Accounting Department Chairpersons of Private Universities Rate Business School Performance through a Market Orientation Lens

Robert L. Webster
Ouachita Baptist University
410 Ouachita St., Box 3670
Arkadelphia, AR 71998-0001

Jeanie A. Curry
Ouachita Baptist University
410 Ouachita St., Box 3671
Arkadelphia, AR 71998-0001

Kevin L. Hammond
The University of Tennessee at Martin
College of Business and Public Affairs
Martin, TN 38238

Abstract

This paper investigates the uses and possible benefits of a market orientation strategy within higher education. The manuscript reports the results of a national survey examining the levels of reported market orientation toward students and its impact on business school performance for private university business schools belonging to AACSB-International. The research seeks to determine if private business schools exhibit levels of market orientation similar to for-profit businesses and if levels of reported market orientation affect reported levels of organizational performance. The private universities studied were all members of AACSB and all were located in the United States. The accounting department chairpersons were asked to respond to a mailed survey. The survey questions used came from a reworded Narver and Slater (1990) "market orientation" scale and the Jaworski and Kohli's (1993) "overall performance" scale. Thirty-nine (39) accounting department chairs responded to the survey.

Keywords: Market Orientation, Organizational Performance, AACSB Business Schools

1. Introduction

Organizations of all forms, including for-profit businesses and nonprofit organizations such as educational institutions, seek to attain and maintain high levels of performance. Numerous organizational strategies may be used in the pursuit of superior performance. A list of such strategies might include for example a low cost strategy, a production strategy, a service strategy or a market orientation strategy. But, can a particular organizational strategy or culture lead to improved organizational performance? And, if so, can such a strategy or culture be described and then be measured quantitatively? And, if measurements can be made will comparisons in measurements between organizations and/or between organizational levels be advantageous in helping organizations improve their performance? This research investigates these questions and attempts to provide insight into how performance of private business schools belonging to AACSB-International may be influenced by a market orientation strategy.

Prior empirical research on market orientation has primarily focused on the business enterprise (Narver and Slater, 1990; Kohli and Jaworski, 1993; Siguaw *et al*, 1994). Given that successful businesses often report higher levels of market orientation, we postulate a similar situation may be present in nonprofit organizations as well. As such, we chose to investigate private business schools because of their similarities to business enterprises. Specifically, a school of business serves numerous constituencies.

It must identify wants and needs of its clientele; it operates to provide value to its constituencies; it is influenced by external factors; and it is an organization with many interfunctional areas and departments. Although a school of business does not operate to make a profit, private schools must plan for sustaining themselves by raising enough capital to allow them to operate year after year without support from the state, unlike state supported schools. Additionally, business schools teach the principles, methods and techniques used by businesses in their pursuit of success and business school administrators and faculty may possess similar managerial mindsets, values, and backgrounds similar to their business counterparts. Accounting department chairs were chosen to be the focus of this study as they make up the largest group, in terms of sheer numbers, of administrators and faculty within AACSB member private business schools, see AACSB-International Business School Trends and 2010 List of Accredited Schools (2010).

AACSB-International standards for business school accreditation outline requirements that if met elevate the status of the school. Business schools that have attained AACSB accreditation are providing the assurance of high performance. Administrators and faculty of these schools have recognized the importance of accreditation in the marketing of the business school to potential students, parents of students and employers of students. 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 nonbusiness organizations. In the marketing literature, the establishment and use of a market orientation strategy has been shown to increase levels of performance within the business sector. The strategy termed market orientation is described as an organizational culture in which everyone in the organization is committed to the customer and adapts in a timely manner to meeting the changing needs of the customer. Market orientation blends a company culture dedicated to providing superior value with successfully achieving a customer focus, acquiring competitor intelligence, and maintaining interfunctional coordination. It is viewed as the implementation of the marketing concept. This paper investigates the level of market orientation toward students within private business schools belonging to AACSB and its link/importance, if any, in organizational performance.

2. Discussion and Literature Review

Excellence of performance in higher education is self-evidently important. In accounting and in the other business disciplines, excellence is assessed and assured by the qualification standards of the bodies awarding formal accreditation to business schools (Karathanos and Karathanos 1996). For American business schools, the main accreditation body is AACSB-International (the Association to Advance Collegiate Schools of Business). Performance is ranked more informally in the U.S.A. by the annual guide published by *U.S. News and World Report* and by the *Peterson's* web-based educational information resource, both directed at prospective students, their parents and their advisers.

The BNQP (2005), mentioned above, incorporates behaviors and actions indicative of high levels of market orientation as described in the marketing literature (Kohli and Jaworski 1990; Narver and Slater 1990; Jaworski and Kohli 1993; Slater and Narver 1994; Webster, Hammond, and Harmon 2005; Hammond, Webster, and Harmon 2006; Webster, Hammond, and Rothwell 2010) throughout the education criteria for performance excellence.

Further, the marketing literature (Barksdale and Darden 1971; Houston 1986; Kohli and Jaworski 1990; Narver and Slater 1990; Jaworski and Kohli 1993; Siguaw, Brown, and Widing 1994) supports assertions by practitioner-oriented publications such as the 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 organization wide 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).

Although the idea of adopting a market orientation strategy as a means of improving organizational performance in higher education dates back to the 1960s, only recently have studies of market orientation in higher education been found in the literature.

Hammond, Webster, and Harmon (2006) provided a comparison of the market orientation components to criteria for performance excellence described in the BNQP 2005. They also demonstrated a link between levels of market orientation and organizational performance, the first such study to do so in a higher education context.

Oplatka and Hemsley-Brown (2007) analyzed the implications of market orientation for managers in a school environment and suggested an approach to incorporating market orientation into the school culture, with an emphasis on leadership’s key role in that process. They concluded that customer orientation, with a focus on students, was a key component in helping administrators and teachers to understand the school and its environment, and be capable of creating and providing value over time.

Lewison and Hawes (2007) suggested that students are an important target market for a university and should be viewed as customers. They explored the relative merits of mass marketing and target marketing and concluded that the “intangible and perishable nature” of the higher education product increases the need for identifying a target market and developing a strategy to reach it.

Ma and Todorovic (2011) surveyed department chairs of computer science, engineering, and health science departments in universities across the U.S. Their results showed that market orientation does contribute significantly to university department performance, but they concluded that the external community, rather than the student, is the appropriate university customer.

Although not in the realm of higher education, in one of the first studies to examine the relationship between market orientation and performance over time, Kumar, Jones, Venkatesan, & Leone (2011) showed that market orientation has a positive influence in both the short and the long run. They concluded that since the benefits of market orientation take time to become fully realized, the importance of management in supporting a market-oriented culture is vital. Their findings may well be appropriate to the world of higher education.

3. Research Questions

The objectives of this study are to answer the following research questions:

Can existing scales be reworded and used to produce reliable and valid measurements of market orientation and overall performance in the context of the university setting?

What are the mean levels of market orientation toward students as reported by accounting chairs of private AACSB business schools? And, how do these mean levels compare to the mean levels of market orientation toward customers as reported by specialty business managers as catalogued in previous research conducted on businesses in the private sector?

Do levels of reported market orientation toward students impact the level of reported organizational performance within private business schools belonging to AACSB?

To address Research Question 1, we reworded Narver and Slater’s (1990) market orientation scale. Narver and Slater explain that this scale, consisting of three behavioral components, is also consistent with the findings of Kohli and Jaworski (1990).

The behavioral components of the scale include the activities described by Kohli and Jaworski (1990). The two sets of authors agreed that market orientation is continuous rather than dichotomous and, addressing concerns raised by Barksdale and Darden (1971), is properly measured in terms of behaviors and activities instead of "philosophical notions." Accordingly, the Narver and Slater measure consists of several questions addressing specific behaviors and activities that, together, measure the extent that the organization (or organizational unit) applies the marketing concept. The market orientation scale of Narver and Slater is reworded as necessary and applied to the students. The survey is discussed more fully in the Methodology section of the paper.

"Overall performance" is measured using a slightly modified Jaworski and Kohli (1993) two-item measure that is based on executive opinion of performance. This subjective measure incorporates differences in performance goals that exist from school to school by simply requesting the accounting department chairs indicate the recent overall performance of their business school, from poor to excellent. The wide range of possible performance goals, then, is not assumed in the survey for the business school but is left for the respondent to decide which goals should influence their responses. Each respondent should answer the questions about actual overall performance relative to the expectations and performance goals of that particular business school. Slater and Narver (1994) echo Jaworski and Kohli's defense of the use of subjective performance measures, noting that the measures "are used commonly in research on private companies or business units of large corporations." Slater and Narver (1994) also noted the "strong correlation between subjective assessments and their objective counterparts" found in previous business research.

Research question 1 is addressed through psychometric analysis of the scales. The scales and their development are more fully discussed in the Methodology section of this paper and the psychometric analysis is addressed in the Results section.

To answer research question 2 the reported market orientation mean scores of the accounting chairs are calculated for the dimensions of market orientation (customer orientation, competitor orientation, internal coordination, and overall market orientation—the numerical average of the other three). Then, the mean scores of the accounting chairs are compared to the mean scores of specialty business managers as reported by Narver and Slater (1990). The general hypotheses were that there were no differences between the customer and market orientation scores of the business mangers and the accounting department chairs. These hypotheses were tested by way of a series of t-tests that compared mean scores of the accounting department chairs to those of the business managers. For each comparison, t-tests were conducted separately on the four components of market orientation.

To address question 3, a multiple regression model is constructed and analysis of variance of the regression model 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, organizational performance.

4. Methodology

Data for the study were collected by way of a mailed survey. Survey instruments along with a cover letter were mailed to accounting department chairs of private schools of business located in the United States holding membership in AACSB-International. As key informants (Campbell 1995; Phillips 1981), the accounting chairs were asked to complete the surveys and return them in business reply envelopes that were provided. Of the total survey instruments mailed, 39 were completed and returned. The overall response rate was approximately 29%. Data for market orientation and for overall performance of the accounting departments were gathered from the respondents through the use of scales mentioned above. Anticipating that some respondents may have difficulty with the concept of students as a market (or customers) of higher education, we do not use those terms in the survey. We simply refer to students as students. We also avoided the terms marketing, marketing concept, and market orientation in the survey and the cover letter. Churchill (1979) suggests that the appropriateness of scales borrowed from other studies needs to be addressed before survey research is accomplished. Therefore, all our scale items were pre-tested before mailed to the department chairs. We first consulted with several deans, chairs, and other university administrators. These consultations resulted in a cover letter that more clearly defined the purpose of the research and rewording of several questionnaire items.

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 Likert 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, and 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 market orientation data. The questions and explanatory information about the survey questions may be found in Appendix 1 at the end of the paper.

"Overall performance" is measured using the modified 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 business school. Possible responses on the seven point scale range from poor (1) to excellent (7). The survey questions may be found in 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.

The possibility of nonresponse bias was investigated by comparing early and late respondents (Armstrong and Overton 1977). The tests indicated no significant differences between early and late respondents (at the .10 level of significance). Also, Berdie (1989) found that, even in the event of nonresponse bias in mail surveys, typically the bias did not alter the survey findings. We proceeded on the basis that significant nonresponse bias did not exist.

Narver and Slater (1990) reported market orientation scores for three separate types of businesses: commodity, specialty, and distribution. We believe schools of business demonstrate more of the characteristics of specialty businesses than the characteristics of the commodity or distribution businesses. The commodity and distribution businesses in the Narver and Slater study produced and sold generic products designed for a wide range of customers. The specialty business firms produced and sold products that were individualized (relative to the commodity products) for specific customer orders. By adapting its generic or base product, the specialty products firm creates superior value and thereby provides more benefit to the customer. This type of firm is challenged to constantly monitor the competitive environment and to be vigilant for changes in the customer requirements. Likewise AACSB-International private schools of business seek to provide a product that is individualized through its programs of study or majors. AACSB-International schools would argue that a superior product (relative to non-member schools) is provided that would benefit its customers (or students). We therefore used the market orientation scores for specialty business as reported by Narver and Slater (1990) for our comparisons.

5. Results

After receiving the surveys back from the respondents, the reworded Narver and Slater scale was subjected to reliability analysis, exploratory factor analysis and confirmatory factor analysis (Wheaton, Muthen, Alwin, & Summers 1997; Bentler & Bonett 1980; Marsh & Hocevar 1985; Bentler 1990; Browne & Mels 1992; and Browne & Cudeck 1993). Results of these analyses indicated satisfactory reliabilities (ranges from .73 to .91), satisfactory item-to-total correlations (ranges from 0.4 to 0.8), exploratory factor loadings ranging from 0.5 to 0.8, and confirmatory factor loading ranging from 0.36 to 0.82. Additionally, the confirmatory factor analysis demonstrated generally acceptable fit. These test results included comparative fit index measures ranging from .784 to 1.000, a Tucker-Lewis index ranging from .702 to 1.000, and the CMIN/DF ranging from 2.05 to 2.56. The RMSEA low values at the 90% confidence interval fell below 0.10 for all scales. The Pearson correlation coefficient for the two-item overall performance scale was computed to be .709 (sign. .000), indicating reliability for this two-item scale. These results indicate that research question 1 may be answered in the affirmative.

Table 1 below presents the mean score for the three market orientation constructs and the mean for the overall market orientation score (the arithmetic average of the three component scores) as well as the mean score for the performance indicator. All scores are compiled from the data received from the accounting chairs. Table 1 also presents the results of four separate 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 accounting department chairs. As can be seen in the table, the business managers reported higher levels for each of the three constructs as well as for overall market orientation, and in each of the four t-tests, the scores were found to be different by a statistically significant margin. The information in Table 1 answers research question number 2.

Table 1: Means and T-Test Results for Accounting Department Chairs versus Specialty Business Managers Market Orientation Measurements (7 Point Scale)

Market Orientation Construct:	Business Managers n=75	Accounting Chairs n=39
	Mean	*Mean*
Customer Orientation	5.05	4.77**
Competitor Orientation	4.71	3.81*
Interfunctional Coordination	4.53	4.13**
Overall Market Orientation	4.77	4.24*

*significant at .01 compared to Business Managers
**significant at .05 compared to Business Managers

The mean score for the performance variable calculated for the accounting department chairs was 5.47 on the 7-point scale. A specific performance score was not reported in the literature for the specialty business managers.

Next, a multiple regression model was developed to ascertain if the market orientation scores affected the performance indicator scores, at least as far as the accounting chairs in this study are concerned. The regression equation is described and explained below. Following the description of the regression model will be a discussion of the results and analysis of the model.

The regression model developed to answer research question 3 follows:

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

Y=mean score of the two-item performance scale as reported by the accounting chairs of private schools

b_0=intercept
x_1=mean score of the customer orientation construct as reported by the private school accounting department chairs
x_2=mean score of the competitor orientation construct as reported by the private school accounting department chairs
x_3=mean score of the interfunctional coordination construct as reported by the private school accounting department chairs

Table 2 that follows presents the results of the analysis of variance of the regression equation. As can be seen below, the regression model is statistically significant in that it shows that organizational performance is positively affected by market orientation scores.

Table 2: Analysis of Variance of the Multiple Regression Model Market Orientation Component Scores Effect on Performance Private School AACSB Accounting Department Chairs

N=39

Source	F	Significance
Model	7.99	.000
MO/Customer	4.07	.050
MO/Competition	5.09	.030
MO/Coordination	0.39	.537

*R Squared=.407 (Adjusted R Squared=.356)

6. Implications

This research finds that a market orientation strategy (or culture) as defined in the marketing literature does indeed affect and have some explanatory power as far as organizational performance is concerned, at least as reported by the private school accounting department chairs. The research findings also demonstrate that businesses perceive a greater importance and have made greater progress in the implementation of the marketing concept vis-à-vis private university schools of business as perceived by their academic accounting department chairs. This research found, as has previous research conducted on business organizations, that organizations may improve their performance by increasing levels of market orientation.

The accounting department chairs reported lower levels of market orientation in their organizations than did their business counterparts. This may signal that the accounting department chairs are either not familiar with the marketing concept and/or customer and market orientation, reject the idea that students are customers of the school, or all of the above. However, a significant opportunity would seem to exist to improve business school performance for schools that will put more effort into a market orientation strategy. 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. An increase in enrollment within the business school and accounting department
2. An increase in the hit rate (increase in percent of applicants that actually enroll)
3. An increase in the number of business/accounting majors
4. An increase in the retention rate of current business/accounting students
5. An increase in the number and percentage of business and accounting graduates

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 a market orientation culture should serve both schools and their various stakeholders, not just students, in more effectively achieving accounting department and business school objectives.

Our conclusions are tempered by the findings of Noble, Sinha, & Kumar (2002) and Haugland, Myrtveit, & Nygaard (2007) that there appears to be no single strategic orientation that leads to superior performance in every case; and as previously stated, building a market orientation culture within an organization is not a quick fix but rather a continuous process.

7. Future Research

The research we report leaves open several related areas of interest for additional study. For example, do customer and market orientation levels vary between different public and private business school or between levels of administrative responsibility within business schools? Other examples include research to determine the impact or influence that variables such as size of a school, school affiliation (AACSB, ACBSP, or neither), admission standards, placement efforts, or recruiting efforts have on customer and market orientation.

Also, research on other stakeholders such as parents of students, employers of students, and alumni associated with schools of business would be useful. Such research would further our understanding of the market orientation construct and its application within higher education.

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Appendix 1

Market Orientation Survey Questions Sent to Accounting Department Chairs 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 students 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 Accounting Department Chairs 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