

## **Effects of Market Orientation on Business School Performance: A View from Marketing Department Chairpersons and Business School Deans of AACSB Member Schools**

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### **Abstract**

*This manuscript reports the results of a national survey examining the levels of reported market orientation toward students and explores its impact on business school performance. The business schools researched were all members of AACSB and all were located in the United States. Marketing department leaders and the business school deans were asked to respond to a mailed survey. Ninety-four marketing department chairpersons and 131 business school deans responded. The manuscript details the data collection and analysis processes, the statistical findings, implications for business school administrators, as well as a call for additional research.*

### **Introduction**

AACSB-International standards for business school accreditation outline requirements that if met lead to accreditation thereby elevating the status of the school as well as indicating superior performance. Additionally, the Baldrige National Quality Program (BNQP 2005) has established the *Baldrige Education Criteria for Performance Excellence* for universities and other educational organizations, and includes a “student, stakeholder, and market focus category” (BNQP 2005) among the criteria leading to performance excellence. This particular category of criteria suggests that organizations identify potential market segments and determine which ones to pursue, then take steps to learn “key requirements and changing expectations,” build relationships, increase loyalty, and determine satisfaction/dissatisfaction of those student/stakeholder markets. The focus category also emphasizes the importance of strategic decisions regarding the extent that university business schools may choose to focus on particular markets, and the balance of focus between chosen markets. These decisions may obviously contribute to the culture of the school, encouraging or discouraging attentiveness to students and potential students, parents of students, future employers of graduates, and other student/stakeholder markets. Market selection and other applications of marketing theory by practitioners within higher education are appropriate and should certainly be beneficial. The idea that organizations of higher education should employ marketing strategies to improve their performance appeared in the literature as early as the 1960s. Kotler and Levy (1969) were pioneers in successfully arguing for broadening the scope of marketing (and the marketing concept) to include higher education as well as other non-business organizations.

This paper reports the results of an empirical study within AACSB member schools examining the levels of self-reported market orientation (independent variable) and investigates if higher levels impact reported organizational performance (dependent variable).

### **Discussion and Literature Review**

BNQP (2005) incorporates behaviors and actions indicative of high levels of market orientation as described in the marketing literature (Jaworski and Kohli 1993; Kohli and Jaworski 1990; Narver and Slater 1990; Slater and Narver 1994) throughout the education criteria for performance excellence.

Further, the marketing literature (Barksdale and Darden 1971; Houston 1986; Jaworski and Kohli 1993; Kohli and Jaworski 1990; Narver and Slater 1990; Sigauw, Brown, and Widing 1994) supports assertions by practitioner-oriented publications such as the *Baldrige Education Criteria for Performance Excellence* (BNQP 2005) that these behaviors and actions result in a greater ability of the organization to achieve its objectives and attain higher levels of performance. The term “market orientation” refers to the extent that an organization uses the marketing concept; Kohli and Jaworski describe the processes required to engender a market orientation as a “distinct form of sustainable competitive advantage” (1990). They state that market orientation consists of “the organizationwide generation, dissemination, and responsiveness to market intelligence” (1990). Narver and Slater agreed with Kohli and Jaworski, proposing three behavioral components (customer orientation, competitor orientation, interfunctional coordination) that “comprehend the activities of marketing information acquisition and dissemination and the coordinated creation of customer value” (1990).

Performance excellence is sought not only in business organizations but in the nonprofit sector as well, including higher education organizations. College and university schools of business seek formal accreditation from outside organizations to indicate to themselves and outside stakeholders that they are performing at a high level. The premier business school accrediting organization is the AACSB-International (the Association to Advance Collegiate Schools of Business-International).

Business school accreditation (a mark of high performance) has been in existence via AACSB for more than 100 years. However, only recently has the study of market orientation impacts on performance been introduced into the higher education marketing literature. Hammond, Webster, and Harmon in 2006 demonstrated correlation between market orientation and organizational performance. From there, others have continued to research market orientation effects on performance and have found that there is causal effect in many college and university settings, both in the United States and in other countries as well. (See Hemsley-Brown and Oplatka 2010; Webster, Hammond and Rothwell 2010; Kuster and Aviles-Valenzuela 2010; Zakaria, Roslin, and Daud 2011; Webster and Hammond 2012; and Tran, Blankston, and Roswinanto 2015). This study is an extension of previous market orientation research in higher education, specifically in AACSB business schools.

### ***Research Questions***

The objectives of the study were to answer the following research questions:

What are the mean levels of market orientation toward students as reported by marketing department chairs and business school deans of business schools belonging to AACSB?

How do the mean levels of market orientation of the marketing chairs and business school deans toward students compare to the levels of market orientation toward customers reported by specialty business managers as catalogued in previous research conducted on businesses in the private sector?

What are the mean scores of the organizational performance scale reported by the marketing department chairs and business school deans?

Do the levels of reported market orientation toward students affect the level of reported organizational performance?

To answer research question 1, the reported market orientation mean scores of the marketing chairs and business school deans are calculated for the four dimensions of market orientation (customer orientation, competitor orientation, internal coordination, and overall market orientation—the numerical average of the other three).

To answer research question 2, the market orientation mean scores of the marketing chairs and business school deans are compared to the mean scores of specialty business managers as reported by Narver and Slater (1990).

To answer question 3, the mean scores of the organizational performance scale are computed from the inputs from the marketing department chairs and business school deans.

To address question 4 regression models are constructed and analysis of variance is undertaken to determine if the independent variables, those being the three constructs of market orientation (customer orientation, competitor orientation, and interfunctional coordination), have a significant statistical effect on the dependent variable, that being organizational performance of the business school.

## Methodology

Data for the study were collected by way of a mailed survey. Survey instruments along with a cover letter were mailed to marketing department chairs of schools of business located in the United States holding membership in AACSB-International. As key informants (Campbell 1995; Phillips 1981), the business school deans and the marketing chairs were asked to complete the surveys and return them in business reply envelopes that were provided. Of the total survey instruments mailed, 94 were completed and returned by the marketing department chairs and 131 were completed and returned by the business school deans. The response rate was approximately 22%.

To measure market orientation, we chose Narver and Slater's (1990) construct (MKTOR), which consists of several questions addressing specific behaviors and activities which, together, measure the extent that the organization (the school of business in this case) applies the marketing concept. The scale addresses concerns raised by Barksdale and Darden (1971) that market orientation is properly measured in terms of behaviors and activities instead of "philosophical notions." A seven point response scale is used ranging from one (1) "not at all" to seven (7) "to an extreme extent." Scores above the midpoint (4.0) indicate application by the respondent of the marketing concept; scores below the midpoint indicate a lack of application by the respondent. Questions from the original scale were modified somewhat to conform to the vocabulary prevalent in academic institutions and, as noted above, to avoid referring to students as "markets" or "customers." We combine the questions to form three subscales that measure the market orientation components (customer orientation, competitor orientation, interfunctional coordination), matching Narver and Slater's methodology. The subscales combine to form an overall measure of market orientation, also matching Narver and Slater's methodology. 15 questions were used in the collection of the customer and market orientation data. The questions and explanatory information about the survey questions may be found in appendix 1.

"Overall performance" is measured using the subjective Jaworski and Kohli (1993) two-item measure that is based on executive opinion of performance. No specific performance goals are assumed for the respondents. Each respondent is requested to answer the two questions about actual recent overall performance relative to the expectations and performance goals of their organization, in this case the marketing department. Possible responses on the seven point response scale range from poor (1) to excellent (7). The two question survey may be found at appendix 2 at the end of the paper. Slater and Narver (1994) defend the use of subjective performance measures, noting that the measures "are used commonly in research on private companies or business units of large corporations" as well as the "strong correlation between subjective assessments and their objective counterparts" indicated in previous research. Both scales were vetted for reliability and validity previously (see Hammond *et al*, 2006).

## Results

Tables 1 and 2 present the mean scores and standard deviations for the three market orientation constructs and the overall market orientation score (the arithmetic average of the three component scores) as well as the mean scores and standard deviations for the performance indicator. Table 1 data are from marketing chairs and Table 2 data are from business school deans. These two tables answer research questions number 1 and number 3.

**Table 1: Descriptive Statistics**

**Mean Scores for Market Orientation Constructs (3) and Performance Indicator for AACSB Marketing Chairs**

Description	Mean	Std. Dev.	N
MO-Customer	4.723	.9088	94
MO-Competition	3.463	1.030	94
MO-Coordination	3.973	1.073	94
MO-Overall	4.053	1.004	94
PERFORMANCE	5.432	1.103	94

**Table 2: Descriptive Statistics**  
**Mean Scores for Market Orientation Constructs (3) and Performance Indicator for AACSB Deans**

Description	Mean	Std. Dev.	N
MO-Customer	4.550	1.056	131
MO-Competition	3.711	1.130	131
MO-Coordination	4.133	1.072	131
MO-Overall	4.131	1.086	131
PERFORMANCE	5.319	0.897	131

Table 3 present results of the t-tests undertaken to determine if statistically significant differences exist between the mean scores, associated with the components of market orientation, of business managers and marketing department chairs and the business school deans. The business managers reported higher levels that were statistically significant for each of the three constructs as well as for overall market orientation. The information in Tables 3 answers research question 2.

**Table 3: Means and t-test Results for Marketing Department Chairs and Business School Deans versus Specialty Business Managers Market Orientation Measurements (7 point scale)**

Market Orientation Construct:	Business Managers n=75	Marketing Chairs n=94	Business Deans n=131
	<i>Mean</i>	<i>Mean</i>	<i>Mean</i>
Customer Orientation	5.05	4.72*	4.55*
Competitor Orientation	4.71	3.46*	3.71*
Interfunctional Coordination	4.53	3.97*	4.13*
Overall Market Orientation	4.77	4.05*	4.13*

\*significant at .01 compared to Business Managers

**Table 4: Multiple Regression Model for Marketing Chairs**

$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3$  where:

Y=mean score of the two-item performance scale as reported by the marketing department chairs

$b_0$ =intercept

$x_1$ =mean score of the customer orientation construct as reported by the marketing department chairs

$x_2$ =mean score of the competitor orientation construct as reported by the marketing department chairs

$x_3$ =mean score of the interfunctional coordination construct as reported by the marketing department chairs

**Table 5: Simple Regression Model for Marketing Chairs**

$Y = a + b_1x_1$  where:

Y=mean score of the two-item performance scale as reported by the marketing department chairs

a=intercept

$x_1$ =mean score of the customer orientation construct as reported by the marketing department chairs

**Table 6: Multiple Regression Model for Business School Deans**

$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3$  where:

Y=mean score of the two-item performance scale as reported by the business school deans.

$b_0$ =intercept

$x_1$ =mean score of the customer orientation construct as reported by the business school deans.

$x_2$ =mean score of the competitor orientation construct as reported by the business school deans.

$x_3$ =mean score of the interfunctional coordination construct as reported by the business school deans.

**Table 7: Simple Regression Model for Business School Deans**

$Y = a + b_1x_1$  where:

Y=mean score of the two-item performance scale as reported by the business school deans.

a=intercept

$x_1$ =mean score of the customer orientation construct as reported by the business school deans.

The simple regression models were constructed for two specific reasons. First, the coefficients of the customer orientation construct in the multiple regressions were the only one of the three to be found to be statistically significant. Secondly, as was mentioned earlier in the paper, a mean score above the midpoint of the scale (4.0 in this case) is indicative of the application of the marketing concept.

Tables 8-11 that follow present the results of the analysis of variance of the four regression equations and yield that all the regression models are statistically significant in that all show that organizational performance is positively affected by higher market orientation scores in the first instance and singularly by customer orientation scores in the case of the simple regressions. The analyses of the regression models that follow provide insight and answers to research question 4.

**Table 8: Analysis of Variance of the Regression Model Market Orientation Component Scores Effect on Performance as Reported by AACSB Marketing Department Chairs**

Source	F	Significance
Model	7.599	.000
MO/Cust	9.462	.003
MO/Comp	.007	.934
MO/Coord	.612	.436

\*R Squared=.202 (Adjusted R Squared=.196)

**Table 9: Analysis of Variance of the Regression Model Customer Orientation Scores Effect on Performance as Reported by AACSB Marketing Department Chairs**

Source	F	Significance
Model	22.281	.000
MO/Cust	22.281	.000

\*R Squared=.195 (Adjusted R Squared=.186)

**Table 10: Analysis of Variance Market Orientation Component Scores Effect on Performance Reported by AACSB Business School Deans**

Source	F	Significance
Model	14.261	.000
MO/Cust	15.395	.000
MO/Comp	1.551	.215
MO/Coord	1.269	.262

\*R Squared=.252 (Adjusted R Squared=.234)

**Table 11: Analysis of Variance Market Orientation toward Customer Effect on Performance as Reported by AACSB Business School Deans**

Source	F	Significance
Model	42.848	.000
MO/Cust	42.848	.000

\*R Squared=.244 (Adjusted R Squared=.238)

## **Implications**

This research finds that customer and market orientation do indeed affect organizational performance at least as reported by the marketing department chairs and business school deans. Higher levels of both the single construct of customer orientation and the three construct market orientation model are both significant models (variables) in explaining changes in levels of reported performance. The research findings demonstrate that businesses perceive a greater importance and have made greater progress in the implementation of the marketing concept vis-à-vis university schools of business as perceived by their academic marketing department chairs and business school deans. This research found, as has previous research conducted on business organizations, that organizational performance may be improved by increasing levels of market orientation. Based on this study, university schools of business would seem to have ample opportunity to improve.

As students of the university may be viewed as the most visible of the numerous markets served, market orientation efforts focused at students would seem to have the potential for the fastest and highest payoff. Examples of such payoffs, all of which might correctly be viewed as performance indicators might include:

1. A potential increase in enrollment within the business school and marketing department
2. A potential increase in the number of business/marketing majors
3. A potential increase in the retention rate of current business/marketing students
4. A potential increase in the graduation rate of business school students

In view of Narver and Slater (1990) and Kohli and Jaworski (1993) findings that enhanced levels of market orientation will improve the competitive advantage of organizations, business schools appear to be organizations ripe to take advantage of the market orientation concept. Focus on creating market orientation culture should serve both schools and their various stakeholders, not just students, in more effectively achieving the organizational mission.

## **Future Research**

Additional research in organizational culture including that of market orientation should be conducted in other non-profit organizations. Of particular interest would be an expansion of this line of research into other areas of higher education, into governmental agencies that provide services to the public, and into the non-profit side of the healthcare industry.

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## APPENDIX 1

Market Orientation Survey Questions Sent to

Marketing Department Chairs and Business School Deans of AACSB Schools of Business

1. Our objectives are driven by satisfaction of our students.
2. We measure satisfaction of our students systematically and frequently.
3. Those responsible for recruiting students regularly share information within our business school/institution concerning competitor's strategies.
4. Our market strategies (such as recruiting and retention) are driven by our understanding of the possibilities for creating value for our students.
5. We respond rapidly to competitive actions that threaten us.
6. We constantly monitor our level of commitment and orientation to students.
7. University administration regularly discusses competitors' strengths and strategies.
8. All levels of administration understand how the entire institution can contribute to creating value for students.
9. We give close attention to service of students after enrollment.
10. Our strategy for competitive advantage is based on our understanding of our student's needs.

11. We encourage other staff and faculty outside of recruiting/administration to meet with our prospective students.
12. All of our departments are responsive to and integrated in serving students.
13. Information on recruiting successes and failures are communicated across functions in the business school/institution.
14. We share information and coordinate resource use with other units in the institution.
15. We target potential students where we have, or can develop a competitive advantage.

Each question answered on a 7 point scale: 1=Not At All, 7=to An Extreme Extent. Questions 1, 2, 4, 6, 9, and 10 relate to the Customer Orientation construct/dimension, Questions 3, 5, 7, 11, and 15 relate to the Competitor Orientation, Questions 8, 12, 13, and 14 relate to Organizational Coordination. The Overall Marketing Orientation score is computed by averaging the mean scores of the other three sets of questions.

## **APPENDIX 2**

Performance Measurement Questions Sent to Marketing Department Chairs and Business School Deans of AACSB Schools of Business

1. Overall performance of the school of business last year was.
2. Overall performance of your school of business relative to major competitors last year was.

Both questions answered on a 7 point scale: 1=Poor, 7=Excellent