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The impact of market orientation and marketing strategy on the performance of higher education institutions

– Abstract –

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Keywords

Educational marketing; higher education institutions; universities; marketing orientation; market orientation; educational marketing strategy; differentiation strategy; university performance; structural equations; structural model.

Introduction

In the last years, education and especially the higher education system is facing a series of challenges both nationally and internationally. The rapid development of universities, as well as the appreciation of tuition fees (Kotler and Fox, 1994), together with the intensification of competition in the actual educational environment force universities to adopt a market-orientated strategy, in order to differentiate themselves from competitors. Also, in order to maintain the number of students it is required to adapt the curricula according to the socio-economic and demographic changes as well as according to the labor market's demand and supply.

In the doctoral thesis entitled 'Study on the Impact of Market Orientation and Marketing Strategy on the Performance of Higher Education Institutions' we refer to the high education institutions of economic profile from Romania and to identify, in terms of marketing, the links between a series of elements that influence their proper functioning. The importance of the faculties with an economic profile from Romania is clearly demonstrated by the number of candidates and the specializations these faculties provide (Gurău, 2012). In the last years, economics were in the 'top three' of the most popular faculties, by both employers and students. However, there are also numerous critics brought to these institutions, because, on one side they have to project the image of a higher education institution and, on the other side, to demonstrate/to prove their capacities of functioning as commercial organizations (Wilson and McKiernan, 2011). Following a a review of specialty literature on the role of the faculties with an economic profile in the society, Gurău (2012) identifies three major problems these faculties face, namely (1) the focus on short-term profit, (2) fragmentation and specialization and (3) the lack of interaction/interdependence with other areas. Therefore, it could be useful for these institutions to reconsider the way they unfold their activities as well as the way they interact with students and with the society as a whole. Considering these aspects, marketing could be a good starting point/foothold, both in understanding the needs of the students, as well as of the entire society, ensuring a consistency between what the faculty has to offer and the needs identified. Kotler and Fox (1994) show that higher education marketing mainly consists of presenting the offer of an institution so that it meets the needs and the desires of the consumers (students, parents and other audiences), aiming to ultimately achieve the goal of the institution.

Many universities recognize the growing importance of marketing for the success of the activities carried out but they don't allocate enough resources in this direction (McGrath, 2002), especially in terms of segmentation, targeting and market positioning (Newman, 2002). Some institutions have started to apply instruments and concepts from the business world, noticing a growth in value and efficiency in the attempt of transforming the institution and improving its performances (Hemsley-Brown and Oplatka, 2006). However, Akonkwa (2009) show that higher education institutions cannot be treated as mere commercial organizations but the marketing approach can be a relevant strategy in order to sustain their effort of facing the changes and the pressure coming from the dynamic environment in which they operate.

Market orientation (or marketing orientation) is frequently recognized in literature as an element that influences the performance of education institutions (Caruana, Ramaseshan and Ewing, 1998a,b; Hammond, Webster and Harmon, 2006). Also, the marketing strategy of an institution is the one that guides its activities in a way as to assure a competitive advantage and thus superior performances compared with competitors (Gilligan and Wilson, 2009). Marketing orientation implies the differentiated approach of the market, so the institutions that adopt activities specific to marketing and implement them in a greater degree will be the ones that will differentiate against the competitors.

Given all these aspects, we believe that it is essential for higher education institutions to analyze the impact of market orientation, as well as the necessity of implementing marketing in the activities performed in order to conceive effective strategies that lead to achieving superior performance. The main purpose of this study is to determine the extent to which market orientation of higher education institutions influences the implementation of a differentiation strategy, and thus the performances obtained by them. In this sense, we have focused on higher education institutions with an economic profile from Romania and in this context we intend to investigate the connections between the three constructs mentioned above, namely, market orientation, differentiation strategy and institutions' performance. We have first analyzed the effect market orientation has on the process of strategy implementation in these institutions. The aim of a strategy is to achieve the objectives of the institutions by creating a competitive advantage (Drummond, Ensor and Ashford, 2008; McDonald, 1998). The actions undertaken will aim at achieving and maintaining a favorable position against the competition (Giligan and Wilson, 2009) and achieving superior performance. From this point of view, we have analyzed the direct connection between the differentiation strategy and the performance of a higher education institution. Because specialty literature offers many examples that demonstrate the effect of market orientation on the performance of higher education institutions (Caruana, Ramaseshan and Ewing, 1998a,b; Hammond, Webster and Harmon, 2006; Webster and Hammond, 2012; Zebal and Goodwin, 2011), we have examined the direct impact of its components on the performance of higher education institutions with an economic profile from Romania.

We believe that the research topic addressed in this paper is of current importance and relevant, both nationally and internationally. International specialty literature approach market orientation at a general level and not in particular. Studies limit to the definition of the concept, its validation and the identification of determinants factors; tools were developed for measuring the degree of market orientation adopted by an institution and was achieved a positive correlation with performance. All international practical studies did not consider market orientation and the way in which it can facilitate the implementation of the strategy, for contributing to the growth of the performance of a university. Basically, there have not been identified models which analyze the connections between the strategy, its implementation and marketing orientation in an institution or the relationship between these concepts and the performance of the institution. Regarding the situation in Romania, with few exceptions, specialty literature has not paid special attention to marketing strategies or market orientation within a higher education institute and the way it can be adopted and implemented as a strategy within an institution. The existing works approach problems from a conceptual point of view, without bringing a practical contribution.

From a practical point of view, the theme proposed is relevant for the activity of higher education institutions, because the results of the research can be translated and applied in order to increase the performances of these institutions. Given the fact that both the marketing strategy of a higher education institution and the measure to which it adopts a marketing orientation can influence the performance of the institution, we consider useful the study of the relationships that are established between the defining elements of these concepts, in order to identify the variables with a greater impact on the performance of an institution and to make proposals through which they can improve their activity and increase performance.

Chapter 1. Conceptual delimitations in higher education marketing

This chapter presents general elements related to higher education marketing, to the educational market and to its particularities. We have shown which were the factors that lead to the introduction of marketing in the activity of higher education institutions and we surprised the main definitions of higher education marketing as presented in specialty literature, in order to provide a view on the evolution of this concept and a complete characterization of how it is perceived today. Starting from the definitions offered by Kotler and Fox (1994) and by Davies and Ellison (1997, quoted in Herbert, 2000, p. 82), we have characterized higher education marketing as being a connecting point between the society and higher education institutions. This statement is sustained by the fact that universities are perceived in a greater measure in terms of the contributions they bring to the society and the way in which they interact with each of the audience segments. At the moment, the contribution of the universities is evaluated from three points of view: teaching activity, research and the services brought to the community (‘social responsibility’). As regarding the aspect of public communication, relational marketing began to be considered as a new paradigm (Grönroos, 1994), being the means which assures strong and stable connections between an university and the students, graduates, parents, staff and other stakeholders. Analyzing further the role and the importance of marketing for the activity of higher education institutions, we have reflected also on the liability component from the staff to engage actively for creating an organizational marketing culture within the institution.

Next, we have described the educational market in terms of exchanges and relationships that are established between an institution and the audience categories with which it interacts. Due to the non-profit profile of universities, these have the oportunity to develop relationships with many more segments of the general audience than commercial organizations. Internally are included the students and the staff (didactic, research and administrative) and externally are the research communities, alumni, businesses communities, the government and professional associations (Jongbloed, Enders and Salerno, 2008) as well as potential students, parents, civil society (NGOs, associations, foundations, etc.), mass media and competing or partner universities (Kotler and Fox, 1994). Because these interest groups have the capacity of directly influencing the future of an organization (Bryson, 2004) but also for surviving in an environment increasingly competitive, it is important that universities identify the needs of each segment of the audience, for further defining strategies based on their needs (Laredo, 2007).

Analyzing the relationships between an institution and target groups (stakeholders), we reach the conclusion that it is essential for these relationships to be maintained not only on short term but also on long term, for ensuring efficient exchanges and for offering value to the parts involved. Universities must consider all the areas of interest and all the aspects of the value concept, for offering an educational products considered by all stakeholders (McClung and Werner, 2008). Also, the exchanges and the relations between a higher education institution and its partners must be profitable, in order to bring a significant contribution to the development of the economic and social environment (Alves, Mainardes and Raposo, 2010).

Because students represent one of the main target groups of a university, we have analyzed in this chapter the way in which this relation manifests, through different perspectives identified in specialty literature. The increasing attention given to the student is due to the discussions on the commercializing of the system of higher education (*marketisation*) (Bok, 2003; Molesworth, Scullion and Nixon, 2011) and its transformation in consumer or client, according to market principles. Other possible roles the student may have were proposed by authors that declare to be against a commercial vision of the educational system or against the supplier-customer relation between the university and students (Halbesleben, Becker and Buckley, 2003; Svensson and Wood, 2007). Tat *et. al.* (2008) observe that in literature there are three metaphors that characterize the student and the role it has, namely the student as a client (Armstrong, 2003; Leavell, 2006), the student as a product (Sirvanci, 1996; Emery, Kramer and Tian, 2001) and the student as the employee of the university (Halbesleben, Becker and Buckley, 2003). To these metaphors a forth one is added, sustained by authors as well (Tat *et. al*., 2008) in their discourse, namely that of the student as partner in the educational process (Ferris, 2002; Clayson and Haley, 2005; Tat *et. al*., 2008).

The model of the partnership between the university and the student seems to be the most appropriate for describing the interactions between the two parts, in terms of involvement in the educational process. The responsibility of the education lies with both the teachers and the students, which will gradually understand that they are a part of a society where they can contribute and have a positive impact (Clayson and Haley, 2005). From this point of view, they will be encouraged to reach their full potential and to orientate themselves towards lifelong learning (Tat *et. al.*, 2008). Universities are responsible for implementing this model in their activity, but also for the communication of this model towards the students, so that they can assume the role of partners. As Canterbury shows (2000, p.16), universities are actually ‘complete’ institutions, having a particular impact and an implication in all the life aspects of the audience, but especially on the life of the students. These are not simple consumers of the educational process, expecting only the delivery of a service, but are actively implied in creating the entire educational experience. During the years spend in the faculty, they will develop relationships with other colleagues, will establish friendships, will acquire knowledge and will develop their thinking (Ng and Forbes, 2009), and universities are the ones that provide the proper framework for these experiences to occur. It is therefore highlighted the need for universities of focusing more on the students and of taking all necessary measures required for ensuring a quality educational experience, which ultimately leads to their satisfaction.

The last part of the chapter presents issues related to the performance of the higher education institutions and to the evaluation means. In recent years, organizational performance has become one of the most important aspects, both in the commercial sector and the nonprofit one, a central issue being the identification of factors that influence performance, in order to take concrete measures in those directions (Abu-Jarad, Yusof and Nikbin, 2010).

Specialty literature presents a wide variety of definitions of the term performance, without any general agreement in this sense. Performance can mean anything from efficiency to power, durability, investments return and to many other definitions (Lebas, 1995). Traditional concepts of performance concentrate on productivity, profit, development and stability within a rational system, while modern approaches focus more on quality, durability and consumer satisfaction (Scott, 2003 quoted in Hong, Donald and Szurgyi, 2006). Enders, de Boye and Weyer (2013) show that in higher education performance tends to become a basic ‘dependent variable’, especially because of the fact that universities are regarded as having an essential contribution in the society.

In recent years, in the public sector there is a growing emphasis on performance management and measurement (Zangoueinezhad and Moshabaki, 2011), these activities representing the first step in formulating any improvement for the plan of the activities (Sardana, 2008). For higher education institutions, the indicators of measuring performance have the role of promoting quality education, ensuring the maintenance of the operational standards of the university and promote competitiveness (Chen, Wang and Yang, 2009). In the present, there is a variety of instruments used, but institutions should develop individual indicators, based on the activities they carry out and the proposed results. As Kyrilidou (2002) shows, each institution has the responsibility of defining its own objectives, of placing them in a particular context and demonstrate the public the extent to which they manage to reach these goals, as well as the position they occupy within the system of higher education.

The development of individual indicators can be difficult to achieve, due to the time this process would assume and the setting of objectives that require specific indicators (for example, entry in the Shanghai 500 ranking). Also, the nonprofit profile of the universities may hinder the identification of appropriate indicators in this domain. From this point of view, using financial indicators or objective evaluation criteria are not always adapt for higher education. Forbes (1998, p. 184, quoted in Kaplan, 2001, p. 354) shows that nonprofit institutions 'encounter difficulties in developing quantitative tools for performance measurement, as these have often imprecise objectives and provide intangible objectives'.

As for the subjective principles of performance evaluation, Caruana, Ramaseshan and Ewing (1998) review literature in the domain of higher education based also on the arguments identified, support performance measurement using this criteria. Authors show that the use of objective criteria of measuring and collecting performance indicators are not practical in higher education, because of the limited time period of the respondents for gathering all the necessary information, but also because there is the chance of working with outdated information. Slater and Narver (1994) notice that subjective methods are commonly used for researches in the private sector and that there is a strong correlation between subjective evaluations and their objective equivalent. So, practical studies focusing on higher education use and rely to a larger extent on performance evaluation according to subjective criteria (to see Caruana, Ramaseshan and Ewing, 1998; Hammond, Webster and Harmon, 2006; Webster and Hammond, 2012).

Chapter 2. Market orientation in higher education

The second chapter comes with a more specific approach and deals with aspects regarding market orientation. Specialty literature teems with definitions and perspectives of market orientation (Hemsley-Brown and Oplatka, 2010), the most frequently quoted being the ones offered by Narver and Slater (1990) and by Kohli and Jaworski (1990). According to the first, market orientation represents ‘the organizational culture that efficiently creates the necessary behaviors for the creation of value superior for the clients and, in this way, superior performances for the organization’ (Narver and Slater, 1990, p. 21). The authors consider that this concept is based on three behavioral components- customer orientation, competition orientation and inter-functional coordination- and two decision criteria- long-term orientation and profitability. Kohli and Jaworski (1990) see the concept from the perspective of information production (Ross, Grace and Shao, 2012) and state that market orientation represents ‘the organization-wide generation of market intelligence, dissemination of the intelligence across departments and organization-wide responsiveness to it’ (Kohli and Jaworski, 1990, p. 6).

Although in literature there isn’t an agreement on the definition of the concept, to its applicability and validity (Rivera-Camino and Molero Ayala, 2010; Ross, Grace and Shao, 2012), studies generally recognize the fact that the adoption of a market orientation in a higher education institution can lead to a series of benefits and try to identify these possible benefits, factors or elements that cause them and the connection between the existent degree of orientation towards the market and obtaining advantages by a university. The most important benefit from implementing market orientation in a higher education institution is represented by the one initially suggested by Narver and Slater (1990) and by Kohli, Jaworski and Kumar (1993), namely the growth of performance for that institution. Studies by Caruana, Ramaseshan and Ewing (1998a,b) and by Hammond, Webster and Harmon (2006) show that the performance of a university is really connected to the degree of market orientation implemented in the institution, that the implementation of the concept depends very much on universities management (Hammond, Webster and Harmon, 2006), but also a high degree of market orientation has a positive effect on the capacity of the institution to obtain external financing (Caruana, Ramaseshan and Ewing, 1998a,b).

Based on the definitions discussed above, we identified the dimensions and the components of market orientation and we turned our attention towards the two main views mentioned for a detailed description. In the conceptualization provided by Narver and Slater (1990), market orientation appears as being characterized by three elements, namely *customer orientation, competition orientation and inter-functional coordination*. Consumer orientation represents the understanding of target customers and their needs for constantly offering them a plus of value. Competition orientation requires an institution to understand both the current actual competitors, as well as the potential ones, in terms of strong and weak points on short term and the effect of their capacities and strategies on long term (Porter, 1985; Day and Wensley, 1988). The inter-functional coordination is based on the existing information regarding the clients and competition and requires the integrated effort of all the departments of the institution and not just the one of marketing to create more value for their consumers (Akonkwa, 2009).

Kohli and Jaworski (1990) see the concept of market orientation as being a behavior of an organization, reflected in its actions, through which the concept of marketing is implemented. According to this perspective, market orientation is represented by *the generation of information (generation of market intelligence)* regarding the market across the entire organization, the *dissemination of the information* and the organization's *responsiveness* to the information received (Kholi and Jaworski, 1990).

The first dimension of the concept, generation of information *(generation of market intelligence)*, is considered 'the start point (Kohli şi Jaworski, 1990, p. 4). This component includes information regarding the current and future needs of the clients, and also an analysis of the external factors that can influence them such as legislation, the technological impact, competition and any other elements from the environment. The generation of information is considered to be the responsibility of all the departments within an institution. The dissemination of information refers to the exchange of information between the departments of an institution, with the purpose of adapting to the needs of the market. The final goal of sending the information within an institution is initiating a proper response to the information obtained. The institution's responsiveness to the information received on the market assumes also performing and implementing of certain actions, as a result of the generation and dissemination of information. The first step of the institution's respond involves an action plan, followed by the correct implementation of that plan.

The chapter then presents the various ways in which market orientation can be measured. The studied identified by specialty literature start from the models proposed by

Narver and Slater (1990), Kohli and Jaworski (1990) and Kohli, Jaworski and Kumar (1993). The instruments they have developed are known with the name of MKTOR (Narver and Slater, 1990), namely MARKOR (Kohli, Jaworski and Kumar, 1993) and are based on scales built using the dimensions of market orientation, as they were surprised by the authors. The two instruments were extensively discussed by specialty literature, being used in various sectors, including higher education. Both have received critics and observations, especially in terms of reliability (Pelham, 1993 quoted in Farrell and Oczkowski, 1997), validity (Farrell and Oczkowski, 1997) and the one-dimensionality of the concept of market orientation (Siguaw and Diamantopoulos, 1995). Performing a comparative analysis of the two instruments, Oczkowski and Farrell (1998) showed that MKTOR (Narver and Slater, 1990) is superior to the MARKOR model (Kohli, Jaworski and Kumar, 1993), due to the fact it explain better aspects that regard the performance of the organization and incorporate the notion of value offered to the consumers.

The end of this chapter presents aspects regarding the marketing organizational culture in higher education institutions, as this could represent the basis for understanding the development of a market orientation (Wasmer and Bruner, 1999). We defined the marketing organizational culture of a higher education institution as representing the framework that support the understanding and the assimilation of the institution's values and principles by all their employees and it motivates them to adopt a market orientation, in order to ensure the development and the maintenance of sustainable relations with the stakeholders of the institution, providing them a plus of value and consolidating a sustainable competitive advantage of the institution.

Although research on market orientation and the marketing organizational culture in higher education are only at their beginning, studies to date show significant opportunities for the institutions to improve the activity and the performances by adopting this concept. It is necessary for managers to accept the fact that the process can be a long-term process (Siu and Wilson, 1998) and to be willing to allocate time and resources in this direction. Knowing customers' needs in terms of educational services and of all the public audience categories is an important first step for any institution, then followed by concrete actions and measures that lead to their satisfaction. Meeting the expectations of the students and an approach centered on the student can become parts of the university's mission (Hemsley-Brown and Oplatka, 2010), transmitting its identity and ensuring the knowing of the goal and its priority by all audience categories. An important final goal is creating a marketing organizational culture for the entire institution, by involving the staff and the teachers, by a direct analysis of the environmental trends and the appropriate implementation of strategies based on the fundamental principles of marketing.

Chapter 3. Marketing strategy and the marketing mix in higher education institutions

The third chapter focuses on marketing strategy and the theoretical aspects related to this concept. Starting from the definition of the marketing strategy are presented the main approaches of the concept and are described the most common types of typologies highlighted in the specialty literature, adapted to the educational environment. Even though there is no standard definition for this concept (Gilligan and Wilson, 2009), literature generally presents strategy as being focused on taking major decisions, which affect the direction on long-term of the organization (Drummond, Ensor and Ashford, 2008). From a marketing perspective, strategy marks the direction that was chosen for the marketing activity and the means that will be used in achieving the goals (McDonald, 1998). Its goal is to achieve a differentiation of the institution, by meeting the needs of the consumers in a more efficient way than competitors (Drummond, Ensor and Ashford, 2008).

In the educational sector, Kotler and Fox (1994) discuss in detail the marketing strategies of universities in the book ‘Strategic Marketing for Educational Institutions’. They define higher education marketing strategy as being ‘the selection of a target market, choosing a competitive position and developing a mix of efficient marketing, for reaching and serving the chosen market’ (Kotler and Fox, 1994, p. 163). Due to the nature of higher education and the dramatic changes that take place in education, the purpose of marketing strategies in universities is to provide a rational and planned methodology for recognizing, anticipating and reacting to market changes (Kameswara Rao, 2007). Applying segmentation, targeting and positioning concepts, the strategy enables an institution to know the environment in which it operates and to take advantage of the opportunities that may arise. With the implementation of the strategy, the institution will built a mix of marketing, which will contribute to creating a plus of value for the consumers, by using specific elements and to the differentiation from other competing institutions.

As far as the typology of marketing strategies is concerned, in specialty literature can be identified three main views: the narrative approach, the classifying approach and the comparative approach (Morgan and Strong, 1997). Narrative approach assumes the verbal characterization of the strategy and of its holistic and conceptual aspects (Venkatraman, 1989). From this point of view, the strategy of a higher education institution can be described only in words and not operationalized to be empirically tested.

The classifying approach groups strategies according to the conceptual aspects and stands out by developing classifications and typologies (Venkataraman, 1989). Specialty literature tried to classify marketing strategies according to a variety of aspects (market positioning, the differentiation of services and products offered or by their uniqueness etc.) (Morris and Pitt, 1993). Among the authors who have adopted this perspective can be mentioned Miles and Snow (1978 quoted by Morgan and Strong, 1997, p. 1054), Porter (1985 or Wisema, Van der Pol and Messer (1980). From this point of view, higher education institutions can be grouped according to the nature of the strategy they adopt.

The comparative approach seeks the measurement of some key dimensions of the concept of strategy, the evaluation being achieved by comparing the features that describe the strategy (Venkataraman, 1989). This perspective taken by authors such as Dess and Davis (1984) or Venkataraman (1989), which propose six features of the strategy, namely anume *aggressiveness, analysis, defensiveness, future orientation, proactiveness and riskiness.*

In this paper we took into consideration the classification approach and we identified the most frequent cites typologies. Among these, we mention the typology offered by Miles and Snow (1978 quoted in Morgan and Strong, 1997, p. 1054) or product-market adaptability, which is considered unique, because it sees organization as a complete and integrated system that interacts dynamically with the environment (McDaniel and Kolari, 1987). Their classification is based on the way in which organizations respond to environmental changes and suggest that these fall into four types of proposed strategies, namely *prospectors, defenders, analyzers and reactors*.

According to this classification, the institutions from the prospectors category are always in search of new educational markets and opportunities and tend to maintain a competitive position on the market. The category of defenders includes those institutions that adopt a conservative approach upon strategy and try to maintain a secure position on the market, but within a small segment. The analyzers incorporate elements from the first two categories, institutions from this category trying to maintain their current position on the market, seeking at the same time new segments, by developing the educational offer. The institutions from the reactors category do not define a consequent strategy and react to the changes from the environment only when they are forced to do so. In literature this category is often regarded as devoid of great importance, because it does not really evidence the existence of a strategy (Speed, 1993).

Another point of view commonly discussed in specialty literature regarding the classification of strategies is the one offered by Porter (1980), which identifies three main groups of strategy, namely *cost leadership, differentiation strategy and market segmentation (or focus)*. The first category, cost leadership requires that the institution focuses on reducing costs in comparison with the competitive institutions, by a series of policies targeted in that direction. The differentiation strategy follows the development of educational products and services perceived as unique in this sector. This will enable the institution to practice higher tuition fees and, in the same time, to ensure a strong competitive position. Market focus tries to establish a competitive position on a particular segment of the market, using either cost leadership or a differentiation policy. This strategy starts from the assumption that the institution will manage, this way, to address to the identified segment in a more efficient way than the competitors, which approach the educational market as a whole.

The first two categories (cost leadership and differentiation strategy) are not incompatible. Porter (1985) suggests that many organizations identified appropriate ways of reducing costs, without affecting the level of differentiation and even succeeding in developing this component. However, the differentiation strategy is associated with the institutions with a greater orientation towards the market (Vásquez, Santos and Álvarez, 2001), which have taken the commitment to address the needs of the audience with whom they interact and to satisfy their needs better than the competition. Regardless of the strategy adopted, it is important that the institution takes the commitment to implement it, and the management to continuously support this commitment by creating a specific organizational culture, which facilitates this process.

Chapter 4. Research within the economic faculties from Romania – Research methodology

Chapter four, dedicated to research methodology, punctually describes the phases covered in order to perform the empiric research and reaching the goal established. Starting from the presentation of the conceptual framework and the research paradigm, we have defined the research issue and we've explained the steps taken in order to address this issue. Basically, we aimed to determine the extent to which market orientation of higher education institutions with an economic profile influence the implementation of the differentiation strategy and, thus the performances obtained by these. Starting from the definition of the research issue, the objectives of the research were formulated:

- Establish the direct effect, namely mediated by the differentiation strategy, of market orientation on the performance of higher education institutions with an economic profile;
- Analysis of the dimensions that characterize market orientation in the context of the higher education institutions with an economic profile from Romania;
- Identification of the connections between the components of market orientation and the implementation of the differentiation strategy;
- Establishing the relationship between the differentiation strategy and the performance of the higher education institutions with an economic profile;

In the realization of this study we adopted Narver and Slater (1990) philosophical perspective, according to which the successfully implementation of the strategy stems from the existence of a strong marketing organizational culture of the organization. The focus was placed on market orientation, as a variable that leads to obtaining superior performances by facilitating the implementation of a differentiation strategy. Given the fact that in literature market orientation is frequently correlated with the performance of a higher education institution, we have analyzed also its direct impact on institutions' performances.

The conceptualization provided by Narver and Slater (1990), market orientation appears to be characterized by three elements, namely *customer orientation, competition orientation and inter-functional coordination*. The present paper offers a multidimensional perspective upon the concept, the three components of which were measured individually by a series of variables.

The strategy sets up the general mode in which an organization acts on a certain market (Homburg, Krohmer and Workman Jr., 2004). For the conceptualization of the strategy a series of typologies were developed (see Chapter 2). In this paper we adopted the classification suggested by Porter (1980) and, specifically, we chose to focus on the differentiation strategy, due to the fact that market orientation was positively correlated with the implementation of this strategy (Narver and Slater, 1990). Therefore, a higher education institution with a high degree of market orientation will seek to achieve as best as possible the differentiation strategy.

In terms of performance, this was defined as the potential of an organization to successfully implement certain actions in order to achieve the goals and objectives (Lebas, 1995). Specialty literature recognizes that it is a complex concept, whose operationalization can be difficult. Following the suggestions found in different studies, we measured performance using subjective criteria, due to the fact that their correlation with their objective equivalent was demonstrated (Narver and Slater, 1994).

Based on the conceptual framework, we formulated a set of research hypotheses, which took into consideration the effects of the components of market orientation on the differentiation strategy and the performance of a higher education institution. The first set of three hypotheses focused on the influence of market orientation on the implementation of the differentiation strategy on higher education institutions with an economic profile. The forth hypothesis took into consideration the direct effect that the differentiation strategy of a higher education institute has on its performance. The next set of hypotheses took into consideration the effects of each component of market orientation on the performances obtained by higher education institutions with an economic profile.

Table 1: Research Hypothesis

H1: The relationship between student orientation and differentiation strategy is direct and positive
H2: The relationship between competitor orientation and differentiation strategy is direct and positive
H3: The relationship between inter-functional coordination and differentiation strategy is direct and positive
H4: The relationship between differentiation strategy and performance is direct and positive
H5: The relationship between student orientation and performance is direct and positive
H5a: The relationship between student orientation and performance is mediated by the differentiation strategy
H6: The relationship between competitor orientation and performance is direct and positive
H6a: The relationship between competitor orientation and performance is mediated by the differentiation strategy
H7: The relationship between inter-functional coordination and performance is direct and positive
H7a: The relationship between inter-functional coordination and performance is mediated by the differentiation strategy

Data from the research were collected using a questionnaire based on a survey based on an online questionnaire. Specifically, this method involved the transposition of the questions from the questionnaire on an online platform and the communication to the respondents of the address where it can be accessed, via e-mail. Each e-mail contained a text stating the aim of the research and asking them to fill in the questionnaire, by accessing the address included in the message.

The electronic platform used was www.isondaje.ro, while the e-mail addresses were obtained by accessing the sites of public and private faculties with economic profile. Where e-mail addresses were not made public on the site, it was made an attempt of finding them by using Google search engine. Data were collected between April 20 and May 31, 2013.

The wording of the questions of the questionnaire took into account the purpose and the objective of the research, as well as the information we wanted to obtain from respondents. In consequence, some questions were taken and/or adapted from previous studies identified in literature, while others were developed in order to reflect information specific to the respondents and to the context in which the study was applied.

The questionnaire was divided into four main parts. The first three parts correspond to the concepts discussed in the research, and the last part is destined to identification questions. Market orientation was operationalized by using an instrument developed by Hemsley-Brown and Oplatka (2007) for higher education. The authors adopt the view suggested by Narver and Slater (1990) and see market orientation as being formed by the three dimensions, namely customer orientation, competition orientation and inter-functional coordination. Customer orientation is transformed into student orientation, this being considered by the authors one of the most important public categories with which universities interact. The other two dimensions of the concept are also suitable to the educational environment.

The operationalization of the differentiation strategy was made based on the scales applies and tested in previous studies, but also based on the classification made by Porter (1980) and the author's vision on this strategy. The main aspect that concerns Porter (1980) when talking about differentiation refers to the development of new products, to be perceived as unique. So, the first item from the scale's frame concerns the diversification of the educational offer and was built by adapting the proposals made by Homburg, Krohman and Workman Jr. (2004), Parnell (2011) and Voola şi O'Cass (2010). The following items also took in consideration various elements suggested in the literature, such as services quality, price differentiation or brand construction.

Performance was operationalized based on subjective criteria, following the identification of similar studies and the suggestions offered by Caruana, Ramaseshan and Ewing (1998) and by Homburg, Krohman and Workman Jr. (2004). Respondents were asked to appreciate the overall performance of the institution and the performance towards its main competitors. We also included items related to the capacity of the institution of obtaining external financing and increasing the number of students of the institution.

Table 2: Sample structure

Respondents' position	Tutor	1%	**Respondents' seniority within the faculty**	< 1 year	0.6%
	Assistant Lecturer	13%		1-5 years	12%
	Lecturer	39%		6-10 years	25.4%
	Associate Professor	26%		11-20 years	45%
	Profesor	21%		> 20 years	17%
Institution's years of activity	< 10 years	6%	**Number of enrolled students**	< 500 students	16%
	10 – 50 years	67%		500-1000 students	25%
	50 – 100 years	22%		1000-1500 students	13%
	> 100 years	5%		> 1500 students	46%

Public vs. private funded institutions	Public	70%	**Respondents with a management position**	Yes	19%
	Private	30%		No	81%

The final samples consisted of 450 respondents from 78 faculties with an economic profile from Romania, both private and state faculties. Table 2 shows the structure of the sample according to various criteria.

For data analysis we used the programs SPSS (IBM SPSS Statistics version 19) and AMOS (version 20). The two programs have been used for achieving statistical processing from the category of descriptive and inferential techniques but also of causal analysis in the context of structural equations modeling. Thus, we have calculated the relative frequencies to describe the sample, according to the gender of the respondents, the position occupied, their seniority within the institution, etc. The next step in data analysis was to test the reliability of each measuring scale, using the Cronbach α coefficient. Churchill (1979) states that this must be the first method used by researchers in evaluating the quality of an instrument. This coefficient indicates a high reliability when its values get closer to 1. Nunnally (1978) indicated the threshold 0,70 as being acceptable for describing the reliability of a scale. We continued with the realization of exploratory factorial analysis in order to identify the factors (components) that explain the correlations between a group of variables. Before the actual performance of the factorial analysis, it is necessary to determine the degree of data suitability or data compatibility so that they can be the subject of a factorial analysis.

To this end, we used the coefficient adequacy Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity, which verify the existence of some correlations between variables strong enough so that they can be subject to further factorial analysis. The value of the KMO coefficient must be as close as possible to 1 for suggesting data adequacy, and the minimum threshold is of 0, 5. Bartlett's spherical test calculates a χ^2 coefficient for verifying the existence of correlations and its representation is given by the value of the p signification, which must be lower than 0,05. After verifying these two conditions for each scale used, we passed to performing exploratory factorial analysis fir each construct included in the model. We have used the analysis of the main components, and the determination of the number of extracted factors was performed using the Kaiser criterion, which assumes the selection of factors, factors that have their own value higher than 1. Regarding the choice of a rotation method, we used orthogonal rotation

(Varimax), which is the most used method, because it minimized the complexity of the components and greatly facilitates results' interpretation.

The last stage of data analysis involved testing of research hypotheses. This was achieved through the modeling of structural equations (SEM), a technique that explains the relationships between a certain number of variables. The procedure of model testing follows to determine the degree of adequacy between the model chosen and the data collected (Byrne, 2010). In this sense, there will be calculated a series of adequacy indicators of the model and their interpretation will lead to the acceptance or rejection of the model proposed.

Chapter 5. The results of the research on the influence of market orientation and differentiation strategy on the performance of the economic faculties from Romania

We tested the reliability of each measurement scale using the Cronbach α coefficient, and then we performed an exploratory factor analysis for each construct, in order to verify its one-dimensional profile or to obtain a smaller set of factors. After performing these analyses, we have refined the measurement scales and eliminated some items, considered improper. In total, out of the 41 items of the three scales, we eliminated 9 of them, which are presented in the following table.

The model proposed was then tested by using the evaluation indicators of the model, obtained from structural modeling of equations. The results obtained indicate the acceptance of this model, all indicators recording values that suggest a good match. In other words, the model proposed reflects the data observed empirically.

Table 3: Deleted items after scale refinement

SO7	Academic staff are willing to help students, and they often go beyond their simple duties to do so
SO11	Academic staff always pays attention to students' needs
SO12	Senior staff promote the spirit of student orientation
CO3, CO4	Information about what my colleagues in other faculties are doing help me in my role
DIF5	Tuition fees are higher that the average of similar institutions
DIF6	Our faculty has built a powerful brand

PERF3	The institution’s ability to obtain external funding in the last three years
PERF4	Number of enrolled students in the last three years

After validating the model, we tested the proposed research hypothesis. The first 4 hypotheses were confirmed based on the regression coefficients obtained from the analysis. So, we confirmed the existence of a connection between each of the components of market orientation and differentiation strategy, the strongest connection being the one between student orientation and strategy. Also, we confirmed the existence of a strong connection between the differentiation strategy and faculties performance.

For testing the following hypothesis, we examined three alternative models. Each model includes a direct connection between one of the dimensions of market orientation and performance. We tracked the identification of the direct effect between the three dimensions and performance but also of the indirect effect, mediated by the differentiation strategy. Testing the last hypothesis showed that a direct effect exists only between student orientation and performance, the other two components having only a very low effect and statistically insignificant. Also, we confirmed that the indirect effect of these three variables on performance is stronger than the direct effect.

We considered useful the comparison of the models presented based on the evaluation indicators obtained. These comparisons are highlighted in the following table, where it can be seen also that the most adequate model is the one that takes into consideration a direct connection between student orientation and performance. Besides the usual indicators for evaluating models adequacy, we used also specific indicators for comparing several models (AIC, ECVI). They indicate an adequate model as long as the values recorded are lower. After the evaluation and after having performed the comparisons between the indicators from the table, it appears that the alternative model 1 is the one that best reflects the data empirically observed.

Table 4: Comparative analysis of model fit indices

Coefficient	CMIN	CMIN/df	NFI	RFI	IFI	TLI	CFI	RMSEA	AIC	ECVI
Original model	5,967	1,989	0,997	0,983	0,998	0,991	0,998	0,043	39,967	0,074
Model 1	**1,526**	**0,763**	**0,999**	**0,993**	**1,000**	**1,002**	**1,000**	**0,000**	**37,526**	**0,070**
Model 2	3,519	1,580	0,998	0,986	0,999	0,995	0,999	0,033	39,159	0,073
Model 3	5,747	2,874	0,997	0,975	0,998	0,983	0,998	0,059	41,747	0,077

Chapter 6. Conclusions, implications, limitations and future research directions

In this paper we set out to identify the impact of market orientation on the marketing strategy and the performance of the higher education institutions with an economic profile from Romania. We adopted a philosophical perspective on market orientation, through which this is seen as a culture of organization, which facilitates the implementation of activities specific to the marketing. Through the hypotheses developed, we aimed to establish some connections between the market orientation components and the differentiation strategy and performance of the faculties with an economic profile. Specifically, we analyzed the role of market orientation in the successful implementation of the strategy and in obtaining superior performances. So, we built a causal model, starting from the elements of market orientation to performance through the differentiation strategy. In general, the formulated hypotheses were confirmed.

After testing the hypotheses, we established the existence of a direct connection and statistically significant between student orientation and strategy. Therefore, a faculty that focuses more on the needs of the students and manages to create an organizational cultures orientated towards the student will be more successful in implementing activities specific to differentiation strategy. Regarding the other two components of market orientation (competition orientation and inter-functional coordination), we identified also their direct effect on the differentiation strategy, even though the intensity of these connections is much lower than in the case of student orientation. Based on the results of these three hypotheses we can say that the adoption of a market orientation by a higher education institution will facilitate the successful implementation of the differentiation strategy.

Regarding the relation between differentiation strategy and the performance of the faculties, we demonstrated that between these two variables there is a direct, strong connection. Due to this finding we can confirm the resulted obtained in similar studies from various domains (Kim and Lim, 1988; Sharma, 2004) and even in higher education (Mazzarol and Soutar, 2008). The intensity of this connection suggests that, indeed, the faculties that take a commitment in creating a plus of value by providing elements perceived as being unique will not be able to significantly improve their activity and to survive on the market.

We also confirmed the existence of a direct and statistically significant connection between student orientation and the faculties' performance. Competition orientation and inter-functional coordination show only effects of low intensity ($\beta \approx 0{,}08$ and $\beta \approx 0{,}02$) and statistically insignificant. This result is sustained also by the alternative model proposed. Following the comparative analysis of the four models, we have shown that the one that considers a direct connection between student orientation and performance best reflects the data observed.

Regarding the direct and indirect effects of the dimensions of market orientation on performance, we shown that each of the three elements show an indirect, statistically insignificant effect on performance. Also in this case, the indirect effect of student orientation is the most significant one. So, we suggest that market orientation is the most important element of market orientation of a faculty and that a greater emphasis on this dimension will lead to superior performances.

Another conclusion that emerges from these results is the fact that the indirect effects of the three components on performance, through the implementation of the differentiation strategy are significantly greater than the direct effects. From this point of view, we can say that differentiation strategy mediate the connection between market orientation and performance. Creating an organizational marketing culture within faculties will facilitate the successful implementation of the strategy, and the actions that will be carried out in this sense, will amplify the effect of the three dimensions on performance. So, we can say that market orientation is really a necessary factor for the proper functioning of a higher education institution, but without the implementation of a proper marketing strategy, its effects will be relatively low.

From a theoretical perspective, our arguments were confirmed, the analysis of the model proposed revealing the fact that this is adequate. We have thus proved that market orientation has an effect on the performance of higher education institutions by facilitating the implementation of the differentiation strategy. These aspects underline the important role marketing has in the activity of an institution, as instrument for the proper implementation of a strategy. So, we join the efforts started by Homburg, Krohmer and Workman Jr. (2004) to enrich literature in the domain of the implementation of marketing strategy with the help of intangible organizational variables, such as market orientation and we bring a contribution to the literature in education marketing, by integrating the three components in a comprehensive model.

From a methodological point of view, the results of the study correlate with the ones obtained by Tsiotsou (2010), which suggest the individual approach of the three components of market orientation. Even though the way in which we integrated the constructs in the model is different, we demonstrated the utility of a separate analysis for each element in comparison with their integration in a unique concept. This view supports also the initial vision of the first authors that developed the concept (Narver and Slater, 1990). Although they considered market orientation as construct with one dimension, the conceptualization and operationalization of each component is specific to a multidimensional approach.

This study presents certain limits in terms of the results obtained, which provide future research directions, for deepening the subject approached. Firstly, the results are specific to the faculties with an economic profile and cannot be extrapolated for characterizing the existent situation for the entire higher education system from Romania. Future studies could be extended in order to provide an overview of this sector.

Also, we consider that it would be useful the attempt to identify new dimensions of the concept. We have shown that the three components analyzed, orientation towards the student has the highest impact, both on the strategy and the performance of the institutions but we suggest that there are other components, which can be identified in further research. Moreover, considering the fact that higher education institutions develop relationships with a wide variety of stakeholders, we join the point of view expressed by Akinkwa (2009), which proposes the operationalization of the concept of 'stakeholder orientation' instead of student orientation.

In terms of performance, this was evaluated through subjective measuring criteria. Although was stated that there is a strong correlation between the subjective evaluations and their objective equivalent (Narver and Slater, 1994), we consider that operationalization of the concept using objective criteria could be useful. Also, we support the development of performance indicators specific to superior education in future research.

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