MARKET CENTRED LEADERSHIP

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ABSTRACT

One of the most important challenges facing administrators is to understand and deal with the market. Trends in the current context confirm the importance of the market as a dominant factor in determining change. This paper advocates that educational administrators must develop new skills and approaches that focus on the market. It suggests a multi-discipline approach where there is a convergence of ideas and concepts. A marketing management framework is used as a basis for convergence. A four-frame approach will be presented: the market as a philosophy and orientation; marketing as a function within the organisation; marketing as strategy; and marketing relationships. Each of these frames provides an insight and a process for engaging the market. Research demonstrates that organisations that adopt an orientation to the market have higher levels of performance. To test the model, this paper draws on ongoing research into leadership and marketing in seven schools in Victoria and an extensive examination of the literature on strategic marketing and marketing management. It also draws on feedback from students who are currently conducting research projects into marketing in schools. An orientation towards the market comes from leadership at the top. Research into seven schools confirms the importance of leadership in adopting a market orientation. The majority of the schools had a low orientation to the market. The schools that used the four dimensions of the model to highest degree were the best performers. The paper advocates that school leaders should add market centred leadership to their portfolio of theories and strategies.

INTRODUCTION

There is no one theory that encompasses all aspects of leadership. Depending on how leadership is defined, there is a range of theories that focus on various dimensions of leadership. Leaders need to carry around a portfolio of theories for different situations. One area of leadership that has been neglected, but should be included in the portfolio approach is the need to focus on the market. Trends in the current context confirm the importance of the market as a dominant factor in determining change. This paper advocates that educational administrators must develop new skills and approaches for this task. It suggests a multi-discipline approach where there is a convergence of ideas and concepts. A marketing management framework is used as a basis for convergence. A four-frame approach is presented: the market as a philosophy and orientation; marketing as a function within the organisation; marketing as strategy; and developing relationships with the market. Each of these frames provides an insight and a process for engaging the market.
CURRENT THEORIES OF LEADERSHIP

Theories of leadership have not focused on the market as an important variable. The history of leadership shows a lack of recognition of the broader context when explaining and developing theories of leadership. Theories of leadership have tended to concentrate on the leader (trait theory); the follower (group and individual behavioural theories); the leader–follower relationship; contingency or situational approaches; and leader orientation (transformational, transactional, ethical, moral, servant leadership). While the contingency approach suggested different styles for different situations, the situation is usually described in terms of internal organisational variables rather than external environmental variables. It is only recently that leadership theory has acknowledged the broader context. This paper proposes that the leader–follower relationship should be broadened to include the market rather than the narrow leader-follower relationship. It recognises that the market is a key factor in the change process and promotes the need for leaders to adopt a market oriented framework.

PORTFOLIO APPROACH TO LEADERSHIP

More has been written and researched about leadership than any other area of management. Despite this it remains one of the most controversial and debated areas. There is still no consensus on a definition and there are literally dozens of theories, approaches and frameworks that have been advanced to explain the concept. There is still no one theory of leadership that covers all situations. Today there are a portfolio or range of theories that can inform and help the leader to be more effective. Each theory or approach can contribute to the leader’s repertoire of skills and knowledge to handle particular situations. The most common theories that can be integrated into a portfolio approach include: the trait approach; styles of leadership (Blake and Mouton, 1994); situational leadership (Hersey et al., 1996); management competencies (Boyatzis, 1982, Katz, 1974, Burgogne, 1989); team leadership (Belbin, 1993); reality management (Mintzberg, 1973); management verse leadership (Kotter, 1990, Zaleznik, 1977); leadership as vision (Sashkin, 1988, Bennis, 1989); culture (Peters and Waterman, 1982); leadership frames (Quinn, 1991, Bolman and Deal, 1991); Principal Centred Leadership (Covey 1992); transformational leadership (Burns, 1978); leadership as drama (Starratt, 1993); servant leadership (Greenleaf, 1996); and emotional intelligence (Goleman, 1995). The proposed Market Centre Leadership approach provides a useful addition to portfolio approach.

MARKET CENTRED LEADERSHIP

The key reason that leaders need to focus on the market is that the environment has changed dramatically. The changes in the environment are well documented. These include:
1. reduced government outlays for schools and the need to access alternative funding;
2. increased direct and generic competition;
3. need to restore the reputation and image of schools and the profession in the community;
4. shifting demands and needs of clients;
5. increased range & interest of stakeholders;
6. the impact of globalization on school and education;
7. the increased impact of market forces on schools;
8. success based on competitive advantage; and focus on ‘outcomes’

These changes are so profound that they require a fundamental change in the way organisations are designed, structured and managed.

As the name suggests, market centred leadership is leadership that recognises and focuses on the market. The market includes the organisation’s audiences or publics; that is, those groups or parties that have a direct and indirect interest in the organisation. An organisation’s audience can include past, current and potential customers, stakeholders, suppliers, and various interest groups. These groups form the organisation’s task environment. Political, social, technological, economic and demographic changes mean that organisation’s such as schools can no longer hold a monopoly over the market. Each of these groups can have a significant impact on the organisation’s mission, direction, image, design, product/service, and customer and resource base. Because of its potential influence, the market needs to be managed effectively. This requires leadership - leadership that understands, responds and at times leads the market. To do this effectively leaders may need to change their mind set, adopt new frameworks and acquire new skills to better interact and understand the market. Market centred leadership is an attempt to provide such a framework.

**CONCEPTUAL FRAMEWORK**

The structure proposed in this paper uses a ‘marketing framework’. A marketing framework satisfies two important criteria. Firstly, marketing is a new discipline that actually focuses on the customer or market. Marketing is a process that puts the market at the centre of its activities and attempts to understand and monitor market needs. It actively endeavours to influence the market by striving to design, distribute, price and promote products and services that match the market needs.

Secondly, marketing borrows from a number of disciplines (social science, psychology, education, general management, business, commerce, economics and mathematics). This supports the notion of convergence of ideas and concepts using a multi discipline approach and helps shift the mind set from traditional leadership approaches. A multi discipline approach provides the opportunity to see events differently and use new skills and concepts to solve complex problems.
The following diagram shows four dimensions of leadership directed at the market. Each dimension reflects the evolution of the discipline of marketing over the past fifty years. *Marketing as a philosophy* emerged in the 1950s and remains the cornerstone of marketing to the present. *Marketing management* was developed in the 1960s and identified marketing as a central function in the organisation. *Strategy* became important in the 1980s with the emergence of strategic planning and corporate strategy as a means of responding to factors in the environment. More recently the organisation’s *relationship with the market* has emerged as the latest approach and has dominated the literature in the 1990s.

![Market Dimensions for Leadership](image)

**The market as a philosophy.**

The idea that the customer should be the centre of an organisation’s focus emerged in the 1950s with Peter Drucker (1954). This required an organisation to take a different perspective on its way of doing business. Instead of developing a product or service and then selling it to a market, the idea was to identify a market, find out what the market wanted and then provide a product or service that met the market needs. This required a change in mind-set. Hence the *marketing concept* emerged as a philosophy or a way of doing business. While this has been accepted as a key principle of dealing with the market, few organisations have actually implemented this philosophy in practice. The implementation of the marketing concept into reality is termed *market orientation*. Market orientation is a set of behaviours or culture that an organisation needs to adopt in order to demonstrate that it understands the needs of the market. Research shows that there are now sufficient studies that have investigated market orientation to substantiate
the claim that market orientation improves performance. The higher the degree of market orientation the better the performance (Wrenn, 1997). The greatest impediment to market orientation is the lack of support from top management (Harris, 1999, Narver and Slater, 1990). This sheets the responsibility for focusing on the market on the leadership of the organisation.

**Behaviours necessary to be market oriented.**

To adopt the market as a philosophy, the leader needs to develop an intelligence system aimed at understanding the market (Kohli and Jaworski, 1990, Jaworski and Kohli, 1993). Included in the intelligence system is an assessment and analysis of the organisation’s direct and generic competition. This information needs to be shared throughout the organisation and a response formulated and action taken. Effective dissemination of information and response requires coordination, cooperation and collaborative decision-making.

Based on the information received the leader can adopt one of two styles: follow the market and implement what the market says it wants and needs (market driven), or it can anticipate or lead the market (market leading) (Jaworski et al., 2000). In a competitive environment many organisations attempt to lead the market in order to attain competitive advantage. Following the market, while a sound strategy, sometimes results in a delay and the loss of competitive advantage. The challenge for the leader is to develop a philosophy that focuses on the market and adopt a range of behaviours that will result in the organisation responding effectively by reacting or anticipating market needs.

**Market focused approach**

<table>
<thead>
<tr>
<th>Behaviours</th>
<th>Response-strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intelligence system</strong></td>
<td>Marketing driven – follow and implement market needs</td>
</tr>
<tr>
<td>Intelligence gathering,</td>
<td></td>
</tr>
<tr>
<td>dissemination and responsiveness</td>
<td></td>
</tr>
<tr>
<td><strong>Internal processes</strong></td>
<td>Market leading – innovate, anticipate and lead the market</td>
</tr>
<tr>
<td>Interfunctional coordination</td>
<td></td>
</tr>
<tr>
<td>Collaborative decision making</td>
<td></td>
</tr>
<tr>
<td>processes</td>
<td></td>
</tr>
<tr>
<td><strong>Competitor orientation</strong></td>
<td></td>
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<tr>
<td><strong>Long term objectives</strong></td>
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</tbody>
</table>

**Marketing as a function**

This dimension identifies marketing as a key function in the organisation. As a management function, it can be defined as a process that involves a deliberate attempt to elicit a desired response from the market and involves analysis, planning.
implementation, and control (Kotler, 1994). Marketing tools, tactics and concepts developed and used in this process can inform and support the leader in understanding and interacting with the market. It can provide a framework that goes beyond the mere notions of selling and advertising.

Market management tasks include segmenting, targeting, positioning and applying the marketing mix. For service organisations such as schools, the marketing mix is made of the 7 Ps (product, price, promotion, place, processes, people, physical evidence). This approach to marketing emphasises that all these aspects can be managed and manipulated to serve organisational ends.

**Marketing as strategy**

Strategy is regarded as the dominant feature of the contemporary management thought (Littler and Wilson, 1995). It is a broad term for describing the way in which an organisation tries to accomplish its long-term objectives taking into account an important developments or changes in the environment. Today there is a strong case for the convergence of marketing and strategy as one (Morris et al., 1994).

Strategy is a concept that means various things to various people. Porter identified three generic types of strategy: overall cost leadership; differentiation (highest perceived value); focus on the market (Porter, 1980, 1985). Porter’s contribution was his focus on the market in which he identified five forces that an organisation had to take into account when examining the nature of the current environment in which they competed: new entrants, suppliers, buyers, substitutes, and competitors. Hamel and Prahalad (Hamel and Prahalad, 1993) describe it as an attempt to match the distinctive competencies of the organisation with the external environment. They argue that only by building and nurturing core competencies can top management sustain the competitive advantage for their organization. Using a tree as a metaphor, the core competencies are the "roots" and the individual products/services are the "fruit." Mintzberg (1998) argues that strategy requires a number of definitions. Mintzberg (1998) has identified it as a ploy, pattern, position, plan, or perspective. He argues that leaders need to be aware of all five meanings in determining strategy.

<table>
<thead>
<tr>
<th>Strategy as plan (intended)</th>
<th>A direction, a guide or course of action into the future – thinking ahead</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy as pattern (realized)</td>
<td>Consistent pattern of behaviour over time – looking at past behaviour –emergent (a pattern realized was not expressly intended)</td>
</tr>
<tr>
<td>Strategy as position</td>
<td>locating a particular product in a particular market</td>
</tr>
<tr>
<td>Strategy as a perspective</td>
<td>the organisation’s fundamental way of doing things</td>
</tr>
<tr>
<td>Strategy as a ploy</td>
<td>a specific ‘manoeuvre’ intended to outwit an opponent or competitor</td>
</tr>
</tbody>
</table>
All three approaches can inform the leader and provide the necessary perspective in charting the organisation’s future.

The market as relationships

The most recent approach to dealing with the market is to establish and build relationships. Essentially this approach attempts to establish, develop, enhance and maintain relationships and involves the market over the long term (Grönroos, 1994). It recognises that it is equally important to retain current customers as it is to attract new ones and that each of these two goals requires different marketing strategies (Payne, 1993). Relationship marketing emphasises both the internal and external markets and promotes the concept of ‘partnerships’. The internal market is an essential element that emphasises collaboration and integration. The external market emphasises alliances, joint ventures and partnerships with parties beyond the school. This view suggests that there are no 'buyers', 'customers', or 'sellers' but only 'partners exchanging resources' (Piercy, 1997).

APPLICATION OF MARKET CENTRED LEADERSHIP TO SCHOOLS: A STUDY

To test the four dimensional model and observe its relevance in practice, the author applied to model to data collected on a related study of marketing in schools. Research is ongoing and data is still being analysed but there is sufficient data to make positive conclusions. A case study approach was used using qualitative methods. Extensive interviews were carried out with between six the ten participants in each school including school council members, the school leadership team and teachers. The study focused on seven Schools of the Future government schools from within a defined geographical area within the metropolitan city of Melbourne. This provided an opportunity to gain a snap shot of a group of related schools in a challenging yet distinct area where there was a rapidly changing environment including huge demographic changes. The cases included four primary schools, two secondary schools, and a special school. The schools formed a geographical cluster. The four primary schools and one secondary school shared the same market. The special school and the other secondary schools had the potential to draw from a wider and/or different market.

Findings

The schools were analysed in terms of the four dimensions. Data was reduced to provide a summary of the research in Matrix 1. The Matrix lists the schools on the left column and the four dimensions across the top. An assessment of strength and degree to which each dimension was observed is noted using a five-point scale: low; low to medium; medium; medium to high; and high. These assessments based on an analysis of the data. Analysis followed the qualitative methodology espoused by Miles and Huberman (Miles
and Huberman, 1994), incorporating ‘data reduction’, ‘data display’ and ‘conclusions: drawing/verifying’ with appropriate trustworthiness procedures built into the design.

**Matrix 1 MARKET LEADERSHIP FRAME**

<table>
<thead>
<tr>
<th>School</th>
<th>Philosophy</th>
<th>Function</th>
<th>Strategy</th>
<th>Relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>School A</td>
<td>Medium market</td>
<td>Low</td>
<td>Medium based on Pattern</td>
<td>Medium to high</td>
</tr>
<tr>
<td>Primary</td>
<td>orientation</td>
<td></td>
<td>Perspective Core competencies</td>
<td></td>
</tr>
<tr>
<td>School B</td>
<td>Medium market</td>
<td>Medium</td>
<td>Medium based Plan</td>
<td>Medium</td>
</tr>
<tr>
<td>Primary</td>
<td>orientation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School C</td>
<td>Low market</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Primary</td>
<td>orientation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School D</td>
<td>Medium market focus</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Primary</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School E</td>
<td>Medium to high</td>
<td>Medium</td>
<td>Medium to high based on Plan</td>
<td>Medium to high</td>
</tr>
<tr>
<td>Secondary</td>
<td>market orientation</td>
<td></td>
<td>Perspective Position Core</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>competencies</td>
<td></td>
</tr>
<tr>
<td>School F</td>
<td>High market</td>
<td>Medium to</td>
<td>High based Plan Pattern</td>
<td>High</td>
</tr>
<tr>
<td>Special</td>
<td>orientation</td>
<td>high</td>
<td>Perspective Position Core</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>competencies</td>
<td></td>
</tr>
<tr>
<td>School G</td>
<td>Medium market</td>
<td>Medium</td>
<td>Medium based Plan Pattern</td>
<td>Medium</td>
</tr>
<tr>
<td>Secondary</td>
<td>orientation</td>
<td></td>
<td>Perspective Position Core</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>competencies</td>
<td></td>
</tr>
</tbody>
</table>

**The Market as a Philosophy**

Market orientation was measured by the degree of customer focus, competitor orientation, interfunction coordination long term planning. Overall this frame was underdeveloped. *The market* was largely defined as the parents and students who attended or lived in the area. Only school E and F considered the market to include, the community, business, service organisations and the Education Department. While most schools were somewhat customer focused and had high interfunctional coordination, they were low in competitor orientation and long term planning. Only two schools rated highly (School E and F), but even in these schools had significant potential to increase their
competitor orientation. Low competitor orientation was the significant feature of this dimension for all schools.

**Marketing Management**
Marketing management was measured by the extent the school developed and adopted a marketing strategy. Marketing strategy was defined as segmenting, targeting, positioning and applying the marketing mix (7 Ps – product, promotion, people, place, processes, physical evidence, price). This frame was surprisingly underdeveloped by the schools. Marketing was piecemeal, informal, unplanned and superficial. Few marketing tools or concepts were used. All schools engaged in marketing activities, but few utilised strategies beyond promotion and public relations (brochures, community events, open days, school tours). In two schools there was such a negative attitude towards marketing that their marketing efforts were restricted to public relations exercises and personal selling (school tour). Where there was an identifiable marketing strategy this was usually developed on an ad hoc basis. No schools had developed a formal marketing plan. Only School F had a formal committee that used marketing expertise to look after sponsorship, public relations and ‘event management’ activities.

**Strategy**
Strategy was measured in terms of Mintzberg’s (1998) five definitions – plan, pattern, position, perspective and plot, and Hamel and Prahalad (1993) core competencies. Schools differed in the use of strategy for determining future direction. For the majority, strategy was mainly realised through a pattern of past behaviour rather than formal planning for intended outcomes. There was little evidence that the majority of the schools planned their future in any systemic or coherent way. These schools were mainly reactive and sometimes impotent to the changes in the environment. For example while School B had recently initiated changes to arrest the decline in enrolments caused by demographic changes and poor school image, it was too little too late. Yet three schools demonstrated intended strategies by planning for the future. These same schools also applied strategy as position. School E was attempting to establish a positive image in the community while School F and G were determined to remain leaders in their field.

In terms of Hamel and Prahalad (Hamel and Prahalad, 1993) definition of strategy, School A, E, F, G were conscious of their core competencies and were willing to exploit them to differentiate the school from others to gain advantage.

**Relationships**
This dimension was measured by the degree to which the school had developed strategies to build, develop, and maintain relationships with the market. This was the most notable approach used by all schools, but was underdeveloped. All schools understood the value of establishing good relationship with the parents, community and particular stakeholders. All expressed the opinion that ‘word-of-mouth’ was the most significant factor affecting the school’s image. All were working to improve this aspect. However, none of the schools, except for School F, had a particular strategy for either retaining
current customers, improving internal marketing, or establishing partnerships with external groups to benefit the school.

**Summary**
The study demonstrates the importance of the market and the model shows the potential to be a valuable asset to the leadership portfolio approach.

The most successful school in terms of performance was School F as measured by enrolments (waiting list), resources, reputation, community support and growth. School F was the only school to consistently used all four frames to a high degree. The use of the four frames can be attributed to the school principal who openly adopted many aspects outlined in the model. School A was the next most successful school based on the above performance indicators. It used three of the four frames consistently. In this case marketing as a function was low. School B and C were the worst performed schools but were showing signs of improving. They used the four frames to a low to mediate degree. School D was an exception. Its performance was sound but yet it failed the use strategy and function to a high degree and was moderate on the other two dimensions. School G was attempting to maintain its relatively high performance by recognising it need to adapt more readily to the changing environment. It used the four frames to a moderate extent.

This does not prove a direct relationship between performance and the effective use of the four frames but it does point to the potential of the model. It highlights the importance of the school’s response to changes in the environment and the need to recognise the market as a significant and determining factor in shaping the school’s future. Leaders need a framework for dealing effectively with the market. The four-framework model outlined above provides a positive approach to the market that goes beyond current leadership theory.

**CONCLUSION**
To improve their performance schools will need to focus more on the market. This relies on leadership from the top. However, the focus on the market remains a challenge for school administrators. To develop a market centred approach school administrators will be required to adopt a multi-disciplined approach. The market framework (4 frames) provided in this paper supports the convergence of marketing concepts with leadership to develop Market Centred Leadership.
REFERENCES


