



## Review Article

# ASEAN Community and Indonesia's Competitiveness in Higher Education: A Need for Market Orientation

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## Abstract

ASEAN community 2015 moves the competition of Indonesia up to another level, from only domestic competition to a wider ASEAN regional competition. This study aims to investigate preparedness level of universities in Indonesia in the face of ASEAN regional competition. Market orientation in higher education is a definite need of universities to compete effectively. Coordination between functions and standards in universities is the foundation to manage competitiveness. Model of correlation between market orientation and quality of education standard, research standard and community service standard, supported by the accountability framework of the university, develops the competitive advantage and its impact on performance.

**Key words:** Market orientation, higher education, Indonesia, competition and ASEAN community

**Received:**

**Accepted:**

**Published:**

**Citation :** Umi Narimawati, Eddy Soeryanto Soegoto and Dwi Kartini, 2018. ASEAN community and Indonesia's competitiveness in higher education: A need for market orientation. Asian J. Sci. Res., CC: CC-CC.

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**Competing Interest:** The authors have declared that no competing interest exists.

**Data Availability:** All relevant data are within the paper and its supporting information files.

## **INTRODUCTION**

ASEAN community 2015 is an agreement on the establishment of a community that consists of three pillars; ASEAN economic community, ASEAN security community and ASEAN socio-cultural community. These three pillars are interrelated and support to each other. This is due to the desire to achieve the community's goals of sustainable development, living in peace and prosperity for all in the region<sup>1</sup>. This is promoted through various approaches which trigger numerous forms of innovations<sup>2</sup> in the ASEAN community. Such innovations conform to the rules which govern the free flow of capital investment and the movement of skilled workers who are supported by a strong education sector which is open to changes and fits in ASEAN's rapidly transforming environment, that has ensured there is no increasing stress<sup>3</sup>. Because of the emphasis on seeking for improved and high-quality education in the region.

On the other hand, considering the indicators of education competitiveness, particularly the competitiveness of universities, Indonesia is in a low position. It has been stated that "in the field of international higher education, Asia's universities are predicted to dominate the world's university rankings<sup>4</sup>.

Though the existence of the ASEAN community will be dominated by prepared and strategize countries, the region's vastly different levels of development<sup>5</sup> set the economies in a high competition. In the framework of ASEAN socio-cultural community, education is expected to support ASEAN community. On this point, the ASCC Blueprint in one of its strategic directions states that equitable access to human development requires promotion and investment in education<sup>6</sup>.

Education serves as motivational component in development. According to Soegoto<sup>7</sup>, motivation is an important aspect for individuals or companies' success. Though this is true, the condition of higher education in Indonesia faces challenges<sup>8</sup>. Even though education is high on the agenda, in the 2013/2014 QS World University Rankings, the rankings of Indonesian universities declined, though there is a slight improvement currently.

It's upon this that the Organization for Economic Cooperation and Development (OECD) suggests that the graduates of private universities in Indonesia should try as much as possible to satisfy market demands<sup>9</sup>. The changes of strategic environment in the regional-global level are both opportunities and challenges for Indonesian universities to respond to within an active ASEAN community. However, not all universities in Indonesia possess the appropriate strategies to do so.

As professional service providers, universities in Indonesia are considered slow and reluctant to conduct marketing activities<sup>10</sup>. This phenomenon is clear in the field, particularly in the case of State-owned Universities which are always the first choices for new students. The decision makers in these universities assume that marketing activities, which are often associated with promotions /advertisements, are not required for survival without any serious difficulties.

There is an assumption that the concept of market orientation<sup>11</sup> is not in line with the purpose of education. This assumption is based on the perspective that associates market orientation with the activities to obtain maximum profit through satisfying all needs and wishes of the customers<sup>12</sup>. Consequently, leading to the opinion that market orientation is a concept based on customers' dominance<sup>13</sup>. It is even believed that organizations should always be willing to be driven by customers' wishes and expectations for market success.

Therefore, it is hard to argue that marketing activities, which are a part of competitive strategy in global era, can contribute greatly in improving organization's performance<sup>14</sup>. Hence, organization's competitiveness in the turbulent environment of a transitional economy greatly depends on the organization's ability to develop market orientation concept. Regarding this, it is stated that market orientation is relevant for all kinds of organization that deal with customers and other stakeholders<sup>15</sup>.

One of the ways to respond to the challenges and opportunities of ASEAN community is by implementing market orientation. The contribution of this concept towards the improvement of performance in universities has been empirically proven<sup>16,17</sup>. Market orientation developed in an organization will be a significant resource to build and maintain competitive advantage. An organization with market orientation tends to choose its market target more wisely and provides better total offer adjusted to customers' preferences. In general, market orientation is understood as a business response for a certain part of external environment of an organization; an environment consisting of customers and competitors<sup>18,19</sup>.

## **CONCEPT OF MARKET ORIENTATION**

Market orientation is a strategy to provided services that suit the needs and expectations of customers. Thus, to maintain market orientation, it is often said that organizations should gather information from the customers concerning their needs and expectations and should use the existing customers' information to design and provide suitable offers.

There are two prominent concepts concerning market orientation. Narver and Slater's concept<sup>19</sup> represents the cultural perspective. While Kohli and Jaworski<sup>18</sup> view market orientation from the behavioral perspective. According to Narver and Slater<sup>19</sup>, market orientation is a culture of organization manifested in the forms of customer orientation, competitors' orientation and coordination of existing functions under the criteria of long term goals and profit earning. Market orientation based on these two criteria is not suitable for non-profit organizations like universities. Meanwhile, Kohli and Jaworski<sup>18</sup> view market orientation as a behavior of organization in implementing the marketing concepts. This behavior focuses on several activities, including market information gathering (intelligence generation), market information distribution (intelligence dissemination) and responding to market information (responsiveness). This paper utilizes the definition provided by Kohli and Jaworski<sup>18</sup> because in addition to its suitability for university context, it has also been used in similar researches by Caruana, Ramaseshan and Ewing<sup>18</sup> in Australia and New Zealand and Flavian and Lozano<sup>20</sup> in Spain.

### CONSTRUCT OF MARKET ORIENTATION

Review of literatures related with market orientation shows different opinions concerning the aspects of market orientation. Morgan et al.<sup>21</sup> and Siddique<sup>22</sup> adopted the dimension offered by Kohli and Jaworski<sup>18</sup>; that market orientation consisted of intelligence generation, intelligence dissemination and responsiveness. Other researchers adopted the conceptual dimension consisted of customer orientation, competitors' orientation and coordination of functions proposed by Narver and Slater<sup>19</sup>. Some of them even added other dimensions to the original three. For instance, Alhakimi and Baharun<sup>10</sup>, added the dimension of profit orientation, Michaels and Gow<sup>23</sup> added the dimensions of learning organization, innovation and cost-orientation. Meanwhile Njeru and Kibera<sup>24</sup> and Kang<sup>25</sup> adopted the three dimensions offered by Narver and Slater<sup>19</sup> without adding any new dimension.

In this study, the concept of market orientation consists of four elements: Customer orientation, competitors' orientation, organizational coordination and performance implication. This is illustrated in Fig. 1. These four elements are believed to be the primary elements that contribute to future success. Referring to these elements, a market-oriented university is the university whose activities are aimed for the development of understanding its customers and competitors. Concerning the elements of internal coordination of the

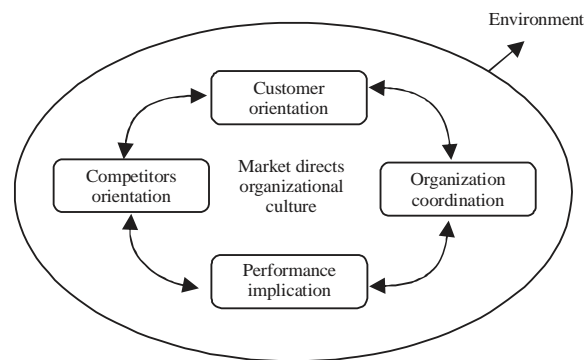


Fig. 1: Market orientation concept framework

Source: Kemendikbud, World Bank and AusAid (2014)

organization, it means that the internal activities of university should be designed and implemented to satisfy customers' needs. In addition, market-oriented universities represent profitable performance of organization, compared with non-market-oriented universities. The factor of environment is a determinant in designing the services that the university, as professional service provider, will offer.

### CUSTOMER ORIENTATION

Customer orientation is the most important and the most fundamental element in the implementation of market orientation. Market-oriented organization understands customers' preferences and requirements and effectively allocates the skills of organizational resources to satisfy those needs. Being customer oriented requires the organization to find out the values that customers need and help them to meet those needs. Conway *et al.*<sup>11</sup> suggest that there are four groups of customers in education: Teachers/academics, actual customers (students, their families, employers and general society).

A joint study conducted by the Indonesia's Ministry of Education and Culture, World Bank and Australian Aid<sup>26</sup> concludes that universities must have simple frameworks. This is illustrated as in Fig. 2. In this framework, universities are in the middle, with students. The universities include state-owned universities and private universities. The relationship with job providers is indirect. Universities only respond to the market by adjusting their demands of future students, regulations and organizational incentive management and demand of the labor market.

Literature on marketing in education industry began to emerge in the 1980s in the USA and UK by adopting the models of business organizations<sup>27</sup>. This topic gained interests from researchers, so that in 1990s, many investigations of the

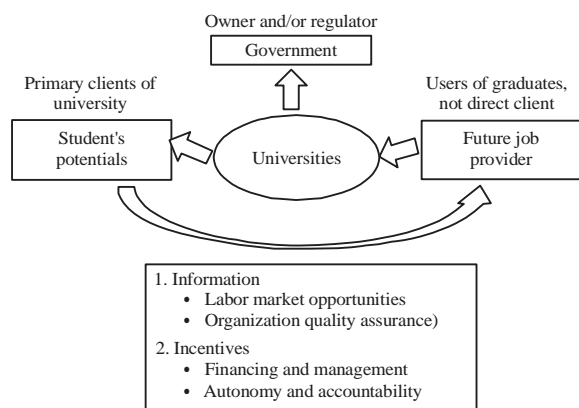


Fig. 2: University accountability framework obtained from Kemendikbud-World Bank and AusAid (2014)

implementation of marketing in higher education (university) were conducted<sup>28</sup>; Gronroos<sup>29</sup>; Gummesson<sup>30</sup>; Hannagan<sup>31</sup>; Kotler and Andreasen<sup>32</sup>; Lovelock and Weinberg<sup>33</sup>.

Concerning the implementation of marketing concept, particularly marketing orientation, in education institutions, Caruana *et al.*<sup>17</sup> argued that to win the competition in the age of competitive market, universities should implement market orientation. However, the implementation of this concept in education institutions is still debated. Driscoll and Wicks<sup>13</sup> criticized that customer-driven approach, which is another name for market orientation, is not suitable for the field of education. They were worried that this concept was misinterpreted to be an opportunity for students (as one of the customers) to negotiate the curriculum and evaluation system based on their wishes. Thus, this approach is considered risky because it may cause the decrease in education quality.

On the other hand, one of the reasons underlying the implementation of market orientation concept in universities is the changes of government policies in various countries. One of the policies is the reduction of government subsidy for universities (especially state-owned universities). This regulation demands the institution to work hard to find non-government sources of fund. Qureshi<sup>16</sup> and Caruana *et al.*<sup>17</sup> found that market-oriented universities obtained non-government funding relatively easier than non-market oriented universities. These findings can be used as the foundation for Indonesian universities to implement the concept of market orientation.

Another factor that urges universities to adopt market orientation is globalization. The age of free market has brought foreign higher education institutions to compete with domestic universities in the local market. Based on marketing concept, institutions that will survive and win the

competition in global market are those that offer added values that suit customers' expectation<sup>34</sup>. It means that in the age of free competition as today, universities should design market-oriented<sup>35</sup>.

Therefore, customer orientation is an effort to develop interaction with customers. In interacting with customers, universities' standards of service should focus beyond its educational functions to cover the field of research and social/community services. Universities need to develop and implement the standards of service (competence of graduates, learning content, learning process, learning evaluation, lecturers and educational staff, learning facilities, learning management and learning financing), the standards of research (research findings, research topics, research process, research evaluation, researchers, research facilities, research management and research funding) and the standards of social services (results of social services, content of social services, process of social services, evaluation of social services and performers of social services). These standards refer to the Decree of Indonesian Education and Culture Minister No 49/2014 concerning the National Standard of Higher Education<sup>26</sup>. Higher education institutions should have higher standards that exceed customers' expectation to ensure customers satisfaction and the universities' competitive advantage.

## COMPETITORS ORIENTATION

Market-oriented organization recognizes the importance of understanding its competitors and customers. Hence, the failure to identify and respond to the threat of competition will result in serious consequences for the organization. Competition is important factor that determine success or failure. Some marketing researchers have underlined the importance of competitor orientation in the development of market orientation<sup>18,19,12</sup>. This means that in a market situation with many players, such as in higher education, the survival of an organization greatly depends on its ability to create 'competitive differentiation' through sustainable and continuous values and quality development. Organizations that manage to do so will win the competition and the market.

In line with this, 'competitive differentiation' is important to possess in universities since the customers of the universities have a hierarchy of quality in their mind that will be used as reference to make decisions<sup>11</sup>.

Competitors orientation can be expressed through monitoring of information regarding the competitors and disseminate it to all functions in the university. Information regarding the competitors' standard of service is particularly important.

## ORGANIZATIONAL COORDINATION

An effective market-oriented organization will find that all functions of business in its body cooperate to provide superior customer value. As Kotler<sup>36</sup> states, organizations with organized and integrated activities tend to have effective marketing strategies. Therefore, all components and resources in the organization should be directed to the effort of providing added value to the customers to ensure their satisfaction. Kotler and Keller<sup>37</sup> believe that institutions that can survive and are able to win in the global competition are those that offer added (superior) values that suit customers' expectations. Leaders of organization, as marketers, are responsible for the formulation and implementation of comprehensively integrated marketing program to create, communicate and deliver superior customer values<sup>37</sup>.

Organization leaders who recognize the importance of marketing and service culture will drive their organization to a customer-focus and market-driven direction. The development of organizational culture, including symbol, ideology, language, belief, rituals and myths, is important because organization that develops coherent culture will perform more effectively in the market<sup>38</sup>. Such cultural changes are a serious challenge for universities, particularly in Indonesia, in which many of the universities still implement long-winded bureaucratic culture. The perspectives of educators and education staffs should represent the view that customers are clients. For market orientation to succeed in university, it is important to instill the importance of 'market driven' and 'customer focus' attitudes in all parts of the institution.

## PERFORMANCE IMPLICATIONS

Market-oriented organization begins its strategic analysis with the aim to enter the market and competition. Several studies in various countries show positive correlation between market orientation and superior performance. Market-oriented organizations display profitable performance, compared with those without market orientation.

The correlation between market orientation and institution's performance has been investigated in various contexts and backgrounds. The findings show varied correlation between market orientation and performance. It is found that market orientation and performance have positive, strong and weak correlation. Some studies find that there is no correlation between the two, while other studies find that the correlation between the two variables is moderated by other variables. The inconsistency in these findings is caused by various factors, including the different instruments utilized, the sampling technique and the number of sample<sup>39,40</sup>. Market-oriented universities (focusing on customer orientation, competitor orientation and organizational coordination) that meet the expectation and needs of customers and have superior competitive advantages over the competitors will have better performance.

### MODEL OF MARKET ORIENTATION IN UNIVERSITIES OF INDONESIA

Based on literature review, a model of market orientation in universities of Indonesia has been proposed. Figure 3 shows the model of market orientation that displays the relationships

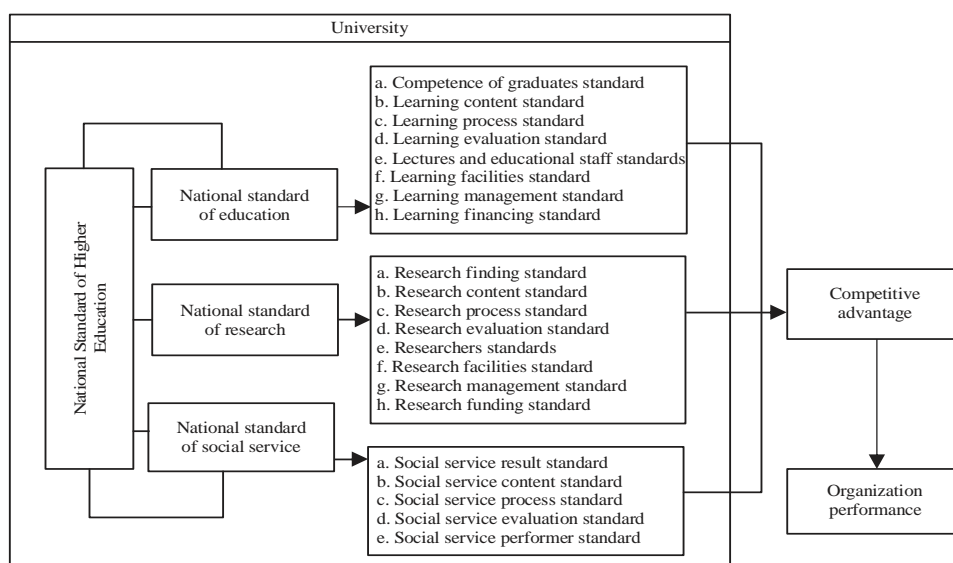


Fig. 3: An illustration of a market orientation and higher education policy standardization

in market orientation policy implemented in the standards of higher education. All these standards refer to the Decree of Indonesian Education and Culture Minister No 49/2014<sup>26</sup> concerning the National Standard of Higher Education.

The whole services provided by universities are indicated by the standard of education, standard of research and standard of social/community service, aiming to meet the requirement and even exceed the expectations of customers (students, alumni, lecturers and educational staff, users of graduates and society in general). Services that exceed customers' expectations will satisfy the customers and will give competitive advantage for the university over its competitors. Sustainable competitive advantage can only be achieved by continuous improvement of organizational performance.

On the other hand, when the services provided are below the expected standard of customers and below the standard offered by the competitors, the customers will be dissatisfied, resulting in low competitiveness. Considering this, it can be assumed that competitive advantage of universities in Indonesia can be improved by achieving the standard set based on information about customers and competitors and by developing customer focus and market driven culture of the organization.

### CONCLUSION

It is concluded that market orientation in education, particularly higher education requires an empirical investigation to examine how such orientation is handled by universities already implementing the idea. Since, universities are considered decision makers resource development.

This clearly proves that universities should believe that marketing activities are often associated with promotion/advertisement because through such activities, institutions tend to survive without any serious difficulties or market challenges.

Up this, there is an assumption that higher education in the perspective of market orientation should try as much as possible to meet or satisfy all needs and wishes of the customers who the students plus other stakeholders.

Consequently, there is an opinion that market orientation is a concept based on customers' dominance. It is even believed that organization should always be willing to be dictated by customers' wishes and expectations if they are to succeed in the market.

The conclusion is zeroed to the fact that this study may contribute a comprehensive understanding of market orientation, not only in business sector but also in non-business sector such as the education sector.

### SIGNIFICANCE STATEMENT

This study intends to elaborate the market orientation of universities in Indonesia, in its relationship with the quality of education standard, research standard and social/community service standard which are the key competitiveness in developing satisfaction and loyalty.

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