

Applying the Distinction Between Market-Oriented and Customer-Led Strategic Perspectives to Business School Strategy

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Strategy is crucial for business schools. "Each business school is faced with choices as a result of a wide range of opportunities and inevitable resource limitations. The development of a mission requires decisions regarding these alternatives, and the mission embodies these choices" (AACSB, 1999, p. 9). The formation and implementation of strategy and missions in business schools has become an essential component of the efforts of college administrators, including central administrators, college deans, and department heads. In fact, the effort put into strategic thinking, planning, and implementation goes well beyond the official administrators—professors and instructors, business advisory boards, accreditation associations, and others have also come to play a part in setting the direction of business schools.

As a result of different circumstances, histories, and preferences, business schools differ in their strategic processes and resultant missions. The missions of most business schools today were developed with contributions from a multitude of sources. For example, some focus on narrowly specified goals, whereas others present broad aspirations. Similarities also

ABSTRACT. The mission-linked AACSB accreditation standards suggest the importance of the strategic management process for business schools. The standards also emphasize customer-driven curriculum changes. This article presents an application of strategic management literature for consideration in the strategic management process of business schools. Specifically, the distinction between market-oriented and customer-led strategies is described, and the particular relevance and importance of this for business schools is explained.

exist: For example, most missions indicate the school's programs of study and areas of particular commitment and quality and acknowledge the importance of the students.

Accreditation associations also influence strategy development. Associations develop standards, guidelines, and procedures that recognize the importance of strategic and mission-directed leadership of business schools. The internationally recognized organization for accrediting business schools is the AACSB—the International Association for Management Education. In April 1991, the AACSB adopted mission-linked accreditation standards that have stimulated much interest, discussion, and research (Yunker, 1998). The

AACSB has indicated very clearly the importance of a business school's mission in attaining accreditation. The rigorous process of AACSB accreditation involves mission-linked self-assessment and peer review (AACSB, 1999). Business schools are examining their strengths and weaknesses; analyzing the environment, including their competitors, suppliers, and customers; and strategically positioning themselves through program selection (and elimination), development, promotion, and evaluation. As business schools continue to define and refine mission statements and put in place processes to ensure realization of these missions, it may be helpful to draw on the field of strategic management for insight and guidance.

One issue of many examined in strategy research is the degree to which it is appropriate and beneficial to focus on the customers' needs when setting strategic direction for the organization. A customer-oriented perspective is often instrumental in improving organizational performance and competitiveness (Jaworski & Kohli, 1993; Narver & Slater, 1990). However, a paradoxical finding in the strategic management literature is that listening too closely to your customers contributes to several

problems that ultimately can lead firms to poorer performance and reduced competitiveness (Christensen, 1997).

Market-Oriented Versus Customer-Led Strategic Perspectives

In an article in the *Strategic Management Journal*, Slater and Narver (1998) insightfully distinguished between two forms of customer orientation, customer-led and market-oriented. They proposed that management and marketing scholars are really looking at two separate management philosophies under the same "market-orientation" name. The difference is critical in explaining and reconciling the results of (a) management studies suggesting that customer focus creates problems and (b) marketing studies suggesting that customer focus is beneficial.

The first of these is a customer-led management philosophy. Such an approach emphasizes meeting the customers' expressed needs. Slater and Narver (1998) contended that this creates a short-term, reactive focus based on finding out just what customers say they want and then attempting to satisfy those needs.

There is a certain appeal to believing that organizations should find out just what their customers want and give it to them. However, as Slater and Narver (1998) pointed out, "[a]s positive as pursuing increased customer satisfaction seems, it also brings a set of difficult problems" (p. 1002). For example, pursuing customer satisfaction may contribute to incremental and trivial product development efforts (Bennett & Cooper, 1979). Christensen (1997) documented examples of industries in which many once-successful companies failed because of a focus on current customer needs, such as the hard disk industry (computers), the mechanical excavator industry, and the steel industry. Hamel and Prahalad (1994) discussed similar problems resulting from the "tyranny of the served market." A customer-led management philosophy does not make for a sustainable competitive advantage, particularly in times of rapid, significant change.

The second of the management

philosophies regarding customer focus is market orientation. Slater and Narver (1998) explained that market-oriented businesses are concerned with anticipating their customers' current and future, expressed and latent needs. These organizations "scan the market more broadly, have a longer-term focus, and are . . ." more likely to be innovative (Slater & Narver, 1998, p. 1003). The commitment to trying to understand, and meet, the *unexpressed* needs of the customers and potential future customers is a central characteristic of the market-oriented management philosophy, which is more likely to create long-term, superior customer value than the customer-led philosophy.

Relevance and Importance to Business Schools

The demands for increasing student enrollments, the pressures to satisfy the students' desires for better grades, and the use of student evaluations as the primary indicator of teaching effectiveness are three influences that contribute to business schools' pandering to students in a manner consistent with a customer-led perspective. Such a perspective is problematic for long-term effectiveness of business schools. Consequently, the process of setting business school strategy should be informed by the distinctions between the two concepts, and strategic decisions would be predominantly based on a market-oriented perspective.

In today's strategic decisionmaking environment, business schools find themselves constricted by the multiple demands placed on business school leaders in an environment of limited resources. There are pressures to increase student enrollments as one way to deal with limited resources because, for example, larger enrollments create budgetary and other benefits. Business school leaders are not only responsible for increasing enrollments; they also are expected to improve educational effectiveness and work to ensure appropriate, legal, and fair treatment for all students. The increasingly prevalent perception among students that they are entitled to results (grades) that are satisfactory to them (Sacks, 1996), along with pres-

ures to be quantitative and objective in the evaluation of faculty performance, have contributed to the use of numerical ratings in student evaluations as the primary indicator of faculty teaching effectiveness. Unfortunately this contributes to a customer-led approach, based on meeting students' immediate needs.

Customers of Business Schools

A brief caveat is needed here to discuss the conceptualization of "customer" for business schools: Who are the customers of business schools? Are students customers? Are the taxpayers customers? Are the organizations that hire our students the customers? It is appropriate to answer a qualified "yes" to each of these. There are, in fact, many customer groups. However, the students are probably the most immediate customers. (Students may be more appropriately conceived of as "clients" rather than customers; see Bailey, forthcoming, and Brandenburger & Nalebuff, 1996, p. 24, for more discussion on this.) Yet considering students as the only customers and taking a customer-led perspective in strategic decisions yields poor long-term results because it disproportionately favors students and their expressed needs.

Business schools should adopt a market-oriented perspective while recognizing that there are many "customers," whose interests and needs (including expressed, unexpressed, and future needs) must be kept in balance. Although each stakeholder may not have equal weight in determining educational directions, content, and process, balance dictates that each voice be heard.

Problems Arising From the Customer-Led Perspective

There seems to be growing evidence that many business schools are taking a customer-led approach (Driscoll & Wicks, 1998; Gose, 1997; Levine, 1994; Shea, 1994). Because the customer-led approach is based on addressing immediate and expressed wants of customers, and given students' expressed needs for better grades, the fact that many institutions of higher

education are facing a problem of grade inflation should not be surprising (Gose, 1997; Levine, 1994; Shea, 1994). Many universities have also developed aggressive marketing campaigns (Berger & Wallingford, 1996; Comm & LaBay, 1996; Driscoll & Wicks, 1998; Nicholls, Harris, Morgan, Clarke, & Sims, 1995). These have many positive effects such as improving the image of a university, attracting talented students, improving alumni loyalty, enhancing relationships with the business community, and others. However, they also have the negative effect of perpetuating the misperception that the student is *the* one and only customer of the university, which in turn sends the inappropriate message that the university will do whatever it takes to attract, maintain, and satisfy the customer (student).

Considering the student as the only customer, along with a customer-led strategic perspective, creates several interrelated problems. Franz (1998, p. 63) noted that when we think of our students as customers,

... we find students buying their education and shopping around for classes and majors; our goal as educators becomes attracting and retaining students for our courses. What the students desire out of their college experience starts driving programs. Resources follow students, and departments are rewarded in direct proportion to the number of students (customers) who choose to attend (buy) their classes. . . . Classes become popularity contests. Pedagogy becomes entertainment. . . .

This perspective results in short-term goals, relentless grade inflation, attempts at "delighting" our customers, conveniently rescheduled exams, rule-bending exceptions, and other behaviors that de-emphasize personal responsibility and other desirable goals of an effective education (Franz, 1998). This perspective leads business schools to offer significant academic credit for work/life experience, to drop calculus as a required course because it is unpopular and difficult, and in other ways cater to students' immediate desires. Similarly, in his book *Generation X Goes to College*, Peter Sacks (1996) wrote about the demands and quirky reasoning of some students, who reason from the premise

that they are customers, and the customer is always right. He gives examples of administrators who also appear to support such a premise.

When strategy is led by students' immediate needs, the results could be lower standards and higher class-average grades. Also, new, more rigorous programs would be scrapped almost automatically (rigorous course work is good for the long-term perspective, but not good for the short-term perspective, because it means more work and possi-

it is evident that broader market-oriented considerations have weighed heavily in decisions to re-engineer, and in particular *integrate*, business curricula. Porter and McKibben (1988), in an influential and much-cited study, maintained that business schools were not meeting the long-term needs of students because of the functional isolation with which the subject matter was being taught. Likewise, industry advisory boards also indicated the need for graduates who understand broader, integrated, and

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bly lower grades and lower grade-point averages). Rigorous programs, over the long term, help students learn more currently, so they will be more effective and able to deal with challenges later.

Market-Oriented Emphasis Contributes to Successful Curriculum Re-Engineering

As an example of how a market-oriented, as opposed to a customer-led, perspective may influence a business school strategy, consider curriculum re-engineering directed toward integrating business programs. Integrated business courses are generally considered rigorous and relatively more demanding. A customer-led strategic perspective likely would soon lead to the dissolution of such programs because the students do not see them as good for their immediate needs (such as high grade-point averages and a good deal of free time for leisurely pursuits). However, a market-oriented approach would attempt to assess the unexpressed and future needs of the students and appropriately incorporate educational elements to address both current and future needs.

To assess the unexpressed and future needs of students, business schools have to look beyond current students. In fact,

systems-like perspectives to meet the challenges facing their organizations. Former students are also a source for assessing students' needs. Former students often indicate, upon reflection, a desire to have learned more about the complexity and interdependencies among the different departments and units in organizations. Many faculty members also see the problems associated with the artificially narrow focus of the problem solving required of students. Efforts to assess the true needs of business school students have contributed to curriculum re-engineering in the form of integrated business curricula.

Market-oriented strategic leadership resulted in the successful re-engineering of business curricula for the undergraduate business program at the University of Idaho (Pharr, Morris, Stover, Byers, & Reyes, 1998; Stover, Morris, Pharr, Reyes, & Byers, 1997) and the MBA program at the University of Denver (Heimovics, Taylor, & Stilwell, 1996; Mullins & Fukami, 1996; Silver & McGowan, 1996; Sorensen & Wittmer, 1996; Watkins, 1996). These programs were developed through an examination of the real needs of students (which include latent needs and go well beyond expressed needs) and with a long-term orientation. The pur-

pose of management education, as well as the market needs and future needs relevant to management education, were considered. Responsiveness to these market needs has contributed much to efforts directed at curriculum re-engineering (AACSB, 1992).

Further evidence suggests that the strategic leadership behind the integrated business curriculum at the University of Idaho was market oriented and specifically *not* customer led. The student evaluations of the then new pro-

effective programs include increasing enrollments (students seeking successful programs), satisfied alumni, improved reputation, and industry demand for graduates.

The re-engineered programs at the University of Idaho and the University of Denver are just two examples of integrated programs. For example, Geiger and Dangerfield (1996), in an analysis of integrated curriculum models, reported on 10 programs that appear to be based on a market orientation.

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gram were not good (Pharr, Morris, Stover, Byers, & Reyes, 1998). Students reported that the course was too difficult, covered too much material without enough depth, took too much time, and lowered their grade-point averages (Pharr, Morris, Stover, Byers, & Reyes, 1998). However, long after these student evaluations were given at the end of the semester (the low ones), very positive student evaluations were given (Pharr et al.). As the students competed well in their senior level courses and fared very well in interviewing and subsequent job performance, they realized that important needs had been met through the integrated curriculum. The program, called the IBC (for Integrated Business Curriculum), is possible as a result of a persistent market-orientation strategic management philosophy. Had the University of Idaho allowed the current expressed needs and wants of its students to drive its strategic decisionmaking, the IBC would have disappeared, as have similar undergraduate programs in other business schools. This would have been detrimental to students' unexpressed, latent needs, as well as the expressed needs of other customers, namely the organizations that hire the graduates. The long-term benefits of

Implications and Conclusion

Business schools should be market oriented. No one customer group should be allowed undue influence on strategic decisions about such things as course requirements, contents, and other issues of importance to the education of business students. Yes, business schools need to be responsive to customer groups, especially students, but must provide a rigorous, thorough, and relevant management education to serve the long-term interests of the students and the business school.

Likewise, business schools must attend to multiple sources of information, such as industry. Business schools should, however, be cautioned against simply switching to a different customer's viewpoint for a customer-led strategy. For example, advisory boards provide a valuable perspective but should not be allowed too much influence on curricular issues, nor should they assume the role of the "one and only customer." "Industry" is often spoken of as if it represents a large, consistent, homogeneous, prevalent view about what students should be taught. In fact, different companies, even within the same industry, may hold quite different views, and schools of business need to be

responsive, attentive, and relevant, while avoiding a customer-led orientation.

The best business schools are more likely to follow strategic management processes used by high-performing firms (Thibodeaux & Favilla, 1995). Business schools should continue to anticipate the needs of various customers, take a long-term perspective (which may require some changes in student evaluations), and strive to meet both expressed and latent needs of the various customers. "[M]anagement education must prepare students to contribute to their organizations and the larger society and to grow personally and professionally throughout their careers" (AACSB, 1999, p. 1).

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