The Effect of Marketing Planning and Market Orientation on Higher Education Performance

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Abstract
There is limited literature on market orientation in higher education (hereafter called HE) and discussion on this issue has been mixed. This research focuses on a revival of interest in market orientation in HE and what that involves in terms of marketing planning as an antecedent to market orientation and institutional performance as a consequence of market orientation. A total number of 700 survey questionnaires were distributed to key persons such as heads or secretaries of departments within bachelor degree programs in public institutions, autonomous institutions and private institutions in the western and central parts of Indonesia. The results indicate that marketing planning and market orientation can assist Indonesian HE institutions to achieve a higher level of institutional performance.

Keywords: Marketing Planning, Market Orientation, and Institutional Performance
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Introduction

For more than three decades market orientation studies have been conducted in a variety of settings (Pulendran, Speed and Widing, 2000). The majority of studies, which have been inspired by two seminal studies (Jaworski and Kohli, 1993; Narver and Slater, 1990) have been conducted in Western environments (for example, USA, Europe and Australia), as opposed to the background of a developing country such as Indonesia. However, the study of market orientation in the HE context has not attracted a lot of interest from either academics or practitioners even though evidence has been found of the existence of a positive relationship between market orientation and institutional performance (Caruana, Ramaseshan and Ewing, 1998; Flaviana and Lozano, 2006; Qureshi, 1989, 1993). This research provides the foundation for further investigation into the involvement of marketing planning in the relationship between market orientation and institutional performance in the Indonesian HE context. In an examination of the published literature, it was found that few researchers have investigated marketing planning as an antecedent to market orientation. A previous study (Pulendran, Speed and Widing, 2003) suggests marketing planning as antecedent of market orientation leads to an increase in an organisation’s performance. Hence, this research is proposed in order to produce evidence of the relationship in the context of HE in Indonesia.

Indonesian HE and Market Orientation

The application of market orientation in the educational context is still under debate. Siu (1999) viewed the possibilities of education institutions moving from a traditional orientation (namely, production orientation) to market orientation. The need for HE institutions to become market oriented can be seen from the following opinions. Firstly, in order to survive in the contemporary environment, HE institutions need to have the same market understanding as business institutions (Wood and Bhuian, 1993). Secondly, HE institutions should take on the role of business firms to monitor and adapt to the environment (Caruana, Ramaseshan and Ewing, 1998). Finally, within the current climate of intense competition, HE institutions should evolve a set of marketing activities called ‘market orientation’ (Ford, Joseph and Joseph, 1999; Olivares and Lado, 2003).

The main reason for Indonesian HE institutions to adopt the market orientation concept relates to the recent concerns of the Indonesian government with enhancing the development of HE institutions under a new paradigm. This development relates to producing healthy institutions, which includes improving quality and efficiency, two significant issues for organisational survival in the environment of globalisation. Consequently, under the new paradigm, as autonomous and accountable institutions, HE institutions in Indonesia have to pay more attention to the competitive environment. It is believed that HE institutions in Indonesia should be conducted as business institutions in order to respond to environment changes and to contribute to the nation’s competitiveness (Brodjonegoro, 2002). Therefore, HE institutions need to be empowered in the same way as market oriented businesses (Brodjonegoro, 2002). The market orientation concept is also in line with the vision for HE institutions in Indonesia for the year 2010, which relates to quality and links to ‘student needs’ (DGHE 2003). It is necessary for HE institutions in Indonesia to adopt the market orientation concept which is concerned with the ‘market’ - as the ‘students’.
Marketing Planning and Market Orientation

As professional service providers, HE institutions tend to avoid marketing activities (Morgan, 1991). However, as the world becomes more competitive, HE institutions should engage in marketing activities (Cann and George, 2003). A study in the United Kingdom found that marketing planning practice is broadly adopted by all types of businesses (Simkin, 2000). Therefore, marketing planning can also be applied in HE institutions in order to respond to environmental changes. One significant study in the HE context investigates marketing planning as market oriented institutional planning facing colleges and universities (Kotler, 1979). That study found a relationship between the marketing planning stage and market orientation.

Marketing planning as an antecedent to market orientation currently has not been widely studied. However, Pulendran and colleagues (Pulendran and Speed, 1996; Pulendran, Speed and Widing, 2003) focused on this factor in three of their studies, finding that marketing planning and market orientation are positively related. It seems that this finding required further investigation in order to generalise this relationship to the non-profit service industry, including the HE sector. Although none of studies investigate the educational context, the outcomes can still be reflected onto HE. Consequently, the following hypothesis is forwarded:

(H1) Marketing planning is positively related to market orientation in Indonesian HE institutions.

Market Orientation and Institutional Performance

The relationship between market orientation and institutional performance has been investigated and implemented in various contexts. However, an examination of 67 studies from the various industries (Yeni, 2007) uncovered inconsistent research findings. Some studies (62.12%) found a positive direct relationship between market orientation and business performance (e.g. Qureshi, 1989 and 1993; Caruana, Ramaseshan and Ewing, 1998; Tsai, 2003). These studies confirm Kotler’s (1988) belief that market orientation is a means of gaining consumer loyalty, thereby creating competitive advantage for the company and building the foundation for future success. However, some research findings have indicated that the relationship between market orientation and level of success is not always strong (e.g. Au and Tse, 1995; Helfert, Ritter and Walter 2002). For example, Greenley (1995) and Diamantopoulos and Hart (1993) found a weak relationship between market orientation and business performance. Other researchers found no significant association (Caruana, Pitt and Berthon, 1999; Esslemont and Lewis, 1991; Sargeant and Mohamad, 1999; Tse 1998). Although service and product are clearly different in nature, four studies (Qureshi, 1989; 1993; Caruana, Ramaseshan and Ewing, 1998; Flavia’n and Lozano, 2006) have found evidence of a positive relationship between market orientation and performance of service institutions such as HE institutions. These studies provide a starting point for further investigation. Based on these previous studies, this research proposes the following hypothesis:

H(2) Market orientation is positively related to the institutional performance of Indonesian HE institutions.

Marketing Planning and Institutional Performance

As the formal core of marketing management, marketing planning formally relates to the decisions that must be executed in order to realise organisational goals (Leefflang and de
This statement infers the relationship between marketing planning and performance. From the limited number of published studies, three studies (McDonald, 1984; 1989; Pulendran, Speed and Widing, 2003) support this relationship. By reflecting these fundings onto the HE context, this research evaluates whether: \( H(3): \) Marketing planning is positively related to institutional performance of Indonesian HE institutions.

### Research Method

The sampling frame was defined as all bachelor degree departments in Indonesia. Judgment sampling was applied to select the sample. A total number of 700 survey questionnaires were distributed at the HE institutions on the four main islands of Indonesia (Sumatra, Java, Lombok, and Kalimantan). A total of 328 usable responses were obtained from heads of study programs 53.2%, secretaries 41.3%, and others (such as dean, associates dean and marketing department staff) (5.5%). More than 76% of respondents had held their current position for at least 1 year, and as such were expected to have experience and a good understanding about their institution. The institutional profile was divided into 3 categories by type of institutions, regularity of program and faculties. A large proportion (51.5%) of respondents were from private institutions. As expected, most respondents (96.2%) were from institutions which offered programs regularly. Respondents were from 15 different faculties. The majority were from faculties most prominent in Indonesia such as engineering (37%) and economics/business (20.3%).

### Measure of Marketing Planning

The measure of marketing planning was adapted from Kotler (1979) and consisted of three factors: \textit{the market analysis} (MP\textsubscript{F1}) and \textit{opportunity and threat analysis factors} (MP\textsubscript{F2}) and \textit{the strength and weakness analysis factor} (MP\textsubscript{F3}). The reliability coefficients of the MP\textsubscript{F1} (\( \alpha = 0.76 \)) and MP\textsubscript{F2} (\( \alpha = 0.77 \)) passed Nunnally and Bernstein’s (1994) 0.70 cut-off for reliability. The reliability of the third factor (MP\textsubscript{F3}) was lower than 0.70 (\( \alpha = 0.64 \)) but this is considered to be acceptable for exploratory research such as this (Hair et al. 1998; Sekaran 2003). All of the marketing planning items combined to exhibit good reliability for the overall marketing planning scale with Cronbach \( \alpha = 0.82 \). The three factors of the composite marketing planning measure were valid, because the inter-factor score correlations were higher than 0.30. The lowest correlation was 0.39. The correlations of the three factor scores to the general marketing planning score were higher than 0.50 with 0.65 as the lowest (Hair et al. 1998).

### Measure of Market Orientation

This study used the ‘Indonesian MARKOR’ (Yeni and Herington, 2008) which has been previously developed and examined in the Indonesian HE context. This scale is adapted from Caruana, Ramaseshan and Ewing (1998) and consists of four factors namely: intelligence generation, intelligence dissemination-institution, intelligence dissemination – staff and responsiveness. Each of the factors was found to exhibit good reliability (Nunnally and Bernstein, 1994) with Cronbach alphas ranging between 0.64 and 0.84 (Intelligence generation (MO\textsubscript{F3}) = 0.64, Intelligence dissemination-institution (MO\textsubscript{F1}) = 0.84, Intelligence dissemination-staff (MO\textsubscript{F4}) = 0.79, and Responsiveness (MO\textsubscript{F2}) = 0.74). The Cronbach alpha for the overall market orientation construct demonstrated a reliable construct as shown by Cronbach \( \alpha = 0.89 \). At the significance level of 0.01 (2-tailed), the four factors of composite market orientation measure were valid (Raju, Lonial and Gupta, 1995).
Measure of Institutional Performance

This research used respondents’ opinions as subjective data for measuring institutional performance. Five indicators were used to measure institutional performance namely: non-government funding (Burke, 2003; Caruana, Ramaseshan and Ewing, 1998), accreditation, length of study, average number of applicants and average GPA. These four indicators are employed by some popular competitive projects in Indonesia (namely DUE, QUE, and TPSDP). These five indicators indicated factor loading of more than 0.50 (ranging from 0.55 to 0.73) and were considered practically significant (Hair et al., 1998). The reliability coefficients of the institutional performance construct was 0.67 which was lower than Nunnally and Bernstein’s (1994) 0.70 cut off for reliability. However, it is acceptable for exploratory study such as this research (Hair et al, 1998; Sekaran, 2003).

Results and Discussion

The assessment of the structural model examined the strength of the relationships between latent variables in the research model. This assessment estimated a relationship between marketing planning, market orientation and institutional performance. A relationship was specified graphically using AMOS. Maximum likelihood estimation was used to analyse covariance matrices between constituent factors to measure each construct/unobserved variables and between constructs, to measure the whole model. The structural model is shown in Figure 1 and the fit indices from the confirmatory factor analysis are reported in Table 1. Figure 1 shows the standard regression coefficients of marketing planning construct ranged from 0.66 to 0.72 and the market orientation construct ranged from 0.53 to 0.87 with all factors strongly loading onto both constructs. The standard regression coefficients of the institutional performance construct range from 0.45 to 0.56 with most items strongly loading onto these constructs. Hence, these results indicate that each factor of marketing planning, market orientation and institutional performance are suitable representations of these constructs. Furthermore, the standardised regression coefficients of marketing planning and market orientation is 0.98, market orientation and institutional performance is 0.42, and marketing planning and institutional performance is 0.41. The indirect path to institutional performance from marketing planning which is via market orientation showed a standardised regression coefficient of 0.98*0.42=0.41. The higher order latent variables of marketing planning, market orientation and institutional performance were strongly related to each other. This also indicates that marketing planning and market orientation are positively related to institutional performance. Hence, the hypotheses are supported. Therefore, applying marketing planing and market orientation will improve Indonesian HE institutional performance.
Figure 1 Structural Model

Table 1 The Goodness of Fit Index of Structural Model

<table>
<thead>
<tr>
<th>Fit Index</th>
<th>AMOS Output</th>
<th>Acceptable Level</th>
<th>Acceptable Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFI</td>
<td>0.942</td>
<td>$&gt; 0.9$</td>
<td>Yes</td>
</tr>
<tr>
<td>TLI</td>
<td>0.923</td>
<td>$&gt; 0.9$</td>
<td>Yes</td>
</tr>
<tr>
<td>NFI</td>
<td>0.911</td>
<td>$&gt; 0.9$</td>
<td>Yes</td>
</tr>
<tr>
<td>GFI</td>
<td>0.947</td>
<td>$&gt; 0.9$</td>
<td>Yes</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.070</td>
<td>$\leq 0.08$</td>
<td>Yes</td>
</tr>
<tr>
<td>SRMR</td>
<td>0.046</td>
<td>$&lt;0.05$</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Conclusion

The research found that marketing planning and market orientation positively partially and simultaneously relates to institutional performance which is indicated by the model having satisfactory fit to the data. As shown by Figure 1 marketing planning (with 0.41 the standard regression coefficients) and market orientation (with 0.42 the standard regression coefficient) positively affect institutional performance. The results suggest that marketing planning and market orientation can assist Indonesian HE institutions to achieve a higher level of institutional performance.

References


