

A Framework of Measuring the impact of Market Orientation on the outcome of Higher Education Institutions mediated by innovation

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Abstract

Higher education in Saudi Arabia witnesses unprecedented evolution in number of students, faculty members and institutions. Although, the government of Saudi Arabia invest noticeable amount of its resources to develop an international standards education in the country, the outputs of education system are not fitting with different stakeholders' demand. That manifested, for example, in high rate of unemployment among degree holders, unbalance of students number in different disciplines and lack of research alignment with society needs. Market orientation as operationalization of marketing concept seen as vital practice that influences organizations profitability and stability through satisfying its stakeholders. Higher education institutions in Saudi Arabia could benefit of market orientation to improve their ability to fill the gap between their output and market demand. The purpose of this research is to review and synthesize the literature on market orientation in the context of higher education to build a model that include internal and external market orientation in the context of higher education in Saudi Arabia. In addition, this study will Use a synthesized approach to the most significant perspectives of market orientation, namely behavioral and cultural perspectives. Behavioral perspective of market orientation implicitly embedded in internal and external sub-constructs of this study. This review hypothesized that employee orientation affect the external element of market orientation namely, student orientation, employer of graduates orientation and competitor orientation with inter-functional coordination. In addition, the study hypothesize direct positive influence of market orientation on higher education institutions' perceived performance. Moreover, the study hypnotized that innovation mediate the relationship between market orientation and performance. Finally, four aspect of perceived performance of Higher education institution considered as dependent variables.

Key Words: Market orientation, internal market orientation, higher education, innovation, Saudi Arabia, perceived performance.

Introduction

Globalization, commoditization and competition are contemporary issues that are facing modern non-profit organization (Maringe & Gibbs, 2009). Higher Education Institutions (HEIs) and other public and non-business sector organizations applied business strategies to deal with those emerging challenges. Market orientation (MO) is one of these strategies that are considered as operationalization of marketing concept. Locally, Saudi Arabia as emerging economy strives to build an international standard HE system. Therefore, Ministry of Economic and Planning's Annual Report (2012) stated that the government allocated 25 percent of its budget to education and 17 percent of this allocation were directed to HE, which

is huge amount when compared to other developing countries. With the high allocation, the number of students, universities and faculty members increased dramatically in the past two decades. For instance, the number of students in HE increased from just 7,000 in 1970 to 1,021,288 in 2010, more than 1,400 percent increase. Saudi Arabia focuses on quality as well as quantity in the HE sector as a part of its transformation strategy to be a knowledge-based and diverse economy (Al-mubarak, 2011). Ministry of Higher Education (MOHE) in Saudi Arabia encourages and supports private sector to invest in establishing private universities and colleges (Onsman, 2011). Although, the HE is free for citizen, public universities were permitted to design and lunch private programs (i.e. not free) to encounter the new patterns of demand of some types of HE such as distance learning and professionals further learning.

In spite of this ambitious vision, HE sector encounters challenges such as high rate of unemployment among degree holders, unbalanced distribution of students among different disciplines (e.g. majority are from social sciences) (Alamri, 2011) and gap between researches carried out by the scholars and the community needs, with lack of fund, encouragement and facilities for researchers (Alzahrani, 2011). One of the serious challenges for HE in Saudi Arabia is unemployment among their graduates (Al-mubarak, 2011) which is because of mismatch between qualification and training level and labor market requirement. According to The Eighth Development Plan of Saudi Arabia (2005–2009) this problem emphasized the need to raise the internal efficiency of HE and warned that the recent expansion of absorptive capacity should not be at the expense of competence and performance. The Plan also called for improvement of teaching competency and continuing monitoring national and international bodies of accreditation.

Therefore, the problem statement of this study is the lack of effectiveness of Saudi Arabian HEIs efforts to meet their market demand of qualified graduates, researches and other products and services, which, would optimized in bringing internal as well as external market orientation innovatively to enhance their outcomes in various performance indicators such as teaching, employability, research and their image among local and international counterparts. Consequently, this study aims to address the noticeable gap between HEIs products (outputs of graduates and researches) and their market demand because, they are still product oriented and this is a common challenge in developing country (Nicolescu, 2009)

Minimal research attention has been directed to measure the degree of MO among HEIs by adopting the existing instruments that developed originally in business context (Albert Caruana, Ramaseshan, & Ewing, 1998; Flavián, Longás, & Lozano, 2011; Flavián & Lozano, 2008; Küster & Avilés-Valenzuela, 2010; Webster, Hammond, & Rothwell, 2010). Previous studies confirm the appropriateness of MO in HE setting. Service-Driven Market Orientation (SERVMO) by Voon (2008) and University Market Orientation (UMO) by Camino and Ayala (2010) are the only two studies- to the best ability of researcher – that attempted to present a distinguished model to measure MO in HE context. However, identifying primary stakeholders and applying consistent strategy to deal with them is crucial for HEIs (Tetřevová & Sabolová, 2010), stakeholders such as employers of graduates have not been included as part of MO sub-dimensions beside customers and competitors. Existing studies of MO in the context of HEIs are primarily quantitative. The use of explanatory sequential mixed methods design for this study will however, provide a detailed explanation of the quantitative phase results in selective informative practitioners' own words.

To conclude, this study will address both practical as well as theoretical problems related to research context. In practice, the study will address the potential influence of MO on HEIs output directly and mediated by innovativeness. Whereas, the lack of studies on market orientation in the field of market orientation in developing countries and the shortage of current usage of MO concepts as it found in business considered as theory gap to address. Consequently, this research aiming to answers the following research questions:

- RQ1 To what extent higher education institutions in Saudi Arabia are internal market oriented?
- RQ2 To what extent higher education institutions in Saudi Arabia are external market oriented?

- RQ3 Are the degree of internal market orientation influence the degree of external market orientation obtained by Saudi Arabian higher education institutions?
- RQ4 To what extent the degree of internal market orientation affect perceived performance of higher education institutions?
- RQ5 To what extent the degree of external market orientation affect perceived performance of higher education institutions?
- RQ6 Is the relationship of internal market orientation with perceived performance mediated by innovation?
- RQ7 Is the relationship of external market orientation with perceived performance mediated by innovation?

Literature Review and Research Framework

This section Intends to provide a comprehensive discussion for sake of clarifying the concepts that back the proposed model of MO in the context of HEIS in Saudi Arabia. This will cover internal market orientation INMO and external market orientation EXMO. The later will comprise external variable of MO to be sub-dimensions, namely, student orientation, employer of graduates, competitor orientation and inter-functional coordination. INMO will be focus on internal customers for HEIs, which are employee. Market intelligence actions such as intelligence generation, dissemination and responsive will be implicitly impeded in sub-dimensions of INMO and EXMO as way of integration of both cultural and behavioral perspectives of MO.

External Market Orientation for Higher Education Institution (EXMO)

Based on the initial efforts of MO guru in the early 1990s (Kohli and Jaworski, 1990 and Narver and Slater 1990), this study will synthesizing both perspectives to explore the strengths of each approach. Kohli and Jaworski approach of market intelligence will be incorporated as sub-components in each of EXMO's components, namely, student orientation, employer of graduates orientation, competitor orientation and inter-functional coordination. EXMO components will be discussed in more detail in the following sub-sections.

Student Orientation (SO)

Current student, as a vital internal stakeholder to the HEIs, have been recognized in the prior studies in different ways. Stewart (1991) affirmed that the students of HEIs should be surveyed about the services that are provided to them, and "Institutions of HE have a responsibility to understand the needs and wants of their students" p.1. In line with that, the academic accreditation provider (AACSB, 2005) and The Malcolm Baldrige National Quality Award for education in the USA (MBNQA, 2005) agreed that the education institution that realizes the student as a customer could achieve the performance excellence. As an example of MBNQA, "customer focus category" is one of the education criteria for performance excellence:

The customer focus category examines how your organization engages its students and stakeholders for long-term market success. This engagement strategy includes how your organization listens to the voice of its customers (your students and stakeholders), builds customer relationships, and uses customer information to improve and identify opportunities for innovation.

(NIST, 2010: 13)

Despite the wide agreement on the significance of students as a vital customers for HEIs. the result of Ma and Todorvic (2011) showed that the external stakeholders are more eligible to be customer references, because students are not an adequate source of the information that help managers to develop the process of teaching. Rather, wide range of external stakeholders would be better to consider, for instance; government agencies, private corporations and independent regulators to avoid environmental and technological changes. To sum up, majority of the prior researches highlighted the vital role of students as key customers

of HEIs, but not the only one, that have to be considered in any decision made by administrators (Brown and Oplatka, 2010; Hammond and Webster, 2011).

In addition, there was another debate about HE student, whether they should be recognized as student, customer, client or partner. Armstrong (2003) commented on Ferris (2002) model of “student-as-junior-partner” instead of “student as customer”. In one hand, Armstrong agreed with Ferris partnership model in terms of doctoral student because they used to be contributors in both research and teaching sides and their supervisors play the role of senior partners. On the other hand, instead of Ferris’ model, he suggested “student-as-client” model, which is more suitable for HEIs’ manager when they are treating their undergraduates and master students. Furthermore, Armstrong (2003) suggested that “client” word is better to use in HE circumstance to avoid the simple and classic meaning of “customer” word that usually used in business context.

There are three types of students in the HEIs, namely, prospective students, current student and graduates. These three categories could provide an impression about the quality of education in HEIs. For instance, the current students’ survey results are more important to the institutions in terms of assessing the knowledge transmission process, faculty teaching efforts, facilities access and overall institution performance. Likewise, alumni competence and employability in the marketplace indicate the level of professionalism and excellence that the institution have. Similarly, prospective student and their parents’ choices could affect the numbers of enrolment in the respective institutions and its comprehensive image. Hence, these different types of students affect and are affected by their HEIs decisions and this is the backbone of stakeholder’s theory. To deal with the student as stakeholder, Tetřevová and Sabolová (2010) suggest using a “proactive” strategy which means advance level of acting toward addressing the students’ needs and wants side by side with the other stakeholders by taking into account their relevance to the institutions (Tetřevová & Sabolová, 2010).

MO theories could represent the next step for HEIs to deal with those stakeholders to achieve higher level in performance. Kohli and Jaworski (1990) approach MO as a set of behaviors that lead to improved performance. In other words, it contains a broad activity of gathering information, distributing this information between the organization functions and decides the proper reaction. This approach could be operationalized in HEIs context (Albert Caruana et al., 1998) with deferent stakeholders to form a holistic picture for the decision makers. However the students is not the only the customer for HEIs, Narver and Slater’s (1990) approach to MO have shed the light on “customer orientation” as one of the three components of this construct. Hence, instead of students as customers, student should be treated as one of the important customers taking into account the segments among students themselves. James (2001) considered that students’ expectations alone are not a robust basis for driving educational planning, as students are not ideally placed to judge certain aspects of HE quality, such as coherence of the curriculum. At the same time, he considered that students’ judgments on more tangible short-term component (teaching skills, assessment methods, etc.) should be considered when making institutional decisions.

In conclusion, the HEIs are organizations that are striving to achieve excellence in performance through enhancing their students’ satisfaction. Students in HE could be treated as customers, clients or even partners. HEIs have a broad spectrum of internal and external stakeholders. Students are a vital component of HEIs’, market and institutions, which adopt MO, have to gather information from their students, as well as other stakeholders.

Competitor orientation (CO)

In the early literature of MO, Competition was considered by scholars as a significant factor to develop and implement MO (Day & Wensley, 1988). In addition, the degree of Competition, as categorized by Slater and Narver (1994), is a moderator for the relationship between MO and performance. This comes to

support the result by Kohli and Jaworski (1990), which investigate the strength of competition as a moderator to latter relationship.

In order to create a greater value to the customer, according to MO literatures, you have to adopt an effective competitor orientation, Narver and Slater (1990) as well as Kohli and Jaworski (1990) noted that intelligence generation should not be focus on customers' needs only; rather it should cover competitors to maintain the organization position among its counterparts. "Likewise, the importance of monitoring competitor actions and how these might affect customer preferences emerged in the course of the interviews." (Narver and Slater, 1990:4)

These evidences about competition and competitors' existence in MO were from their earlier original works. Other confirmation in service sector in Spain and Belgium comes from Lado, Maydeu-Olivares, and Rivera (1998). In the UK public sector, Walker *et al.* (2011) found that competitor orientation is very important to achieve customer satisfaction. In line with that, Voon (2008) stated that:

Nevertheless, mere customer orientation is not enough. The service providers need to be competitor-oriented to deliver better services that will be perceived as quality. Competitor orientation comprises: (1) knowledge of competitors, (2) responsiveness to competitors, (3) strategic customer targeting, and as a (4) passion for service differentiation. (Voon, 2008:233)

Li, Chau, and Lai (2010) results discovered that competitor orientation had substantial influences on e-business assimilation in both public and private institutions in China. This support the finding that the MO affects the degree of innovation (Atuahene-Gima, 1996; Baker & Sinkula, 1999; Erdil, Erdil, & Keskin, 2004).

In the context of HE, competition started to become more unavoidable due to the new trends such as massification, globalization and commercialization. The objectives to obtain those business-based concepts, from case to case, are different from country to country. In some countries, the financial recourses are scarce with notable decrease of state funding to universities, some faced drop of applicants while others are looking for autonomy and independents in their institutes. Likewise, the reputation and prestige are indeed demanded in many cases. Hence, The HEIs have to collect more information and monitor its potential competitors as well as other stakeholders to be relevant in its market and to enhance its stakeholders' value.

Based on the classic view of educational ethics in some conservative cases, there is rejection of the concept of competition between HEIs (Hemsley-Brown & Oplatka, 2010). In fact, this misperception initially came from the confusion with the role of competition in business context, which was considered as unethical in the HEIs sphere. In 2005 the council of industry and HE (CIHE, 2005) in the UK with institute of business ethics issued an "ethics matters: managing ethical issues in HE" to guide HEIs in the UK in dealing with the ethical issues in their practices.

CIHE booklet admitted that: "Having a clear ethical stance may contribute to making an HEI more attractive to potential staff and students", therefore, the ethics are not against attracting new applicants or improving institute's image, which are pure marketing activities. Specifically, CIHE (2005:26) noted that: "All marketing and promotional materials will be relevant, accurate at the time of publication, not misleading, accessible and designed to help applicants make informed decisions".

Moreover, in the competition matters: "The institution will collaborate and compete with other HEIs in a fair, honest and appropriate manner" (CIHE, 2005:10). This is very clear that the regulator have considered the interchangeable between business and non-business institutes nature and the important of benefiting from that to keep HEIs in line with its surrounding environment and maintain all stakeholders interests fairly and honestly.

Employer of graduates orientation (EO)

The debate on determination of HE customer is an ongoing debate due to the relative broad spectrum of beneficiaries of HE. In addition, HEIs have been known to have multi-customers and multi-products as well (Jeremy, Abigail, & Robin, 2000). The typical outputs of any HE system are the graduates, which are recognized as products of HEIs whereas they call the employers as customers or consumers (Kotler & Fox, 1995; Nicolescu & Paun, 2009). In the labor market, many of employers seeking potential employees of those graduates. Employers are divergent in their needs of graduates' competences, skills and readiness to occupy position. The gap between graduates' capabilities to fill any position and employer's requirements is usually questionably and arguably between graduates, employers and HEIs (Nicolescu & Paun, 2009). NIST (2010) and AACSB (2011) recognize employers of graduates as customers for HEIs.

However, MO in the original effort in 1990s did not include anything about employers, some of the prior research on MO in HEIs context called for broadening the scope of MO to reflect the complicated nature of HEIs sphere (Hammond, Webster, & Harmon, 2006; Lusch & Laczniak, 1987; Webster & Hammond, 2008). Bleiklie and Kogan (2007) went further that: "The HE moves from a republic of scholars to a stakeholder organization". Likewise, Ma and Todorovic, (2011), asserted that the HEIs should not rely on student as one source of market intelligence and rather they must consider other stakeholders in their surrounding environment such as employers (Rivera-Camino & Ayala, 2010), therefore, "Providers of HE services should consider both opinions of graduates and employers." (Nicolescu and Paun, 2009:30).

Now a day, HEIs have vital role of building a robust and credible skills for its graduates to introduce them to the labor market. Governments put more pressure on universities to identify the problems and conduct the required connection with the employers (Boden & Nedeva, 2010a). Employability, as graduate's ability to have a job, rose as performance indicators for HEIs by government agencies and quality and standardization bodies (NIST, 2010; Rauhvargers, 2011).

Prior researches suggest some strategies for university to be more employers oriented. Nicolescu and Paun (2009) recommend HEIs to build a strategic relationship with employers in the labor market and make regularly evaluation for academic knowledge to meet the professional demand in the market. Similarly, Velde (2009) concluded that the Chinese vocational HE should have a connection with employers to develop a work skills in their curriculum. In addition, Mason, Williams, and Cranmer (2009) suggested survey of potential employers about the most important employability skills, fresh graduates skills gap and their possible contribution to bridging that gaps. Mason, Williams, and Cranmer (2009) described employers' role in HEIs:

"Employer involvement in course design and delivery took forms such as commenting on the relevance of course content to future employment prospects, providing materials and ideas for student projects, and giving guest lectures. In some cases, this employer involvement occurred through formal membership of course advisory panels; in other cases, it largely depended on personal contacts between employer representatives and university staff."

(Mason, Williams, and Cranmer, 2009:5)

Employers' orientation seems to be a need for contemporaries HEIs due to the role of this orientation to improve their outputs and balance their decisions. Therefore, researchers decided to add this dimension to the construct of MO as employers are a significant part of the market of any HEI.

Inter-functional coordination orientation (IFC)

Based on porter (1980) every single personnel in each function in the organization is adding to customers, clients or stakeholders value (Porter, 1980). Thus, the values of provided services or products are adding to

the overall performance of institutes collectively rather than individually. Therefore, the coordination of employee's efforts is underpinning greater value to the customers and other stakeholders.

Inter-functional coordination, as a vital approach to communicate and exchange the information among the functions inside the organization and direct their different functions toward a common goal, has been demonstrated in the previous literatures. Danese, Romano, and Vinelli (2004) recommended that inter-functional coordination is the optimal choice to face the diversity of customers and products in changeable and unpredictable condition. Auh and Menguc (2005) concluded that inter-functional coordination positively moderated the relationship between top management team diversity in function, education or experiences and innovation. This result was affirmed by the recent conclusion of Kanovska and Tomaskova, (2012) from Czech hi-tech sector. In addition, Xie, Song, and Stringfellow (1998), found that although, the interdepartmental conflict has a negative effect on new product development NPD and increase the cost of innovation through the design and redesign process. It might, to a certain extent, positively enhance the competition between departments and reflect on product quality.

Shapiro (1988) admitted that the responsibility of generating marketing intelligences and sharing it with others inside the organization and take the possible reaction to such intelligence are not upon the marketing division only, but the other functions have equal responsibility to do so. In consequence, there is a necessity for an approach to coordinate the different functions to serve the united objectives.

Emphasis on the coordination inter-functionally has been shown in the two main earliest studies on MO. Although, Narver and Slater (1990) consider inter-functional coordination as a MO construct beside customer and competitor orientation, Kohli and Jaworski (1990) suggested some organizational factors that may foster or weaken the MO. One of these factors is interdepartmental dynamics i.e. both interdepartmental connectedness as a positive variable and interdepartmental conflict as a negative sign. Both perspectives, which are cultural by Narver and Slater (1990) and behavioral by Kohli and Jaworski (1990), highlighted the importance of harmonizing the effort among organization different functions.

In HEIs case, the results of empirical researches end as similar evidence of the beneficial of inter-functional coordination to successful MO practices in this context. Recently, Mahrous and Kortam (2012) concluded that there were no one type of application of MO in private business school in Egypt, rather, there were several ways of applications, and all that application were influenced by the organizational culture. In the same context, The Malcolm Baldrige National Quality Award MBNQA put a potential weight on senior leadership communication with the other leaders and rest of employee especially in the significant decisions (NIST, 2010). In this regard, Kuster and Valenzuela, (2010) suggested to improving coordination between managers in university and its faculties members to fill the observed gap between management and its employees about their customers. Camino and Ayala (2010) however, confirm the influence of coordination among departments in the projected UMO construct, they noted that the internal orientations had little embraced by universities in Spain in favor of external ones due to the high competition atmosphere.

Internal market orientation (INMO)

To achieve performance excellence in HEIs, Voon (2007) suggested that the faculty members' should be enthusiastic in performing their job and have high academic capability to transfer quality knowledge to their students and to engage in innovative and original research. Based on The Malcolm Baldrige National Quality Award (NIST, 2010), "Human recourse focus" is a fundamental criterion, which examine the empowerment of employee, and how the personnel activities is associated with the educational institute's purposes and goals.

In their comparative study of universities that had highest degree of MO, Brown and Oplatka (2010) found that the faculty members might engage in marketing activities outside the campus through their research

and teaching functions. Furthermore, they consider that as an “internal marketing” activity, however, they were confused about “internal marketing” which refers to the culture of satisfying customers’ needs and wants through satisfying and encouraging employee, not only using them as a direct promoters for institutions (Ahmed & Rafiq, 2002). Instead of that, HEIs themselves should conduct an internal promotion to generate a positive image of the institution among its clients.

Küster and Avilés-Valenzuela (2010), investigated behavioral MO in public HEIs in Spain, they examine the possible effects of different hierarchical level of HEIs’ managers on each other’s degree of MO and finally on the faculty members’ degree of MO. As a result of their empirical study, Küster and Avilés-Valenzuela (2010) found that HEIs executives’ degree of MO associated with the department heads MO and heads of departments directly affect the degree of faculty members MO. Consequently, they suggested “internal marketing” (IM) as an inbound tactics for each level of managers to treat the lower level in the institution up until faculty members who are interacting directly with institutions’ clients.

Berry, Hensel, and Burke (1976), revealed Internal Marketing as a tactics to improve service quality. During that time, there was no common definition of internal marketing. This situation causes a variety of applications in the name of internal marketing, which in turn, urged the necessity for a common and clear definition to develop a valid and suitable application. Rafiq and Ahmed (2002) proposed their synthesized definition of internal marketing. They combined their view of internal marketing with Gronroos (1981) to produce an integrated approach of defining internal marketing as:

A planned effort using a marketing-like approach directed at motivating employees for implementing and integrating organizational strategies towards customer orientation.

(Rafiq and Ahmed, 2002: xvii)

From this definition, we can see that there is an overlapping of MO as a cultural model proposed by Narver and Slater (1990), and IM as defined by Rafiq and Ahmed (2002), that the fundamental components of internal marketing based on the latter authors are:

Employee motivation and satisfaction; customer orientation and customer satisfaction; inter-functional coordination and integration; marketing-like approach to the above; and implementation of specific corporate or functional strategies

(Rafiq and Ahmed, 2002: xvii)

Obviously, they mentioned two of three MO components inter-functional coordination and customer orientation as internal marketing component. A question should be posed to resolve this unclear point: who should be satisfied first, customer or employee. Alternatively, whose satisfaction depends on the others? From this point, and based on the researcher’s understanding of internal marketing definition this question could be answered as the customer satisfaction, particularly in service sector, comes as a result of the perceived quality of that service, and this quality would be enhanced by eager and satisfied internal customer.

MO is known as an operationalization of “marketing concept” that started in 1960s under the emerging competition and professional management. MO proposed not to only look after current customers’ needs and wants but also to generate the information of latent and expressed needs for current and future customers, disseminate them and react wisely to them. In today’s complexity institutions models, the scholars call for broadening the concept of MO to cover as much as it could of the stakeholders. Hence, HEIs have to treat its employees as internal customers to ensure them to be able to convey high standards of teaching and researching products. Because of all evidences from the foregoing, this study hypothesizes the following:

H1: Internal market orientation has positive significant effect on external market orientation in Saudi Arabian higher education institutions.

H2: Internal market orientation has positive significant effect on perceived performance of Saudi Arabian higher education institutions.

Performance Indicators in Higher Education Institutions

The identification of performance indicators in HEIs is not an easy thing, but that there is an agreement to consider the objectives of any institution of indicators to measure the performance of the institution through the commitment to achieving them (Ball & Halwachi, 1987). For each HE system there is a common goals or broad objectives that the institutions among this system have to be in line with these goals and objectives. In general, preserve, transmit and extend knowledge are agreed in many countries. Based on this general policy each institutes or even academic departments put their mission and objectives, which, in turn, help in developing measurable performance indicators to assess institutes effectiveness to achieve outcomes-objectives and efficiency in accomplish process-goals (Neely, Gregory, & Platts, 1995).

According to Johnes and Taylor (1990), if universities are to be evaluated, it is therefore necessary to acquire information about: i) the outputs which universities aim to produce; ii) the inputs which universities need to produce these outputs; iii) quantitative measurements of each university's inputs and outputs; vi) the technical relationship between inputs and outputs.

According to its 25 years strategic plan (MOHE, 2010) – Afaq: in Arabic means horizons – ministry of higher education focused on transformation to knowledge economics by developing infrastructures of new universities, developing faculty members' ability to transfer knowledge, support research and innovation among students and scholars and expand the relationships of Saudi HEIs and their counterpart on the international level. These ambitious objectives reflected on many initiatives in the field of HE in Saudi Arabia in the past 10 years. HEIs in Saudi Arabia are involving in the efforts of planning by defining their objectives and aims, which come to fulfill the national policy of HE .

Based on the prior research and depending on the published information about HEIs' goals, objectives and strategies as shown in Saudi HEIs' websites, researcher decided to choose four major indicators to use as sub-dimensions in dependent variable (performance) in the model, which are: 1) teaching, 2) research, 3) employability, and 4) prestige. In the following section, more details on these five indicators will be presented. The following sub-sections will discuss each of them separately.

Teaching

One of the main objectives of HEIs is to provide a good teaching to their students. Teaching quality and methods have an impact on graduates' ability to compete in labor market (Cabrera, Colbeck, & Terenzini, 2001). Way of teaching, class climate, size and teacher/student ratio should be considered during designing teaching process. Based on table 2.9. The selective HEIs' mission and objective indicate that the colleges committed to provide their student with the knowledge and skills in an acceptable teaching quality. Therefore, teaching as performance indicator is essential to assess the impact of IMO on these performance indicators.

Research

Research plays a vital role in any HEI reputation. To measure research performance, HEIs use a self-assessment as well as third party. The dimension and criteria that they consider to measure vary depending on their own goals and targets. According to the THES (1986), assessment of research performance in an academic institution may contain analysis of publications, citations, research income, number of research students, submission rate for research degrees, external academic staff appointments (editorship of journals, membership of research council). More recently, QS published its stars criteria for university performance

2012, which contain research with the following sub-criteria: 1) Academic reputation, 2) Citations per paper, 3) Papers per faculty, 4) Arts-related outputs and 5) Prolific academic experts. Research reputation tends to be significant in judging HEIs in Saudi Arabia. MOHE is giving generous incentives to any faculty members who successfully to register a patent or publish scientific paper in journal with high impact factor to insure quality in the whole process.

Employability

Employability refers to graduate ability to find an appropriate job in a particular time (Harvey, 2001). There are continuous debate about employability as HE performance indicators (Boden and Nedeva, 2010b; Graves, 2011; Jeremy et al., 2000; Mason et al., 2009). However, Tomlinson (2007) indicated that the students are the responsible of the employability due to their understanding of labor market and various approaches with which they treat their future careers. The majority of scholars considered employability as one of the modern HEIs interests (Harvey, 2001; Cranmer, 2006; Støren and Aamodt, 2010). Harvey (2001:98-100) divided employability to first, individual employability, which is defined as “propensity of students to obtain a job”. Second, institutional employability, which is “the effectiveness of the institution in developing employable graduates”. Cranmer (2006) concluded that high level of employability could be obtained by employers’ involvement in developing curriculums and employability skills. Further, Støren and Aamodt (2010) affirmed that the study program is responsible for finding and doing a satisfactory job. Based on that, the researcher will use employability as sub-dimension in the dependent variable that reflects college top management perception about their graduates’ propensity and ability to secure a proper job in particular time as a performance indicator.

Prestige

The race for prestige among HEIs is becoming more and more with time. International and national accreditations in various disciplines are taking place in terms of assessing HEIs particularly among those who decide to continue their higher degrees abroad. The global and regional rankings have been considered as one of the reputation to a certain institutes and its stakeholders. HEIs themselves are manifesting their achievements of ranking and/or accreditation on the first page of their website as they believe that they deserve what they get from independent body. Saudi Arabian HEIs are not exception in this race. The competition among HEIs to pursue an advanced ranking and/or to obtain any of national or international accreditations for a college or a program is notable. However, global HEIs ranking is phenomena, there is a shortage in the current ranking to reflect all dimension that should be, and rather, the rankings are mainly focusing on research reputation and only English language is accepted in assessing publications. Therefore, prestige will be considered in this study as performance indicator and will be posited to be influencing the degree of MO.

Influence of MO on HEIs’ perceived performance

The relationship between MO and performance is one of the trendiest relationships discussed in the literature of MO in business sector. In general, the positive correlations have been widely confirmed among conducted researches. On the other hand, few of them exposed weak or null relationship (A Caruana, Pitt, & Berthon, 1999; Lonial, Tarim, Tatoglu, Zaim, & Zaim, 2008). These positive relationships were examined either directly (Chang & Chen, 1998; Megicks & Warnaby, 2008; Qu & Ennew, 2003; S F Slater & Narver, 2000), as moderators (Appiah-Adu, 1998; Baker & Sinkula, 1999; Wong & Ellis, 2007) or mediators (Han, Kim, & Srivastava, 1998; Mavondo & Farrell, 2003; Mavondo & Nasution, 2005). In addition, the impact of MO on performance was confirmed on different dimension of macro and micro performance indicators comprises overall performance (Cravens & Guilding, 2000; Langerak, 2003; Ogbonna & Harris, 2002) trademark performance (O’Cass & Ngo, 2007), financial performance (Lonial et al., 2008), new product development performance (Hsieh, Tsai, & Wang, 2008), selling performance

(Panigyrakis & Theodoridis, 2007) and salesmen performance (Lane & Piercy, 2010). The well-established MO-performance relationship, in the business and non-business sectors, showed a positive signs in the context of HE. Hammond, Webster, and Harmon (2006) admitted that:

Any university business school that has achieved a greater focus on students, other stakeholders, and competitors, and has achieved higher levels of organization wide coordination should, accordingly, achieve higher levels of performance.

(Hammond, Webster, and Harmon, 2006:74)

Such quotation shed light on the strong conclusion that the multi-dimensional construct of MO emphasis a greater level of organizational performance.

In the context of HE, researchers continued to assess the influence of MO on various aspect of performance. Caruana et.al (1998a,b) confirmed the existence of positive MO-performance relationship in terms of overall performance and school ability of obtaining non-government fund. Equally, Hammond et.al (2006) concluded with similar positive correlation adding “change of enrollment” as an objective indicator besides the overall subjective one. In their investigation about Spain public university, Flavian and Lozano (2007) suggested three major performance indicators, namely, teaching performance, research performance and culture spread. The latter study affirmed positive relationship between faculty members’ degree of MO and their performance in the three mentioned indicators. Further, Kuster and Valenzuela (2010) disclose that MO has positive impact on good reputation, research and employability. In the same vein, positive influence of MO is observed for job satisfaction. (Ma & Todorovic, 2011)

Although, a fair number of prior researches on MO in the HEIs context considered the influence upon performance, however, some researchers focus on building a new construct of measuring MO (Rivera-Camino & Ayala, 2010; Voon, 2008) or concentrated on grounding MO theory in in-depth Qualitative study (Mahrous & Kortam, 2012) or to produce a comparisons among investigated ones on their degree of MO or comparing them with the degree of their counterparts in business sector within the prior researches (Hammond K L A Webster, 2011; Webster & Hammond, 2008) Hence, this study hypothesised that:

H3: External market orientation has positive significant effect on perceived performance of Saudi Arabian higher education institutions.

Table 1: Performance (indicators) linkage to Market orientation (dimension) in the prior studies

Author	MO Dimension	Performance Indicator
Caruana <i>et al.</i> (1998)	MO	Overall performance
		Obtaining non-government funding
Hammond <i>et al.</i> (2006)	MO	Overall performance
Flavian and Lozano (2007)	MO behavior	Success in teaching
		Research activities**
Kuster and Valenzuela (2010)	MO	Reputation, research and employability
Brown and Oplatka (2010)	Marketing and competitor orientation	High quality of Research and teaching performance
Hammond and Webster (2011)	High levels of MO	Improve their performance
Ma and Todorovic (2011)	Faculty members degree of MO	Job satisfaction

Mediating effect of Innovation on MO-performance relationship

MO recent researchers looked beyond the direct link between organizational resource and organizational outputs such as performance (Hult, Ketchen, & Slater, 2007). They suggest that the relationship between MO and performance should be channeled explicitly through one or more of the organizational elements that influence the performance. The predominant theory that guided this trend is the resource-based view by (Barney, 1991; Wernerfelt, 1984) which refer to impact of an organization's resources i.e., tangibles or intangibles, on its performance directly and indirectly. The existence of resource-based view (here after RBV) in the strategic orientation-performance linkage was heavily debated in Strategic Management Journal SMJ during the period from 2005 to 2007 by group of MO researchers from USA, namely, Hult, Ketchen and Slater and Conner from UK. The main debate was about the question posed by Hult et al. (2005): "how MO contribute to performance?". In response to that, Connor (2007), considered RBV as tautology, which mean that the argument made by them was meaningless. In their reaction, Hult et al. (2007) defended their ideas about RBV: "... strategic resources only have potential value, and that realizing this potential requires alignment with other important organizational elements". Accordingly, the argument made by Hult et. al. (2005, 2007) was comprehensive and more in line with the recent empirical studies that were carried out later in the context of MO, innovation and performance.

Innovation has been investigated intensively in the literature of business and management (Garcia & Calantone, 2002). Although scholars gave different definitions of innovation, depending on their perspectives, however, they agreed that "openness to new ideas and propensity to and acceptance of change" is a common attribute of innovative organizations (Baregheh, Rowley, & Sambrook, 2009). Likewise, O'sullivan and Dooley (2009:5) define innovation as "the process of making changes, large or small, radical or incremental, to products, processes, and services that results in the introduction of something new for the organization that add value to customers and contributes to the knowledge store of the organization". From this definition, it seems that innovation overlaps with marketing concept in customer focus. Recently, Tot (2012:20) defined innovation management as: "the management of all the activities involved in the process of idea generation, technology development, manufacturing and marketing of a new (or improved) product or manufacturing process or equipment". He noted that there are several types of innovation such as: 1) product innovation 2) process innovation, 3) organizational innovation, 4) management innovation, 5) production innovation, 6) marketing innovation, and 7) service innovation.

There is wide consensus among scholars about the role of innovation in hiring organizations capabilities to enhance various aspects of their performance as shown in table 2.11 below. Historically, many researchers have identified a positive link between MO, innovation and organization outcome. For instance, Jiménez-Jimenez, Valle, and Hernandez-Espallardo (2008) concluded that MO "foster" innovation, which fully mediate its impact on firm outcome. Carmen and José (2008) argue that the positive relationship between MO and museums' socioeconomic performance is partially mediated by both technological and organizational innovation. Laforet (2009) asserted that customer orientation has an influence on new product development, process innovation and innovation strategy. Medina and Rufi'n (2009) found that innovation stand-in as a mediator between strategic orientations in retailers and business outcome. Zhang and Duan (2010) show that innovation orientation and technological turbulence have positive moderating effects on MO and new product performance link among manufacturing companies in China. The same authors distinguished between two types of MO, namely, responsive innovation and proactive innovation. They suggested that responsive MO is directly related to new product success and this relationship is enhanced by stable technological environment whereas, while, proactive MO influence product innovation performance via innovativeness and with moderating role of high turbulent technological environment. Li-Hua et al. (2011) stated that Organizational learning not only emphasizes and encourages organizational outcome but also demonstrates a vital role in achieving innovation in HEIs. HEIs are undergoing a cultural transformation to play a significant role in the knowledge-based society as an entrepreneur and promoting

economic development. Innovation is a vital characteristic of entrepreneurial orientation (Lumpkin and Dess, 1996). Therefore, Etzkowitz and Zhou (2007:2) suggest that entrepreneurial universities' aim: "more than "the creation of interface mechanism between university and industry and plays a diverse role in university-pushed, government-pulled and corporate-led innovation". Furthermore, the entrepreneurial university has the capacity to complete a circulation of trilateral cooperation between academia, industry and government (Li-Hua et al., 2011). Therefore, this researcher hypothesized that:

H4: The impact of internal market orientation on perceived performance is mediated by innovation.

H5: The impact of external market orientation on perceived performance is mediated by innovation.

Table 2: Summary of Relationship of MO-innovation in prior research

Research	MO- Innovation Relation
Appiah-Adu and Ranchhod (1998)	MO Negative impact on new product/ service success
Han <i>et al.</i> (1998)	Innovativeness mediated the relationship between MO-innovation
Baker and Sinkula (1999 a, b)	MO Positively related to new product success
Atuahene-Gima and Ko (2001)	MO-performance moderated by entrepreneurship orientation
Tzokas, Carter and Kyriazopoulos (2001)	MO-performance moderated by entrepreneurship orientation
Matear <i>et al.</i> (2002)	MO-performance mediated by innovation
Mydeu-olivares and Lado (2003)	MO-performance mediated by degree of innovation and innovation performance
Salomo <i>et al.</i> (2003)	MO-performance moderated by product innovativeness
Atuahene-Gima, Slater and Olson (2005)	MO positively affects new product sale and profit
Chimhanzi and Stewart (2005)	MO-performance mediated by new innovation success
Im, Hussain and Sengupta (2008)	MO positively related to creativity
Low, Chapman and Sloan (2007)	Innovation positively correlated with MO and performance
O'Cass and Ngo (2007)	Innovation culture affects MO and brand performance
Jime'nez-Jimenez and Valle (2008)	Innovation mediated the impact of MO in performance
Medina and Rufi'n (2009)	MO-performance mediated by innovation
Zhang and Duan (2010)	Proactive MO positively affects innovation performance directly and via innovativeness. Responsive MO positively affects innovation performance directly.

Research hypothesized model

Based on the review of prior research on MO in the context of HE, the researcher suggests the following conceptual model. Refer to figure 2.4. The model shows that EXMO is affected by INMO and INMO influenced performance directly and via innovation. The model, in addition, does not neglect the supposed relationship between INMO and innovation and directly hypothesized impact of innovation on performance.

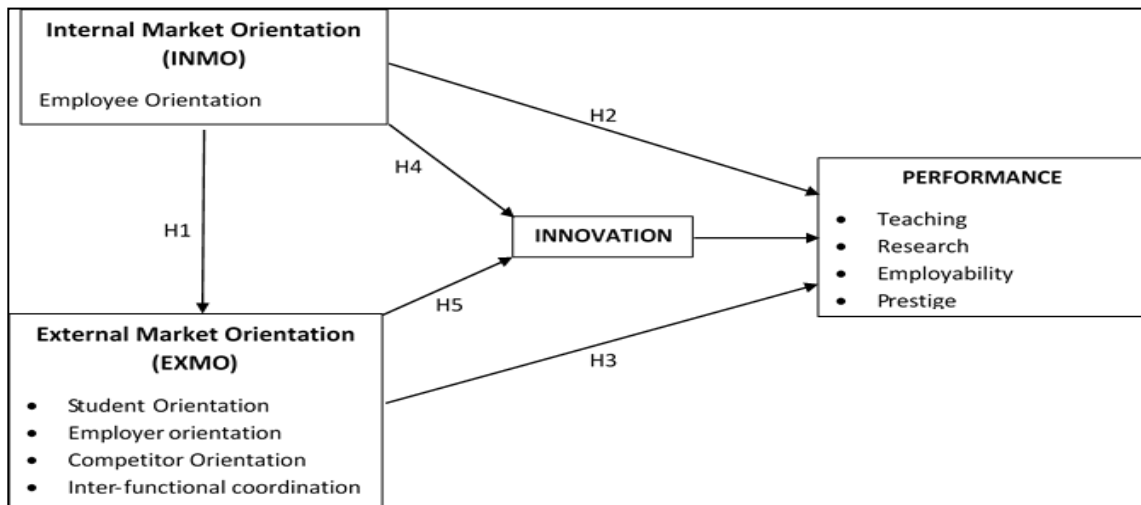


Figure 1: research hypothesized model

Conclusion

This paper aimed to measure the influence of MO on the perceived performance in Saudi Arabian HEIs. This investigation predicted that internal MO could be an antecedent to external MO. Moreover, this study hypothesizes that there are direct and mediated influence of MO on perceived performance. Innovation considered an accelerator to responsiveness that would be executed by managers in HEIs. This study rose the questions and hypothesized the answers. This framework is limited to certain number of variables therefore, could not include all possibilities. The future research could use more variable that may affect the relationship between MO and perceived performance. Finally, the future research could benefit of empirically testing and retesting this framework to get a longitudinal results.

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