

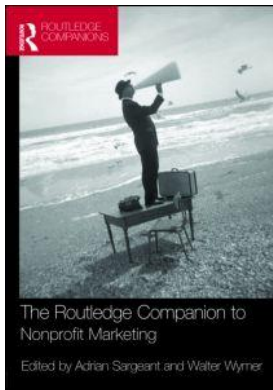
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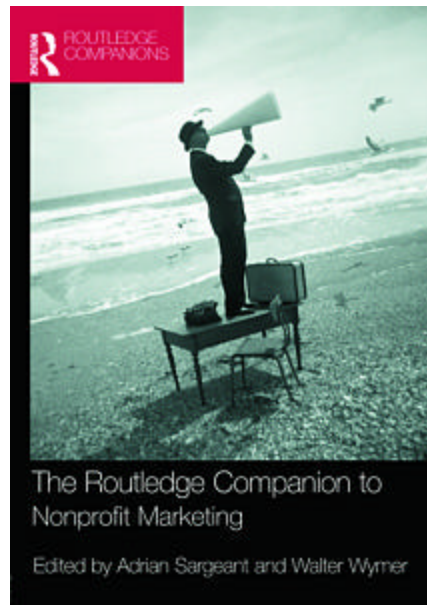
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# 15

## Applying the marketing concept in higher education

### A stakeholder approach

*Mei-Na Liao*

#### Introduction

During the past four decades, there has been a constant move from an elite system to a mass system in the higher-education (HE) sector in developed countries, in particular, the UK and the USA (Bargh *et al.* 1996; Bekhadnia 2001; Dearing 1997; Thomas 2001). Compounded by a decrease in government funding (per student), this movement has created an increasingly competitive environment for higher-education institutions (HEIs). Consequently, these institutions are now placing far greater emphasis on marketing. Marketing activities have become important within universities, and many authors now write widely about the application of marketing techniques in the HE sector. However, the application of the marketing concept *per se* in HE received little attention, and it remains an area of challenge (Brookes 2003; Maringe 2005; Sargeant 2004). The extant literature tends to adopt the market orientation construct, which was developed within large multinational organizations, as the operationalization of the marketing concept for all sectors. However, many authors in nonprofit marketing have questioned the appropriateness of this approach, in terms of its terminology and its components (Freris 2002; Liao *et al.* 2001; Maringe 2005; Sargeant *et al.* 2002; Siu and Wilson 1998). Furthermore, as it is argued in this chapter, if universities strictly apply market orientation, it could compromise their societal role and charitable status. The subsequent parts of this chapter provide an overview of the extant studies on marketing in HE, review literature on the development of the operationalization of the marketing concept, critically evaluate the adoption of market orientation in HEIs and identify the main issues faced, propose a societal orientation model and discuss the implications for the implementation of the societal orientation construct. The model was developed from my earlier works with Adrian Sargeant (Liao *et al.* 2001; Sargeant *et al.* 2002) on nonprofit organizations. Because most of the HEIs are essentially nonprofit organisations, the societal orientation model would fit the HEIs better than other for-profit models, such as customer orientation and market orientation models.

## **Marketing in HE**

Marketing is becoming one of the main operational activities within universities. Most universities now have a marketing director and/or an independent marketing department, rather than or in addition to a recruitment officer/department. Marketing issues are now well cited in education management journals, such as the *International Journal of Education Management* and the *Journal of Educational Administration*. Indeed, the adoption of marketing techniques in HEIs is not a new phenomenon. Kotler and Levy (1969) were the first to argue the relevance of the marketing concept to nonprofit organizations, which include most educational institutions. Since then many authors have written widely on the application of marketing HEIs (e.g. Heist 1995; Kotler 1976; Kotler and Fox 1995; Sargeant 2004; Sargeant and Liao 2000). In particular, much of the literature has focused on one of the following areas: student recruitment and decision-making (Cubillo *et al.* 2006; Maringe 2006); student retention and relationship management (Armstrong 2003; Farr 2003; Klayton 1993; Seeman and O'Hara 2006.); marketing mix in HE (Bingham 1987; Stewart 1991); international education marketing (Cubillo *et al.* 2006; Hemsley-Brown and Oplatka 2006; Mazzarol *et al.* 2003); marketing strategy, segmentation and positioning in HE (Bakewell and Gibson-Sweet 1998; Maringe 2006; Trim 2003); students' corporate brand identification (Balmer and Liao 2006); or student satisfaction and services quality (Abdullah 2006; Adee 1997; Ivy 2001; Mai 2005). Despite the extended interests of HE marketing demonstrated in the literature, the application of the marketing concept per se in HE has received little attention (Brookes 2003; Maringe 2005; Sargeant 2004).

There is a consensus in the literature that market orientation represents the operationalization of the marketing concept and indeed some authors adopted the market orientation construct to represent the operationalization of this business philosophy in the HE sector. However, this approach has been criticized for its inadequate representation of the reality and for providing limited guidance for implementation (see e.g. Liao *et al.* 2001; Maringe 2005; Sageant *et al.* 2002). Indeed, Maringe (2005) points out that HE marketing has not adequately domesticated itself and continues to rely on imported wisdom from the business sector, which in turn has contributed to the resistance of marketing practices among academic staff in the HE sector.

### **Market orientation**

The early works on the operationalization of the marketing concept were instructive and normative in nature; they were largely reports of consultants' and practitioners' personal experience (Felton 1959; Keith 1960). For example, based on his professional experience at Pillsbury, Keith (1960) illustrated the evolution of the marketing concept, from product orientation, to sales orientation, to marketing orientation, and finally to marketing control (which subsequent literature referred to as market orientation, in terms of achieving an integrated marketing company). The subsequent works considered the philosophy of marketing and developed descriptive accounts of how to achieve a market orientation (McNamara 1972), delineate the benefits of achieving it (Viebranz 1967), broaden its scope (Kotler and Levy 1969), define its boundaries (Houston 1986; Levitt 1969), or focus primarily on implementation issues (Felton 1959). Kohli and Jaworski (1990) and Narver and Slater (1990) were among the first to develop empirically the market orientation construct, that is, to operationalize the marketing concept.



Over the many years of debate on the meaning and scope of market orientation, there has been considerable confusion in terms of both the components, its construct and the terminology that should be used (Shapiro 1988). Indeed, many different terms have been used in the literature for what is essentially the same concept, namely, market driven, customer driven, market led, customer led, customer orientation, marketing orientation and market orientation (Chang and Chen 1993; Kohli and Jaworski 1990; Shapiro 1988; Webster 1994). There is now a consensus in the literature that the term 'market orientation' is preferred to denote the implementation of the marketing concept.

Given these discrepancies, it is perhaps not surprising that a variety of different meanings have been attributed to the construct (Kohli *et al.* 1993). These include involving marketing executives in strategic decisions (Felton 1959; McNamara 1972), emphasizing customer concerns over those of the production function (Konopa and Calabro 1971), integrating activities within the marketing function (Felton 1959; McNamara 1972), and determining the extent to which marketing can be afforded a leadership role (Viebranz 1967). Among these, the literature has particularly emphasized the necessity for organizations to adopt a focus on their customers (Levitt 1969; Piercy 1997) if they are to survive in the long run. Piercy (1997) provides several practical insights into how this might be accomplished. A variation on this theme that emphasizes the importance of the interaction with the customer emerged from the services marketing literature (Grönroos 1981), and from the theory of relationship marketing (Gummesson 1987). It has been argued that, particularly in services contexts, the role of the employee is paramount. In cases in which production and consumption occur simultaneously, the employee is the service, and therefore the development of a 'customer consciousness' among staff is essential (Grönroos 1981).

In addition to the dimensions of customer and employee orientations, Kohli *et al.* (1993) note that other relatively consistent themes emerged from the literature. These include coordinated marketing and a focus on profitability. Indeed, these critical dimensions have been reflected in more recent definitions of the market orientation construct. For example, Kohli and Jaworski (1990) emphasize the activities on which organizations should focus, namely, organization-wide generation and dissemination of market intelligence pertaining to current and future customer needs, and organization-wide responsiveness to it. In contrast, Narver and Slater (1990:21) define market orientation as '[t]he organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business'. The authors considered several behavioural dimensions, including a cultural perspective (see also Deshpandé *et al.* 1993), and assumed the view that specific activities (e.g. intelligence generation) are a product of market orientation, rather than market orientation per se. They viewed market orientation as being composed of customer orientation, competitor orientation and interfunctional coordination and developed a set of measurement items to capture each dimension.

However, both sets of authors agreed that market orientation should be regarded as a multidimensional organizational phenomenon, in which each dimension represents a different feature of market orientation. To date, the empirical studies have been based on the extent or degree to which market orientation attained by companies has been measured as an overall average of these various dimensions. Much of the subsequent research conducted in this field has mirrored one or the other conceptualization of the construct (see e.g. Caruana *et al.* 1998; Deng and Dart 1994; Deshpandé *et al.* 1993; Greenley 1995).

## Nonprofit market orientation

Many studies have examined the extent to which the market orientation construct might have relevance for nonprofit organizations. The findings show an overwhelming body of evidence to support the significance of the construct but, more importantly, point out that some adaptations may be required. For example, Siu and Wilson (1998) argue that to apply market orientation to the setting of further education colleges, it is necessary to drop the concepts of profit and competition and to replace them with what authors refer to as 'employ orientation' and a 'long term survival requirement'. Stewart (1991) illustrates market orientation through the management of the marketing mix in the universities examined and concludes that this construct enables institutions to attract and retain students (see also Berry and Allen 1977; Blackburn 1980; Kotler 1976; Kotler and Fox 1995). However, the marketing-mix construct represents only the functional elements of the marketing concept but it neglects the philosophical aspect of the concept, which market orientation represents (Grönroos 1989; Gummesson 1987). Caruana *et al.* (1998) apply the abridged market orientation instrument (MARKOR) to the public and university sectors and find a positive relationship between the level of market orientation and the various measures of performance they adopted. In a study of market orientation in healthcare, Hayden (1993) distinguishes between customers and consumers and examines the organization's orientation towards both. Also in the healthcare sector, George and Compton (1985) emphasize the role of personnel in the context studied and include this dimension in their definition of the construct.

These studies perceived the construct of market orientation as the embodiment of the marketing concept for all sectors regardless of their specific context and thus they have the predisposition to overlook the development of the concept itself. Kotler and Levy (1969:7) define the marketing concept quite differently when they apply it to the nonprofit sector. Thus, it would seem more appropriate to begin from such a definition – namely 'sensitively serving and satisfying human need' – and work from this to an appropriate measure of the extent to which a given organization embodies this philosophy. Sargeant *et al.* (2002) termed this a 'societal orientation'. It could also be argued that the terminology of market orientation developed from the for-profit context does not transfer unequivocally to the nonprofit context, because it implies an orientation towards markets. Although it could be argued that nonprofits have a market for resource acquisition and a market for resource allocation, these are often not true markets in the economic sense of the term. Indeed, as Hansmann (1980) notes, nonprofits can often be a response to a particular form of market failure. It has been argued that nonprofits are the most appropriate category of organization to supply goods and services under (certain) circumstances in which the market mechanism fails. It therefore seems clear that if nonprofits are a reasonable response to the breakdown of the discipline of the market, the term 'market' orientation is a misnomer.

The *components* of market orientation are also problematic in the nonprofit context. The consensus now emerging from the literature in respect to the importance of a customer focus was highlighted previously. In the nonprofit context, organizations are often less concerned with customer satisfaction per se, than they are with the notion of longer-term benefit to society. For example, arts organizations may also forgo customer satisfaction and elect to show particular forms of art, which they know will not appeal to the majority of their existing customers. They do so, however, because they believe that the promotion of such art forms will be good for society and worthwhile overall, even if a loss should result. Such organizations are actively engaged in the furtherance of their mission, often to the detriment of short-term customer satisfaction. In general, it is agreed that placing service users' needs



in the

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centre of the concern when designing new services is important (Bruce 1998). However, although customer satisfaction is important, it is not the only consideration for nonprofit organizations.

Harding (1998:35) points out that from the perspective of a 'non-distribution constraint', the focus on satisfying customers' needs and wants is not a logical goal. First, nonprofits are far from being able to serve customers well; this type of enterprise simply reduces the incentive to serve customers poorly. Second, nonprofits exist precisely because no one group's needs can be preferred. Third, a focus on the end user (e.g. customers, students) is not going to bring in all the incomes that a nonprofit organization needs. Therefore, nonprofits need to satisfy a much wider group of stakeholders than do commercial firms (Lovelock and Weinberg 1984).

### **Societal orientation in the HE context**

In many countries, such as in the UK, HEIs are part of public services, as well as nonprofit organizations; thus, the sector as a whole must fulfil its societal role and provide equal access to HE for all socioeconomic groups (Dearing 1997). Therefore, the economic model cannot be applied unambiguously in the HE context for several reasons. First, HEIs provide education services that have a high level of credence value and are intangible in nature (i.e. students rely on universities to tell them what they need, and it can be difficult for them to obtain accurate comparison among competing offers). Second, the price of services is not entirely determined by the level of demand; for example, in the UK, the government sets a fixed upper-price limit (at the time of writing, the UK universities were allowed to charge students up to £3,000 for fees, which is called a top-up fee) and universities still rely heavily on government funding to subsidize the full cost required. As a result, universities at the top end have their pick of students, while less well-known universities struggle to fill up empty seats in many classes. The latter face the dilemma of whether to charge the top end of the fee. If a university decides to lower its tuition fee, it may give the impression that its programme is of low quality and value, but if it adopts the upper limit, it might not be able to fill its space and consequently might need to take students with lower grades (Baty 2001). Third, in many cases, agreements of service delivery (e.g. university policies, quality standards, regulations) are set by universities and quality-assurance bodies, not by students. Students can choose only to agree to the policy or to decide to withdraw from the university. Fourth, universities set admission criteria to select students according to their intellectual abilities, not their ability to pay a higher price. Indeed, many concerns are raised regarding the effect of 'marketization' in the HE sector on the equality of access to HE. Recently, the *Economist* (2006) cited the writings of Daniel Golden in the *Wall Street Journal* about the admissions practices of US elite universities, which suggested that they are not so much engines of social justice as bastions of privilege. Applying an economic model could mean the end of equal access to HE. Finally, students cannot insist on guarantees of service outcome, even if they are willing to pay an extra price. The outcome of the education services not only depends on universities, but also relies heavily on students' intellectual ability and the efforts made in their learning.

Furthermore, it might be argued that universities are being driven by their mission and value to fulfil societal needs rather than being market driven to satisfy customer needs. This can be clearly identified from most universities' mission statements, in which, to a certain extent, they all reflect their societal responsibilities and values. Two examples of mission statements from UK universities are as follows:



The University of Oxford aims to achieve and sustain excellence in every area of its teaching and research, maintaining and developing its historical position as a world-class university, and enriching the international, national and regional communities through the fruits of its research and the skills of its graduates.

(University of Oxford, 2006)

The University of Bristol is a world-class institution that contributes to society by advancing knowledge and developing creative graduates, and through its cultural, social, economic and environmental activities.

(University of Bristol, 2006)

These mission statements focus on creating, advancing and disseminating knowledge in order to benefit society as a whole, through the achievement of researches and their graduates and their interactions with the industry and society at large. It is clear that the term 'market orientation' is not appropriate in a context in which organizations exist for the betterment of society, as opposed to the generation of shareholder wealth. A societal orientation would seem more appropriate because it implies an organization's aim to satisfy societal needs rather than market needs.

### The societal orientation construct

The societal orientation construct consists of four major components: stakeholder focus, competitor focus, collaborative focus and interfunctional coordination (Liao *et al.* 2001). These four components represent an HEI's focus of actions towards its environments, when it adopts the marketing concept. A university's efforts on these four dimensions will enhance its efficiency and effectiveness as a result (see Figure 15.1).

#### *Stakeholder focus*

Stakeholder theory was first mentioned by name in a Stanford Research Institute memorandum in 1963 (Freeman 1984). Since then, it has gained increasing use in strategy development literature (see e.g. Donaldson and Preston 1995; Freeman 1984). Much of this literature has suggested that stakeholder theory allows the organization to consider a wider range of influencers when developing strategy and that previous theories of the firm do not consider all the 'groups' that influence organizational activities. Freeman (1984:46) defines a stakeholder in an organization as follows: 'A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objective.'

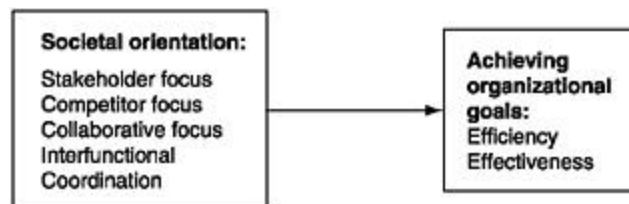


Figure 15.1 The societal orientation construct



Marketing authors, especially in the areas of social marketing and green marketing, have suggested that it is inadequate to focus only on customers and shareholders, and that a broader range of stakeholders should be considered (Polonsky 1995). Polonsky (1995) observes that to some extent, stakeholder theory has implicitly been a core component of marketing theory, since the development of modern marketing philosophy. The stakeholder concept comes into the marketing perspective by addressing the dynamics between the marketing function and the external environment, because it recognizes that an organization is dependent upon multiple publics (e.g. the government, consumers, employees, suppliers, the host community and the general public) for support (Kotler 1972). Lusch and Laczniak (1987) point out that the stakeholder concept is the continuance of an evolutionary marketing process and is the key to the management of an organization's relationships with its broader stakeholders.

As discussed previously, HEIs have a much wider group of stakeholders than a typical forprofit firm; thus, they are arguably the most logical type of organization to require a stakeholder approach in marketing. A review of the literature suggests that by applying a marketing concept, a firm is much more likely to understand the needs of various stakeholders in order to satisfy them most effectively. An emphasis on the collection and dissemination of stakeholder information is crucial in achieving organizations' goals (Kohli and Jaworski 1990). However, there are two fundamental questions that need to be addressed: (a) who are the organization's stakeholders?; (b) how should organizations prioritize their different needs should a conflict arise between them?

To assess properly the extent to which the marketing concept has been operationalized within an HE context, it would be necessary to examine the organization's orientation towards such groups as individual students, alumni, faculties, industry, research funders, local communities, local/national government and society in general.

### ***Competitor focus versus collaboration focus***

It is apparent that competition has become an inevitable trend in the HE sector. However, the term 'competitor orientation' implies a direct competitive relationship with other service providers in the sector. In reality, however, although universities compete for sources of finding and student recruitment, in many cases, HEIs collaborate among themselves. For example, the HE sector often collaborates with other nonprofits institutions in teaching, student exchange, student placement and in research. Indeed, one of the main purposes of an HE institution is knowledge-sharing, to make knowledge accessible to everyone. Universities' mission statements seldom encourage outperforming competitors; rather, they encourage excellence in teaching and/or research. The desire to attain excellence does not necessarily come from competitive pressure (as economic theories tend to suggest), but rather from the mission and value of the institution that drives the integrated efforts. Excellence cannot be achieved by being competitive alone; rather, it often requires effective and meaningful collaborations with other organizations. Therefore, to assess the extent to which the marketing concept has been operationalized within an HEI, it would be necessary to examine its attainment of competitive focus and collaborative focus.

Being competitive focused means a university is aware of the competition in its environment, including competitors' offering (i.e. other universities' course design, facilities and staff recruitment), strategies, student demands, industry employment requirements and academic preferences. The constant generation of marketing intelligence is now critical for universities. It is important to note that the quality standard of a university depends heavily on the quality of its faculty and students. Thus, the ability to attract high-quality academics and students is critical



for maintaining university success. In many cases, universities will no longer be able to sustain both high standards of teaching and research (*The Times* 2006). There is now a scope and need for universities to differentiate themselves, to define their own institutional portfolio, and identify what they can do best to achieve their mission. A university needs to identify its position in the market and focus on its core business.

Collaborative focus is crucial to a university. Collaboration is an essential part a university's mission, as most activities in knowledge creation, advancement, dissemination and sharing require certain levels of collaboration with individuals and/or organizations. Being collaborative focused means a university is actively exploring opportunities for collaboration with other organizations for research, knowledge transfer and teaching. This includes encouraging and supporting its academic members to collaborate with other institutions for research and teaching and to participate in international conferences and forums. Universities have a responsibility to support and maintain scholarly communities. Furthermore, collaborative activities and research projects are rated highly by government research agencies when they consider funding. A collaborative focus is also important for enhancing student learning; for example, many international collaborative networks provide opportunities for students to explore international learning experiences, as well as scholarly collaboration for academics. When a university is part of these networks (e.g. Universitas 21, Worldwide University Network), it is often perceived as prestigious and a good-quality institution.

### ***Interfunctional coordination***

A consensus has emerged in the literature supporting the idea that interfunctional coordination is essential for an organization to achieve its goals (Kohli and Jaworski 1990). Indeed, Keith (1960) argued that the final stage of the evolution of the marketing concept is to achieve an integrated marketing organization in which each department within an organization coordinates to satisfy market needs. Narver and Slater (1990) include this element as one of their three behavioural components; they argue that the coordinated utilization of company resources enables a firm to create superior values for target customers. Siu and Wilson (1998) allude to this as organizational coordination and investigated it at three different levels of coordination (i.e. the individual level, intergroup level and infrastructure level). Interfunctional coordination is particularly supported in the services-marketing literature, in which the important role of individuals in marketing their organization is emphasized (Grönroos 1981; Gummesson 1991). The success of service delivery depends on an organization's ability to coordinate every department involved in the process. In HEIs, interfunctional coordination is paramount. Because HEIs are service organizations, every staff member and department have direct or indirect impact on students' experience of the service encounter. Furthermore, universities tend to have diverse departmental objectives (e.g. between research and teaching, between academic and administrative departments), which can cause conflicting interests and affect staff efficiency and working morale. The attainment of interfunctional coordination depends on the extent to which different university departments share a common goal and work together synergistically.

### ***Societal orientation and HE performance***

Since the 1950s, the link between the extent to which the marketing concept has been operationalized within an organization and its performance has attracted tremendous interest among researchers and practitioners. Most studies have taken the readily attainable financial





criteria, such as profitability, turnover, market share and return on investment. Indeed, for a commercial company profitability is its bottom line, and any measure related to such would be considered germane. However, for a nonprofit HEI, assessing its performance is more complex than measuring profitability alone (Drucker 1990; Kanter and Summers 1987). Liao *et al.* (2002) argue that in a nonprofit context, in which the impact of a societal orientation on performance is assessed, it is desirable to consider both efficiency (in using its resources) and effectiveness (mission directiveness).

### **Further research**

Marketing in the HE sector is relatively underdeveloped and would benefit from more academic attention on theory-building and empirical research. A direct departure from this chapter would be to test empirically the societal orientation model, derived from nonprofit literature, in HEIs and to establish an instrument for measuring the extent to which an HEI has implemented societal orientation. This would potentially verify the proposed model and provide more detailed implications for implementing societal orientation. Further research on universities' relationships with their various stakeholder groups, such as students, academics faculty, local business communities and residences, would also be fruitful. This coincides with the increasing importance of corporate social responsibility for HEIs in their changing environment.

### **Conclusion**

To respond to the increasing competition in the environment, universities have begun to put more emphasis on their marketing activities. There has been an increasing interest in applying market orientation in the HE sector. The review of literature shows that market orientation developed from for-profit context is inadequate for implementation in nonprofit organizations, such as HEIs. Here it is argued that the terminology of market orientation is inappropriate, because it indicates a focus on market needs. If an HEI applies market orientation without adapting to the context, it could neglect its societal role. In addition to the limitation of the terminology, the components of the market orientation construct are not all suitable for application in the HE context. For example, the term 'customer focus' is a narrow and partial representation of the relationship between the university and the student. Thus, it could prevent a university from viewing its responsibility towards its students beyond the transactional relationship. By viewing students as customers, a university may fail in its educational responsibility to them (Frerris 2002) and lose the opportunity to build a strong brand affiliation among them, which in turn may cause it to lose the potential opportunities to benefit from such a unique, lifelong relationship (e.g. many US universities rely heavily on their alumni donations). Furthermore, as do most nonprofit organizations, universities have multiple constituencies with different interests and needs that must be addressed. It would be more appropriate to adopt a stakeholder approach when managing their multiple constituencies (Liao *et al.* 2001). Although universities must increasingly compete for students and fundings, it is also critical for them to collaborate with other organizations to fulfil their mission. Therefore to operationalize the marketing concept in this context, the societal role of the HE sector must be taken into account. The societal orientation model, which was developed from a nonprofit context, is more appropriate for the HE sector because it addresses contextual factors (Liao *et al.* 2001;



Sargeant *et al.* 2002). Herein, the four components of the societal orientation construct – namely, stakeholder focus, competitor focus, collaboration focus and interfunctional coordination – are discussed in relation to HEIs. In addition, directions for further research are identified.

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