearly employee role in a graduate research setting (Helms and Key, 1994; Akinyele 2007 ). Although it is generally assumed that students are the customers of the institutions that they attend the situation is clearly much more complicated. Parents, employers, professional bodies, governments and the public also have a legitimate interest in the services provided by higher education institutions. This applies particularly to polytechnics with a history of providing vocationally related training and community education opportunities (Cliff, 1994, ).

The question of exactly who is the customer in the higher education industry is a complicated one. Difficulty also exists with the terminology being used: the words client, stakeholder, customer, true customer, real customer are often used to convey different meanings. Not surprisingly, this difficulty has led some to note that no term is appropriate to convey the complexity of the situation and conclude that students should just continue to be referred to as students (Helms and Key 1994). However, Hall (1996; Akinyele 2006) prefers to use the concept of a ‘consumer’ because the consumer, being the person who consumes the service, is much easier to identify .

## **HIGHER EDUCATION AS INDUSTRY**

The difficulties and the inconsistencies that arise when defining students as ‘customers’ or ‘consumers’ indicate that the focus on students may well be misplaced. Some, but not all, students are consumers – but all universities are providers of educational services. All Australian universities are corporations and all are moving more towards operating like businesses in a

higher education industry. Universities are essentially competing with each other to provide research and education services nationally and internationally. The main activities in the industry are teaching and research but other activities such as consultancy work, commercial research in the private sector and offering accommodation or other services are becoming increasingly important sources of revenue (Rorke, 1996, ).

In the recent Review of Higher Education Financing and Policy in Australia, key areas of reform to the funding of teaching and research in Australian universities were identified and all underpinned by a commitment to strengthening higher education as an industry. Although acknowledging that many people within the system are uncomfortable with this notion, “it was desirable and necessary for the Government to take an industry perspective of the higher education sector” (emphasis added). To justify this approach, evidence was provided that higher education institutions are a vital part of the Australian economy representing about 1.3 per cent of Gross Domestic product in 1996, employing nearly 83,000 people with enrolments of 53,200 international students and generating \$1.4 billion in export revenue (DEETYA, 1998).

Universities as service providers should be subject to the same legal obligations as other service providers. In addition to implying terms into consumer contracts, legislation also sets certain standards for business conduct to ensure business is conducted fairly. The quality of university teaching and research services may be more easily ascertained if those services were treated like other business services and assessed in view of ordinary market forces and ordinary legal standards. Universities have express and implied contractual obligations with fee-paying students. They also have obligations to act according to standards set for all businesses, namely, not to engage in conduct that is anti-competitive or misleading or to make false or misleading representations. The debate in the literature about quality and universities should now consider

whether and in what circumstances laws that apply to the commercial sector also apply to the higher education sector.

### **Statement of Research Problem**

Past research has exclusively considered a market orientation as an “employee manager-perceived phenomenon”(Narver and Slater 1990). As a result, subsequent studies pertaining to a firm’s market orientation generally have been based on employee self reports. However, there has been criticism to this view where the “ customer- defined position” argues that the adoption of the manager employee- defined view of market orientation is one- sided and myopic in that it ignores the vital role of customers in term of value recognition(Webb et al. 2000). They emphasize that it is the customers- as opposed to the sellers- perceptions of the level to which a firm is market oriented that will be the critical measure of business performance. This argument extends from Desphande et al. (1993) assertion that the evaluation of a firm’s extent of customer orientation(market orientation) should also come from customers, and not just the managers of the firm itself. In the case of higher education programs, the issue becomes more pertinent where academic programs in HEI are charged to be out of the syne with the reality. As a matter of fact, Drucker(1954) has commented the issue for over five decades ago where he argues that marketing is not a specialized activity, but rather the whole business seen from the customer’s point of view. As such, it seems not only intuitively logical butr also necessary to view market orientation from customer vantage. Drawing from the above argument, an emerging perspective( e.g. Steinman et al.,2000; Webb et al. 2000) suggest that beneficial strategic insights may also be gained when firms take into account their customers’ view on the organization’s level of market orientation. In other words, when the customers perceive the firm is market-oriented and offers considerable value to them, only then the organization can be



described as market- oriented. This would subsequently lead to customer satisfaction as a result of the organization being market oriented. Apparently, the proposed relationship between market orientation and customer satisfaction will be more appealing when both constructs are measured from a customer vantage. While the explication of the market orientation and customer satisfaction relationship may appear somewhat tautological, with the exception of an exploratory study by Webb et al.,(2000), there is no empirical study on the relationship. As such, an empirical validation on its proposed linkage deserves explicit consideration considering the importance of the issue in today's complex and increasingly competitive nature of services. Hence, the current study adds to the existing literature in several ways. First, the customer-defined market orientation construct modified in this study would validate the market orientation instrument initially developed from the employee- perceived view and developed economies bias(Hooley et al. 2000). Second, the market orientation and organization outcome framework is extended by offering a conceptual model in which customer defined market orientation(CDMO) is positioned both as antecedent of service quality and customer satisfaction. Third, the findings would provide some clarifications whether the antecedents for CDMO are similar to market orientation(employee-perceived). Finally, the relationships between a CDMO and service quality(SQ) and customer satisfaction(CS) are investigated.

## **Review of Literature**

### **Organizational Group Culture**

Group culture emphasizes the importance of employee unity, cooperation, and sense of belonging to the firm, promotes employee understanding of both the firm and the market, and encourages participation in decision making(Quinn,1998). As such, a group culture creates

cohesion among employees and helps them understand “why things happen the way they do” rather than simply know “ what happens around here”. This is conducive to developing market orientation because market orientation particularly requires organization- wide coordination in disseminating information and in responding to market intelligence(Kohli and Jaworski,1990; Narver and Slater,1990). Consequently, this leads to our first hypothesis:

H<sub>1</sub>: The stronger the group culture, the greater the firm customer- defined market orientation

### **Managerial Attitude toward Change**

Managerial attitude toward change represents the extent to which senior managers are in favour of change(Damanpour 1991). Manager’s willingness to change and their acceptance of the need for change should facilitate a firm’s market orientation. Consumers’ expectations, consumption habits, incomes, and product knowledge change rapidly in a transitional economy. Thus, consumers’ perceptions of a product’s benefits tend to change over time- a firm’s offerings that meet customers’ needs today may not meet their needs tomorrow(Kohli and Jaworski, 1990). Hence, this leads to the following hypothesis:

H<sub>2</sub>: The more positive the managerial attitude towards change, the greater the firm customer defined market orientation( CDMO).

### **Customer- Define Market Orientation**

Market orientation has been recognized to reflect a philosophy of doing business that can be considered a central ingredient of a successful organization’s culture(Hunt & Morgan, 1995; Slater and Narver, 1995;Akinyele, 2010). Nevertheless, a review of the market orientation literature reveals that researchers initially considered and measured market orientation as a

management employee-perceived phenomenon(e.g. Narver and Slater, 1990;Kohli and Jaworski, 1990). Recent thinking, however, suggests that because market orientation contains a strong customer focus, a firm can be accurately described as market- oriented only when its customers perceive it as such. An important issue expressed by Hooley et al.(1990) more than one decade ago was “what level of market orientation should a firm have” ? Considering today’s competitive business environment on top of the costly maintenance of market orientation, a sensible answer to the issue was recently aired by Steinman et al. (2000; Akinyele, 2010) where he stated that “ the appropriate level of market orientation is what the customer thinks it should be” . In addition, as the creation of superior customer value is a central objective of market orientation(e.g Narver and Slater, 1990), any translated benefits of adopting a market orientation should also be recognized and described by the firm’s customers in value terms. Hence, a basic assumption in this approach to market orientation is that the nature and characteristics of a firm’s offerings are a direct function of the market orientation level of the firm. Thus, customers, by experiencing the product services, especially in long term relationship contexts are qualified to form opinions, and construct cognitive evaluations of providing organization’s market orientation level.

### **Market Orientation, Customer Satisfaction and Service Quality**

The literature suggests a linkage among market orientation, customer satisfaction and service quality through the concept of value. In the market orientation literature, provision is positioned as a central organizational objective(Narver and Slater, 1990). There are three equally important prerequisites for the creation of superior customer value. The first two basically focus on the customer and competitor orientations. The third prerequisite involves coordinating across the firm’s departmental boundaries those activities necessary to deliver superior value(Narver and

Slater, 1990; Akinyele, 2010). Woodruff et al.,(1993) explicate the sentiments of other researchers in stating that by being responsive to customer's needs, customer value delivery strategies are instrumental in building strong customer satisfaction. Webb et al.,(2000) exploratory study found that market orientation has a positive relationship with service quality and satisfaction. As such, this leads to the concluding hypothesis:

H<sub>3</sub>: The greater the level of customer- defined market orientation, the greater the level of perceived service quality

H<sub>4</sub>: The greater the level of perceived service quality, the greater the level of customer satisfaction.

### **Research Methodology**

The participants of this study consisted of students from Crawford University, Igbesa-Nigeria. Out of the total population of 1266 students, 300 questionnaires were randomly distributed at their respective hostels. The clean return questionnaires were 211 yielding a response rate of 70%. Potential non-response bias was assessed based on Armstrong and Overton(1999) suggestions. No significant differences were found between the early and late respondents on any of the key variables, reducing concerns about non-response bias. The survey instrument adopted in this research is adopted from previous studies with modifications done on the market orientation scale to reflect the customer perspective. In establishing the scale development and validation procedure, the suggestions of Churchill(1997) were followed. Exploratory factor analysis was implemented to summarize the interrelationships of variables and for the purpose of reducing the number of items representing the variables. The final items for the respective constructs were as in table 1.

**Table 1: Pattern matrix illustrating correlations and Cronbach's alpha for the specific construct**

No	Constructs	1	2	3	4	5	No of items	Alpha
1.	Market orientation	1.0					14	.89
2.	Managerial attitude towards change	.281**	1.0				2	.56
3.	Group culture	.354**	.085	1.0			5	.82
4.	Service quality	.285**	.176*	.305**	1.0		11	.87
5.	Satisfaction	.315	.256**	.327**	.331**	1.0	1	

Source: Field Survey, 2009.

\*\* Correlation is significant at 0.01 level(2- tailed). \* Significant at 0.05 level(2-tailed). N= 211

## Findings

The results of the hypotheses testing using regression analysis showed that all the proposed relationships were significant. Table 2 demonstrates the respective standardized coefficients and the significance level . To validate the effects of service quality as the mediator to the market orientation and customer satisfaction relationship, the techniques suggested by Baron & Kenny(1986) were followed. The results demonstrated that service quality acts as a partial mediator where customer satisfaction was not derived completely by service quality.

**Table 2: Regression Analysis Results**

Construct	Market orientation	Dependent variable Service quality	Customer satisfaction
Manager attitude	.253*(0.00)		
Group culture	.344*(0.00)		
Market orientation		.287*(0.00)	

Customer orientation		.221*(0.00)	
Competitor orientation		.167*(0.03)	
Interfunctional coordination		.092(0.237)	
Service quality			.332*(0.00)

Source: Field Survey, 2009.

## Discussion and Conclusion

To begin with, this study corroborates organizational group culture and managerial attitude towards change as the antecedents of customer defined market orientation(CDMO). The findings are important as it demonstrates that both constructs continue to emerge as the foundation of market orientation either observed from the managerial or customer perspective. The overall results demonstrate that market orientation being an organizational culture(values) influences the behavioural norms that shape an organization attributes and delivery behaviour. Being a market oriented company warrants that the firm delivers a quality service in compliance with the needs or requirements of customers. Consequently, this would lead to satisfied customers based from the quality services rendered. Hence, based on the evidenced relationships, our findings illustrate that management may be able to influence customer service(CS) and service quality( SQ) by adopting and implementing a market- oriented culture.

Table 2 attest the significance of each of the dimensions of market orientation. The results demonstrate the ordering of standardized coefficients in terms of importance. It is evident that customers are able to observe if the firm has an emphasis in customers and or competitors. In the case of interfunctional coordination, it could be well said that their contribution are not noticed when presence than when they are absence. Finally, this study accentuates our earlier argument that customer satisfaction is derived from the “value” delivered by the level of service from

being market- oriented. In conclusion, this study has provided an insight into the market orientation service quality( SQ) and customer satisfaction(CS) relationship.

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