

# Attaining Competitive Advantage through Market Orientation of Public Higher Education Institutions: Mediating Effect of Quality Assurance

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## ABSTRACT

The literature review thus far has indicated numerous studies have examined the relationship between market orientation (MO) and competitive advantage (CA) leading to greater organizational performance. A substantial number of studies on strategic management orientations have shown significant relationships between MO and organizational performance but direct contribution of CA is still lacking in consensus. This paper reviews the literature on the influence of market orientation (MO) towards competitive advantage and the mediating effect of quality assurance in public higher education institutions (PHEIs). The reviews specify that market orientation as the marketing strategic platform is likely to achieve superior value in gaining and sustaining competitive advantage however, within the context of PHEIs such relationships are still inconclusive. Quality assurance (QA) is postulated to have a mediating effect in the suggested framework of market orientation and competitive advantage. As QA is becoming a critical factor in the knowledge-based society, this variable needs to be explored further in the context of higher education. Thus, the aim of this paper is to accumulate existing literature in the investigation of the relationship between MO and CA as well as the effect of QA towards the performance of PHEIs based on non-financial dimensions.

**Key Words:** market orientation, competitive advantage, quality assurance, organizational performance

## 1. INTRODUCTION

Public higher education institutions (PHEIs) as a major player in the service industry must place stronger emphasis on satisfying the needs and meeting the expectations of their customers as well as their stakeholders. As the education market is getting more competitive, it is crucial for PHEIs to acquire relevant competitive advantages that allow them to outperform the competitors. In order to win the large portion of the market share, the decision making of PHEIs' higher management must emphasize on establishing competitive strategies that embrace innovative approaches in gaining superior performance. To achieve such desired performance, developing and sustaining competitive advantage is a crucial factor (Narver & Slater, 1994).

Competitive advantage can be defined as the concept of winning and defending the market share in the anticipated market. Al-Shaikh (2015) specified that competitive advantage is achieved with the attainment of profits higher than other players within the same industries through continuous strategic efforts. However, many researches have focused on the same facets of performance and no new dimensions have essentially been

developed to address aspects of such performance. The dimension of competitive advantage requires bigger implication and strategies rather than focusing on mere profit making. It is with this in mind that many marketing strategists are urging that new dimensions be the focus of attention especially those that are considered as non-financial or market value added objectives including customer satisfaction and loyalty (Walker & Mullins, 2014).

As organizations require strategic orientations in making their moves, the operationalization of the marketing concept is crucial (Kohli and Jaworski, 1990). Market orientation is needed when developing competitive strategy at all functional levels in the organizations in order to deal with diverse market players (Lado, Maydeu-Olivares & Rivera, 1998). According to Hussain, Shah and Akhtar (2016) market orientation is the base in operationalizing the marketing concept. The major prominent constituents of market orientation according to Narver and Slater (1990) are customer orientation, competitor orientation and inter-functional coordination (organizational orientation).

## 2. LITERATURE REVIEW

Market orientation has been a subject of extensive research and discussed widely as a strategic concept in the marketing literature. Market orientation is the source in gaining competitive advantage as Ullah, Ahmed and Zhukov (2016) explained and the idea of relationship marketing has emerged as an important model when undertaking market orientation initiatives. In the classic understanding of market orientation, Narver and Slater (1990) believe that every organizations should focus on its customers. Organizations need to comprehend completely the value chain involving customers in order to continuously gain superior performance that is sustainable over time. Relationships between the firms and the customers are essential, and firms need to stay near target customers before and after sales.

This close attention may forge strong customer loyalty.

Even though market orientation concept has many differences in the management philosophy, Drucker (1954) conveyed that the focal point is always the customers. Competitive advantage can be achieved when providing superior value to customers which can be established through market orientation (Amalia 2008). As Felton (1959) specified, market orientation established the determination to indulge in value creation for customers and in cultivating strategic mind sets for all organizational activities. This culture needs to be collective within the firm and can lead towards building customer loyalty. Indeed, it is cost effective and more efficient to retain customers rather than establish new customers (Kumar, Jones, Venkatesan, & Leone, 2011).

Kohli and Jaworski (1990) originally viewed market orientation from a market intelligence spectrum where information were collected and being used in decision-making process at the intra organizational level. Similarly, Narver and Slater (1994) see market orientation as the firm's initiatives at acquiring useful information on customers, competitors, and inter-functional coordination. Hence, the understanding on market knowledge is embedded among researchers as the link that transforms knowledge into meaningful market orientation development (Latif, Abdullah, Jan, 2016).

On a similar note, the efficiency of organizational resources is crucial to attain sustainable competitive advantage. The establishment of core capabilities within the organization helps in differentiating firms over rivals in the market. Fahy (2000) extended this understanding by itemizing values generating from the resources that belong to the firms. Resources and capabilities must be unique and different in order to prevent transferability and replicability among competitors (Grant, 1991). Consequently as Saini and Mokolobate (2012) declare, these distinctions lead to customer satisfaction and yields greater performance for the business.

On a contextual premise, public higher education institutions (PHEIs) are progressively characterized by the new distinction of commodification and marketization (Haan, 2015). This scenario leads to the existence of competitive pressure that require them to be more business oriented. As such, PHEIs are obligated to adopt market orientation in their strategies in order to attain sustainability in the market.

### **2.1. Customer Orientation**

Customer orientation indicates organizational approach in reaching satisfaction of customers'. Continuous attention and quick response towards customers' needs are critical in order to sustain long term relationship and create value for customers. Such strategic orientation is a requisite in the establishment of a strong groundwork within the organization to deliver superior value to customers (Awwad&Agti, 2011).

When customers appreciate the value provided by the organizations, it is only then that customers' loyalty can be achieved. In today's hypercompetitive business environment, customers' loyalty is vital in ensuring the sustainability of businesses. On this note, the orientation that these businesses adopt with regards to their customers may well be the vital formula towards long term positive performance. However, there are still more demanding and detailed marketing drivers that need to be established in formulating long term marketing strategies (Kumar et al., 2011). Such driving force is seen through the development of strategic competitive advantage as this becomes the focal point that firms strived for. Rugman and Verbeke (2002) argued that to have the potential to generate competitive advantage, a firm's resources must have four attributes: it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; it must be rare among a firm's current and potential competition; it must be imperfectly imitable; and there cannot be strategically equivalent substitutes

for this resource. Thus, being customer oriented is key in enhancing the establishment of competitive edges. For PHEIs, competitive pressure is dictating their outlook towards the customers and the stakeholders. The demands of customers become the key criteria in establishing the differentiating factor and as this is the basis for competitive advantage evolvment, there is a need therefore to focus on such customer orientation.

### **2.2. Competitor Orientation**

Similar to customer orientation, competitor orientation emphasizes on appreciating the variations of strategies and action developed by players in the industries (Aziz &Yassin, 2010). Organizations with firm understanding of their rivals will know best on how to position their products and win the market. Fast response on any changes and policies made by competitors must be understood and are made clear to all functional levels of an organization. An organization must have rigorous and detailed insight on the execution of rivals' actions and strategies (Ellis, 2006). Organizations engage their best moves and often execute strategies far ahead of competitors after understanding the strength and weaknesses of their competitors. It must be done continuously by monitoring the activities and behaviours of customers and addressing their changing needs and wants in the same market.

Furthermore, competitor orientation stands for the understanding of core capabilities and strategies in predicting potential competitors' moves through meaningful knowledge at the intra-organizational level (Asikhia, 2011). Organizations must identify their own strengths and weaknesses and reflect on their capabilities and resources against the participating players in the industries. Organizations can gain competitive advantage by recognizing firms' advantages both in terms of the inner or outer strengths and this eventually will lead to greater satisfaction among customers.

Noble, Sinha and Kumar (2002) claimed that the strongest determinant of

organizational performance is from a competitor's orientation and although there are certain dissimilar opinions in other studies, this view has dominated the strategic orientations of many firms. Zhou and Li (2010) stress that organization's capabilities to act promptly towards market deviations does not however rely solely on competitors' orientation. There are situations when market changes remain unaffected due to competitors' orientation, consequently there is no significant improvement in business's performance. As such, the stated relationship need to be further clarified especially in large scale organizations (Jabeen et al., 2013) in order to provide more meaningful interpretations. In the context of public higher education institutions (PHEIs), this aspect of competitors' orientation has yet to be explained rigorously and there appears to be a need to affirm established postulations that are often related to business organizations. The suggested framework in this study predicts the significance relationship between competitors' orientation and competitive advantage of public higher education institutions (PHEIs) and empirical analyses will therefore determine the support for this assumption.

### 2.3. Organizational Orientation

Porter (1985) has long ruled that the roles of every department and strategic business units must be well understood and should be executed efficiently by all personnel in order to achieve and sustain competitive advantage. Along with this statement, firms must coordinate resources effectively within the company and then react to their responses to create value for customers (Shin, 2012). According to Awwad and Agti, (2011) coordination of all departments and functions within the organization that utilizes customer information and other market intelligence will lead to the creation of superior value for customers. In addition, it is the coordinated utilization of internal firm resources and external resources such as competitors and customers related information throughout the

organization (Narver and Slater, 1990; Zhou et al., 2009) that will eventually lead to superior performance.

It is established in the literature that somehow, firms' resources do have conflicting perspectives, priorities and strategies (Nakata & Sivakumar, 2001). It has long been argued between researchers and industry players that collaboration within organizational members is highly needed so value for customers is continuously created (Day, 1994; Jaworski and Kohli, 1993). The ability to generate, retain and transfer knowledge throughout the organization are the key benefits of inter-functional coordination. Firms that facilitate inter-functional coordination has greater advantage to use the knowledge to outperform their rivals and win the market effectively (Zhang and Bruning, 2007).

In line with this, the Resource Based View (RBV) as suggested by Barney (1991) and Barney, Wright and Ketchen (2001) dictates that firm resources are its assets and strengths and this include information or organizational processes that are controlled by a firm, enabling it to plan and implement strategies that improve its organizational efficiency. The central focus of the RBV is on the resources and capabilities controlled by a firm that underlies the persistent performance differences among firms (Peteraf & Barney, 2003).

Hussain, Shah, and Akhatar (2016) state that competitive advantage can only be gained via market orientation when all resources within the company is successfully utilized. The interaction among personnel of different departments is crucial to ensure they understand their roles and functions towards the market orientation concept. Thus, in this study the proposition is put forward that the relationship between inter-functional coordination and competitive advantage is important as this is the key to the attainment of superior organizational performance.

### **3. THE ROLE OF PUBLIC HIGHER EDUCATION INSTITUTIONS (PHEIS)**

Studies on market orientation in the service sector are very scarce (Ullah, Ahmed, & Zhukov, 2016). Although research in this specific area has received less attention, it does not mean that market orientation in manufacturing firms is more important than in service firms. For the education industry, market orientation has become a pressing subject given that many institutions of higher learning are competing for similar target market. There must be an edge that PHEIs need to project in order to attract the right pool of customers. Thus, sustainable competitive advantage is the key in addressing such attraction.

The foundation of sustainable competitive advantage in a motionless market is market orientation (Huhtala, 2016). This scenario reflects the need for PHEIs to understand their roles in this dynamic industry. Sustaining a positional advantage is challenging when competition in the markets becomes more vibrant. Consequently, sustainable competitive advantage may merely be achieved by concentrating on the temporal advantage emerging in the market. In order to obtain progressive competitive advantages market orientation is deployed through strategic capabilities and actions.

According to Taylor and Judson (2014) marketization of higher education should be prioritized as the increasing influence of market competition on academic life is affecting students' choices of higher institutions and with the right offerings, this may well be the pull that is capable of attracting students or the customers.

Hence, the role of the academic institutions of higher learning has become more demanding and universities now are becoming aggressive marketing players. Nevertheless, the marketing concepts and approaches deployed by most universities appear to be based on rather outdated marketing philosophies (Taylor & Judson, 2011). Natale and Doran (2012) states that the marketization of university education has been referred to as an "epidemic" and a

"paradigm shift" in influencing essential elements for the delivery of university education throughout the Western world (Newman & Jahdi, 2009). Thus, it is postulated that PHEIs have now become the topic of interest as education today is big business and the need to stay relevant in this competitive environment dictates the need for PHEIs to be more customer-oriented, offer value-laden services and understand precisely the needs of their target markets.

### **4. MEDIATING EFFECT OF QUALITY ASSURANCE**

Higher education has to cope with new challenges due to the fundamental changes in the environment such as globalization, advancement in Information Communications Technology (ICT), socio-political transformation as well as the demands for life-long learning and the creation of the knowledge-based society. PHEIs also face new opportunities by playing the key role as the disseminator of knowledge in today's society. Altbach (2008) states that the academic massification process brings about distinct tensions among higher education institutions as their conflicting roles in a situation of public goods versus private goods lead to the widening of access, differentiates the type of institutions in terms of the varying patterns of funding and thus leading to a decline in quality and conditions of study. Many initiatives are made to contribute towards improved higher education to the economy by achieving high numbers of graduates with skills and competences which the labor market needs. However, the conflict between the business orientation of PHEIs and their social obligation as the disseminator of knowledge is often the target of debate among educational strategists. There is therefore a need to ensure that educational quality is maintained and consistent at all times and are fully regulated.

In reality, there is inequality of access in higher education among countries. In these times of mass higher education with its enormous growth globally, the need to assure that the quality through, for example, external

examiners, audits, subject reviews or benchmarking is evident but it is still not clear if quality and standards are consistently maintained in such enlarged and diversified higher education systems (Brennan, 2004).

Nowadays, public funding is limited whilst, higher education is still growing and an ongoing transition process of world societies towards technology-based economies is visible. Therefore, human resources have to be mobilized nationally as well as internationally (Vught, 1991). The role of the government is becoming much more open because more opportunities for creative solutions are given to the higher education institutions themselves which mainly leads to a growth in diversification.

Cheng (2003) pointed out that there are several important implications on why quality assurance is becoming such an important factor in our knowledge-based society. This include mobility of students and staff, creation of new types of higher education institutions, franchising of academic programs, distance education and other domains where higher education goes beyond national borders. Thus, due to these developments different mechanism and practices of quality assurance are needed especially in the service sector and PHEIs have a responsibility in ensuring that academic quality is maintained at all times.

## 5. PROPOSED CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

The development of the conceptual framework in this study is based on the extensive discussion of existing literature. The study suggests a conceptual framework to organize and direct the research. The combination of Resource Based View (RBV) theory and the understanding of Market Orientation by Narver and Slater (1990) and Kohli and Jaworski (1990) act as the underpinning theories to explicate the relationship between market orientation and competitive advantage in public higher education institutions in the Malaysian context. The diagram in Fig. 5.1 shows that the independent variable, market orientation (MO) comprises of three (3) dimensions namely customer orientation, competitor orientation and organizational orientation. Competitive advantage is derived as the dependent variable while the mediating variable is quality assurance. The research hypotheses are developed based on the stated conceptual framework as presented in Figure 1 below.

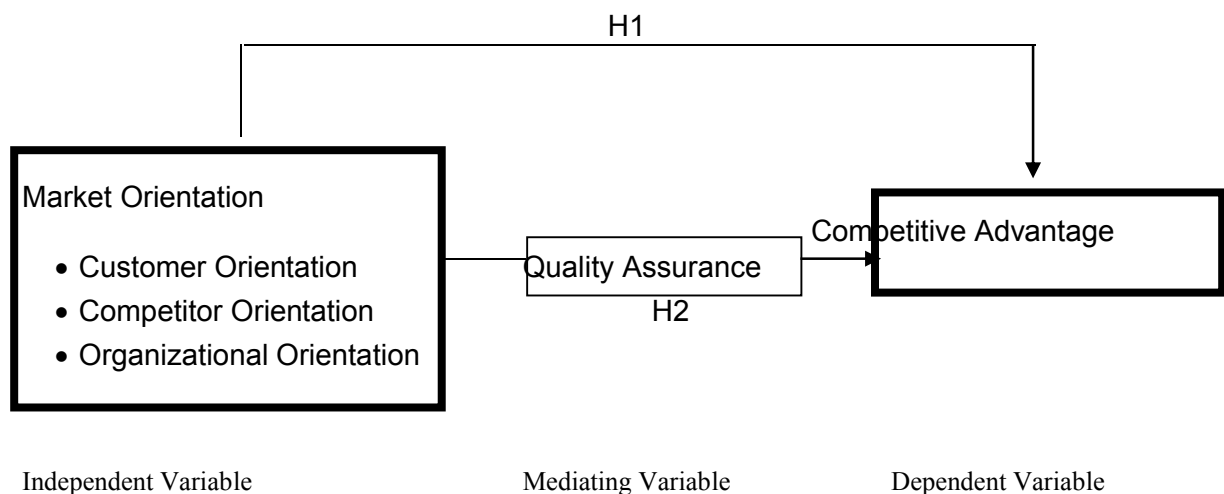


Figure 1

Based on the framework, the following hypotheses are postulated:

Hypothesis 1: There is a significant relationship between market orientation and competitive advantage.

Hypothesis 1<sub>a</sub>: There is a significant relationship between customer orientation and competitive advantage.

Hypothesis 1<sub>b</sub>: There is a significant relationship between competitor orientation and competitive advantage.

Hypothesis 1<sub>c</sub>: There is a significant relationship between organization orientation and competitive advantage.

Hypothesis 2: Quality Assurance will mediate the relationship between market orientation and competitive advantage.

Hypothesis 2<sub>a</sub>: Quality Assurance will mediate the relationship between customer orientation and competitive advantage.

Hypothesis 2<sub>b</sub>: Quality Assurance will mediate the relationship between competitor orientation and competitive advantage.

Hypothesis 2<sub>c</sub>: Quality Assurance will mediate the relationship between orientation and competitive advantage.

## **6. METHODOLOGY**

Based on the framework established, the study will undertake a quantitative research design with the aim of addressing the main objective of determining the relationship between market orientation and competitive advantage in the context of public higher education institutions (PHEIs) in Malaysia. The study will concentrate on all 20 PHEIs as registered under the Ministry of Higher Education (Malaysia). As these universities are further categorised according to the concentration of their academic direction, this will be the segregation used in the study. The categorisations are Research Universities, Comprehensive Universities, and Focused Universities.

As the study is dealing with the strategic orientation and direction of the universities, the data collection process will

focus on the officers at the higher management level of the universities as they will be the key informant who will have access and the required knowledge to address and answer strategic issues pertaining to the universities. The study expects a minimum of 200 respondents who will be targeted to answer questions posed in the questionnaire. As the unit of the analysis of this study are the strategists and key executioners of the strategies in the universities, a purposive sampling method will be adopted. In each university at least fifteen of the key informants will be targeted. It is envisaged that the data collection process will involve a combination of both face-to-face interviews and the administration of questionnaire. At the exploratory stage and when meeting the top management of the universities, a face-to-face interview is likely to be undertaken while for the executioners of the strategies, a survey method will be used as the main method of data collection.

## **7. CONCLUSION**

The main aim of this study is to address the relationship between market orientation and competitive advantage that PHEIs are likely to generate based on their current strategic orientations. The contextual gap that is envisaged where PHEIs are the focus of this study hopes to generate new insights on the application of market orientation as the basis of developing strategies. It is often assumed that PHEIs are not market focused and neither is their strategic orientation based on market demands. However, the dynamic environment and the competitive turbulence that many PHEIs faced today are demanding more strategic bases for competing effectively. There are now more private education institutions that are open in their outlook, progressive in their image and are more customer-focused in their marketing strategies. As such, PHEIs can no longer retain the traditional method of waiting for students to enrol but must also be more forward thinking in attracting enrolment.

Competitive advantage that was once regarded as a business strategic orientation is

now seen as applicable to the PHEIs as they must now become more business oriented in their outlook and thinking. As such, quality assurance is also added as a new variable in addressing competitive advantage as customers of PHEIs or students look for quality in their quest for academic knowledge. This is the contribution of this study as quality assurance has rarely been incorporated as a mediating variable in the relationship between market orientation and competitive advantage in the context of PHEIs.

Furthermore, the findings of this study will benefit both PHEIs and the Ministry of Higher Education in ensuring that 'viable' products are offered in the market. Human capital development dictates that quality of education is embraced by the service providers and in this case the PHEIs have a role to play in ensuring that their outputs are of the highest quality. Finally, this research also contributes to the enrichment of knowledge to the policy makers dealing with PHEIs as Malaysia would like to offer higher education as one of the key service offerings to potential customers globally.

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