

The effect of market orientation on business strategies of lifelong learning institutes: From the intellectual perspective
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Abstract

Universities are the academic organizations which aims to teach and do research in Taiwan. However, due to the universities expansion and the trend of low birth rate, most universities have got more stress on the recruitment of students. The registration rate determines the schools budget distribution and their existence in the future. Furthermore, universities have to seek financial support for themselves with very limited subsidy. At the same time, Department of Executive announces lifelong learning project, which encourages citizens studying at anytime, and any place. Owing to this plan, universities enlarge their target group from high school students to adults. Therefore, the setting of extension education center or adult education department becomes the main financial source.

In the past, tangible assets were an important part on financial sheets, such as machines and buildings. However, with the rise of intellectual property rights, which shows more importance of enterprises operation. Thus, the researchers have started to discuss intangible assets from tangible ones. Intellectual capital is one of the parts of intangible assets. Intellectual capital includes human capital, relational capital and structural capital. External environment changes simultaneously influence human resource arrangement, internal relationship integration, and organizational structure adjustment. Consequently, the notion of intellectual capital has been seen as one of the core competitive advantages in the enterprises recently.

The courses of continuing education institute belong to intangible products, which are market or client orientation. Therefore, the study will discuss how market orientation affects business strategy of continuing education institute from viewpoint of intellectual capital.

This research uses the case study method. The case is an extension center in northern Taiwan and the interviewee is the chief executive officer of the center. The reason of using interview is that it can obtain more deep and complete data.

The result shows that the continued education institute originally use focus strategy to recruit target group. Gradually, the institute has transferred to their differentiation strategy. And they develop early childhood education market is successful.

Key words: continued education institute, market orientation, intellectual capital

Introduction

Universities are academic organizations that aim to teach and conduct research. In Taiwan, most universities experience much stress in the recruitment of students as a result of university expansions coupled with the nation's low birth rate trend. Adding to the pressure, registration

rates determine the budget distribution within the educational institute and its continued existence. Additionally, universities must seek their own financial support with extremely limited subsidies from the government.

Recently, Executive Yuan announced its lifelong learning project, encouraging citizens to continue studying anytime and anywhere. Owing to this project, universities enlarged their target customers from high school students to adults, converting the extension education centers into their main financial source.

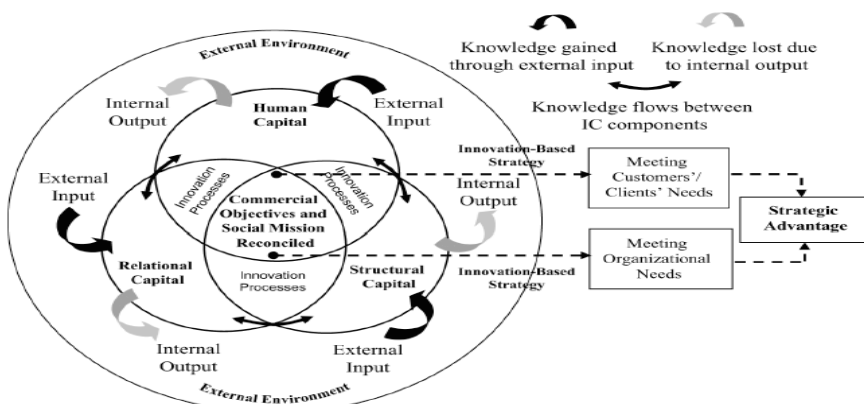
In the past, tangible assets were an important part of financial statements, such as machines and buildings, but the rise of intellectual property rights, shows that more importance is placed on firm operations and processes. Hence, more researchers have expanded their discussion to include intangible assets. Intellectual capital includes human capital, relational capital, and structural capital. Due to the complex effect external environment changes have on human resource distribution, internal relationship integration, and organizational structure adjustment, intellectual capital has gained standing within firms to become one of the core competitive advantages.

Due to the recent financial crisis in 2008, students have had more practical consideration when selecting lifelong learning curricula, such as license orientation courses, causing a change in curricula design from university-based to customer and market-based. This change invisibly influenced the human resource, organizational structure, and stakeholder identities of lifelong learning institute, not to mention their performance. The courses of continuing education institute are market or client orientation. In addition, the concept of innovation has been used in the extension education center. Therefore, the study will discuss how market orientation affects business performance of extension education center from the viewpoint of intellectual capital. Therefore, this study will use the concept of intellectual capital to explore related questions.

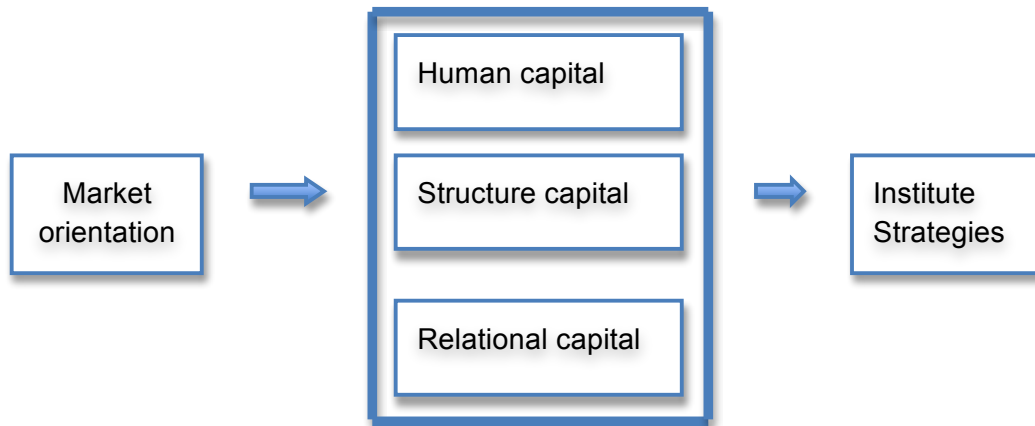
The first part of the study introduces the status quo of higher education in Taiwan. Following that, innovation and market orientation are briefly explored. The researchers also focus on the topic of intellectual capital. Finally, suggestions are provided to help lifelong learning institutes obtain better performance.

Research Questions

The concept of the study is based on Kong (2010) proposed intellectual framework for innovation processes in social enterprises. Because external environment change and innovation processes, knowledge gain and lost causes internal change and flow in the internal environment. Besides, the enterprises try to narrow the gap between customers' needs and organizational needs. Thus the enterprises try to figure out their advantages.



Based on the theory, the framework of this study is showed below:



1. The influence of human capital has on continued education institute based on market orientation.
2. The influence of structure capital has on continued education institute based on market orientation.
3. The influence of relational capital has on continued education institute based on market orientation.
4. The strategies of continued education institutes based on intellectual capital analysis.

Literature review

1. Market Orientation

Market orientation is a firm's business strategy and organizational culture, i.e., the foundation for providing a better value for customers (Li et al., 2010). It emphasizes on building and maintaining better customer value to enhance the organization's products and services and customer perception of quality, as well as enhancing customer satisfaction and loyalty. Therefore, market oriented firms possess the sensitivity and the ability to meet customers' needs and help firms achieve better performance (Kirca et al., 2005).

Li et al. (2010) proposed three dimensions for market orientation, which are customer orientation, competition orientation, and inter-function coordination orientation. Customer orientation signifies that firms should identify market opportunities, place customers first, and possess the capability to create the best value for customers. Competitor orientation is when firms identify their competitors are and continually seek out their information to understand competitor strengths, weaknesses, capabilities, and strategies. Inter-function coordination orientation refers to firms taking advantage of resources through effective communication, integration, and exchange information to create better value for customers.

By adopting market orientation, firms will gain the following advantages (Xiao, 2009):

1. Firms can continually and proactively meet customers' needs. Hence market orientation will improve an organization's innovation and performance of new products.
2. Employees have instilled the notion of pride and camaraderie; market orientation will raise organizational commitment, team spirit, customer orientation, and job satisfaction.
3. Members will be sensitive to customer needs and satisfactions, understand competitor dynamics, and coordinate with cross-department team members to offer customers with prompt solutions.
4. All members realize the importance of marketing and possess the common understanding that "all personnel are salespersons", thereby fully supporting marketing operations.
5. Firms can build organizational cultures and environment that can rapidly respond to customer needs and continuously change external environment.

2. Intellectual Capital

Tangible assets were a significant part of the balance sheet, because they represented a firm's input and confidence. However, in the era of knowledge economy, the importance of tangible assets is gradually declining. On the contrary, the importance of knowledge-based assets is gaining higher standing compared to their tangible counterpart when firms examine their competitive advantages (Steenkamp and Kashyap, 2010). Lev (2001) made a clear definition of intangible assets, i.e., "claims to future benefits that do not have physical or financial embodiments and no-physical sources of value generated by innovation, unique organization design, brands and human resources". Current accounting principles cannot estimate the present value of intangible assets. Thus, many scholars are attempting to generate means to evaluate them.

Galbraith (1969) proposed the concept of intellectual capital, which was used to explain the gap between book value and market value in the account sheets. Book value is limited to the regulations of accounting and tax; yet, customers or industries decide market value. Hence, market value is fit for current market situations. The gap mentioned by Galbraith is intellectual capital, which is created by firms using intangible assets.

Employees are the most valuable assets of a firm. Stewart believed that intellectual capital integrate all knowledge as well as employee capabilities which can then create competitive advantage for firms (Shih, Chang, Lin, 2010). In other words, assets that are developed by human wisdom can create unpredicted profits and become a firm's advantage. This kind of intangible asset is what is referred to as intellectual capital.

For an organization as a whole, intellectual capital refers to organizational innovation, creativity, sustainable competitive advantages, key resources, and effective resource allocation, all of which influence performance, growth, and sustainability. Finally, the firms will stand on the best competitive position (Steenkamp and Kashyap, 2010). In other words, firms that own intellectual capital possess key factors that cannot be imitated by competitors, such as human capital and innovation capital. These factors will reflect on firm profit and performance. Therefore, firms have started to exam whether they possess unique niche both in the external and internal environments.

Many researchers have many views on intellectual capital. Generally, intellectual capital is divided into three types: human capital, relational capital (customer capital), and structure capital, also known as organizational capital (Shihe, Chang, Lin, 2010; Lonnqvist, et al, 2010). The following section will discuss them more in depth.

Human capital refers to employees' intelligence, capability, experience, skill (Benevene, Cortini, 2010), knowledge (Lonnqvist et al, 2010), education, certification, know-how, innovation, and ability to respond and change (Shih, Chang, Lin, 2010). It is imperative that employee capabilities should be dynamic, and their potentials can be increased via training. Hence, employees are firms' assets and managers should cultivate and strengthen their cohesion in order to elevate individual and team performance.

There are two ways to recruit new employees: internal recruitment, which is recommended and done by promoting current employees and attracting talent from the external labor market. Both methods can enhance organizational human capital (Benevene, Cortini, 2010). The external channel has its advantages. Not only is recruitment of additional talent accomplished, but the external channel provides a larger pool of candidates that allow for a more precise selection of talent. This, however, requires the clear announcement of required talent characteristics and conditions. Thus, firms can find the right candidates and place them in the adequate position as well as commence work immediately. On the contrary, internal training incurs time and money costs, but this approach does obtain a stronger organizational recognition.

Structure capital is also referred to as organizational capital. Many researchers have different interpretations of structure capital. Stewart (1997) explained structure capital from the knowledge management perspective, i.e., the percentage of internal knowledge transferred into documents, the firm knowledge base, internal principles book, error and failures experience, competitor information, and so on. Shin et al. (2010) provided a broader definition that structure capital is considered as an intellectual property, general infrastructure, property and other capital. Hubert (1996) explains it as a collection formed by members of organizational culture, including norms and values. From these definitions, it can be seen that human capital is transferred through individual personnel changes and change to whole organizations. Yet, the structure capital naturally belongs to the organization itself; it cannot transfer transactions, only rise or fall with the firm. The formation of structure capital is from the "people", so the managers are the main factors that affect the structure capital established. Managers have the most ability in shaping the organizational culture and practice into the process, to promote and reaffirm the significance of the people. (Benevene, Cortini, 2010).

Relationship capital is a firm's market value with their commercial relationships from the point of enterprise resource (Leger, 2010). However, personal network becomes one of the most important relationships nowadays, maintaining internal and external relationship should require more attention. Internal relationship capital exists within the firm itself and refers to the relationship between internal staff and the organization. This relationship is not limited to the employment relationship, but also includes the organization and members' trust and commitment. External relationship capitals originate from a firm's customers, suppliers and related stakeholders (Johnson, 1999). Therefore, relationship capital is also known as customer capital.

Methodology

This research uses the case study method. The case is an extension center in northern Taiwan and the interviewee is the chief executive officer of the center. The reason of using interview is that it can obtain more deep and complete data.

Result

In the past, the universities were academic research units focused in specialized areas of research. However, recent environment changes, e.g., low birth rate and the flourish of adult continuing education culture, pushed the Education Center to respond to these trends and introduce them into adult education. But the target group is not single source as full-time students. Therefore, proper planning is required in order to attract these groups. However, if the mentality of the past still holds in the institute, it will not be able to survive in this competitive environment.

The extension center was established in 2001 and it positions itself in as an education provider that provides education with customer service and market-oriented elements. Therefore, its strategies are:

1. The influence of human capital has on continued education institutes based on market orientation

The members of extension center are adult and who are active learning. Hence, teachers of academic research backgrounds are not suitable for the center. Our standard of teacher selection is to use the right persons. They only employ teachers who have Master degrees and administrative staff with bachelor degrees. Administrative staffs are only employed for up to three years because they believe that they will be able to work in the unit independently after three years. In addition, they also try to create an open-minded culture, which will be hard if employees remain in the same position for over three year resulting in more rigid and harder to change mentalities.

They are continued education institutions, and encourage employees to continue pursuing further studies. They have also admitted to colleagues that when she was the administrative staff, they hired her as a lecturer after graduation. If staff performs well, they will recommend them to the main campus as full-time assistant. Since the unit is the business-oriented, the director of the center should be sensitive to the overall environment. They do not have formal job training, but they adopt apprenticeship, led by the teachers to teaching assistants, learning by the implementation of the project.

2. The influence of structure capital has on continued education institute based on market orientation.

As with all organizations, central concepts shape corporate culture. The center's credo is: uphold loyalty and integrity remain faithful to unit interests, foster competition and cohesion. These beliefs are not mere formality, but are actually implementation in the center's work. Our management philosophy is that the unit is a platform that provides everyone with a space to develop. In other words, mistakes are allowed because making mistakes is, a learning process, but repetition of the same mistake is not.

Initially, staff knowledge and experience were not recorded, but with the high rate of mobility within the center, past experiences urgently need to be passed down. As a result, the center compiled work documents, planning books, final reports, etc. These documents recorded details of both successes and failures.

3. The influence of relational capital has on continued education institute based on market orientation.

The center highly respects and maintains internal relations. For them, colleagues are invaluable assets. With harmonious internal relations, the center hopes to create a pleasant working atmosphere that could spill over to external relationships, which are mainly students. With these positive experiences, students will spread positive word of mouth, promoting the center through the best marketing method. Therefore, the acceptance rate in the university is over 90%, the extension center alone can recruit almost 300 students, which is not an easy feat.

4. The strategies of continued education institutes based on intellectual capital analysis.

The strategies of the continued education institutes has some points based on intellectual capital analysis:

- A. Enterprise strategy: Porter offers overall cost leadership strategy, differentiation strategy and focus strategy. The continued education institute has gradually transferred to differentiation strategy from focus strategy. The main course is credit classes, and their customers are high school graduates. They have started to transfer their business model. They have opened license courses. The hottest class is babysitter-training course. The reason why the course so popular is that the university is the only one school which has the department of early childhood. Additionally, the university set examination room for babysitter exam. Taking this advantage to develop early childhood education market is successful.
- B. Functional strategy: The researcher analysis the functional strategies in term of intellectual capital components. Human resource strategy has three aspects, which are securing, nurturing and retaining. The institute tends to secure and retain talents and nurture newcomer who are fit with the organization. The structure strategy in the institute emphasis on organizational culture. Staffs obtain right notions via training and other activities. The customer relationship management is used in the relation strategy. The institute though internal relationship is equally important with external one. Therefore, they can maintain good connection with main campus staff and their students/members.

Conclusion

Viewing strategies of continued education institute from intellectual perspective is a new way to figure out where the advantages are in the organization. Furthermore, the institute can make specific strategy to achieve their goals. Intangible assets are precious, and they can create incredible advantages and profit in the future.

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