Evolution or Elimination! The Influence of Market Orientation and Innovation in Private Higher Education Institutions

Yulianti[1], Ferry Bakti[2]

[1]Pascasarjana MSIM, ISB Atma Luhur, Kepulauan Bangka Belitung, Indonesia, [2]Bisnis Digital, ISB Atma Luhur, Kepulauan Bangka Belitung, Indonesia

Article Info	ABSTRACT
Keywords: Market Orientation, Product Innovation, Institutional Image, Competitive Advantage, Institutional Performance	Private higher education institutions face intense competition amid shifting student preferences, digital transformation, and evolving industry needs. This study investigates how market orientation and product innovation affect competitive advantage and institutional performance at ISB Atma Luhur Pangkalpinang. The research responds to the limited understanding of how market orientation, innovation, digital adaptability, and institutional image integrate to create sustainable competitive advantage. Using a quantitative approach, data were collected from 281 students out of 940 and analyzed using Partial Least Squares Structural Equation Modeling. Results show that market orientation has the strongest influence on competitive advantage (0.794), followed by product innovation (0.585) and institutional image (0.353), while digital adaptability shows no significant effect. Competitive advantage significantly affects institutional performance (0.804; R^2 = 0.875). The institution faces real challenges, including weak coordination across units, limited curriculum innovation, and gaps in digital readiness. This research contributes to the development of Resource Based View and Value Based Adoption Model in the context of private higher education, and offers practical insights for improving competitiveness through market oriented strategies, innovation, and institutional branding.
	Corresponding Author: Yulianti ISB Atma Luhur Pangkalpinang, Bangka Belitung, Indonesia Yulianti@Atmaluhur.ac.id

INTRODUCTION

Competition in higher education, particularly in the private higher education institutions (PHEIs) sector, has intensified in recent years. Institut Sains dan Bisnis Atma Luhur Pangkalpinang faces increasing challenges in maintaining and enhancing its competitiveness amid changing prospective student preferences, rapid technological developments, and evolving industry demands. This issue is becoming more urgent as fluctuations in PHEI enrollment rates continue. Although ISB Atma Luhur currently has 940 active students, a comprehensive strategy is needed to strengthen its competitive advantage and attract new students, especially in regional areas like Pangkalpinang, where several institutions compete for a limited student pool.

Market orientation has emerged as a key strategic factor. According to (Fatikha et al., 2021), it directly contributes to marketing performance and supports the formation of competitive advantage in dynamic markets. It enables institutions to understand student needs and develop relevant programs. (Hammond et al., 2020) further emphasize that interdepartmental conflict, management emphasis, and reward systems influence the success

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of market orientation. Institutions that neglect this risk losing relevance. Likewise, product innovation is vital for strengthening institutional positioning. (Prabowo et al., 2022) found that agility in innovation, supported by market orientation, improves business performance. In higher education, this includes curriculum updates, teaching methods, and support services tailored to student needs. (Putri & Setiawan, 2022) highlight that market orientation enhances innovation capabilities, which are essential for building competitive advantage.

In the context of ISB Atma Luhur Pangkalpinang, digital transformation has become critical. The pandemic accelerated digital adoption, making readiness and adaptability key success factors. (Umiyati et al., 2024) argue that digital literacy and communication play central roles in university marketing. Institutions that integrate technology into learning and administration can improve service and satisfaction. However, (Mexhuani, 2024) notes that the digital divide remains a barrier, especially for disadvantaged students. Thus, adaptability reflects institutional competitiveness in the digital era.

Institutional image also influences student choices. (Raja, 2023) affirms that corporate reputation drives loyalty in higher education. For ISB Atma Luhur, this is especially important in competing with other local institutions. (Khairani et al., 2024) show that effective marketing content improves in stitutional image and affects enrollment. Strategic communication strengthens public perception of quality and relevance.

The ability of PHEIs to achieve sustainable competitive advantage depends on these interconnected factors. (Rajagukguk et al., 2023) emphasize that private universities must manage reputation effectively to gain longterm advantage. ISB Atma Luhur still struggles to fully optimize this, despite efforts to remain competitive. The need for stronger marketing strategies rooted in competitive advantage is urgent. (Haurua & Rangiwai, 2020) explain how higher education has shifted toward a neoliberal model, treating education as a marketplace. The main issue lies in limited integration between market orientation and marketing strategy. (Hammond et al., 2020) identified factors like conflict and lack of reward systems that impact orientation. At ISB Atma Luhur, weak interfunctional coordination limits responsiveness to market change. (Chandler et al., 2021) emphasize that understanding university subcultures is critical for implementing market oriented strategies.

Another issue is inadequate innovation in educational offerings. While (Putri & Setiawan, 2022) assert that innovation grows from strong market orientation, ISB Atma Luhur faces challenges in aligning its curricula and teaching with current industry demands. (Prabowo et al., 2022) stress that innovation agility improves performance, yet the institution's learning infrastructure is lagging behind.

Digital adaptability remains a concern. (Mexhuani, 2024) notes that technological gaps and digital illiteracy hinder equitable access. ISB Atma Luhur still lacks strong infrastructure and HR capacity. (Ličen & Prosen, 2024) argue that equipping educators with digital competencies is essential. Without this, institutions risk falling behind in a tech driven education landscape. The institutional image issue is also pressing. Despite (Khairani et al., 2024) showing that media content affects image and decisions, ISB Atma Luhur struggles with visibility. (Solodovnikov et al., 2024) emphasize the role of digital presence. Poor media engagement weakens public perception and hampers student recruitment.

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National policies like Law No. 12 of 2012 and Government Regulation No. 4 of 2014 have laid the legal groundwork for institutional autonomy and quality assurance, supported by Ministerial Regulation No. 3 of 2020. Yet, implementation at ISB Atma Luhur is hindered by resource gaps and limited alignment with regional labor market needs. The urgency of this research lies in the institution's current transformation momentum. Delaying evidence based strategic actions could worsen its competitive position. (Vasylenko, 2022) recommends aligning competitiveness strategies with national policies to ensure sustainable growth. Local stakeholders management, faculty, students, and industries demand concrete solutions to boost institutional advantage.

This study addresses a gap in the literature by integrating four internal variables market orientation, product innovation, digital adaptability, and institutional image into a unified model for explaining competitive advantage and institutional performance in private universities. The objective of this study is to analyze the influence of market orientation, product innovation, digital adaptability, and institutional image on competitive advantage and its subsequent impact on institutional performance at ISB Atma Luhur Pangkalpinang. The novelty of this research lies in its combined use of the Resource Based View (RBV) and Value Based Adoption Model (VBAM), with digital adaptability included as a strategic internal resource an approach rarely explored in mid sized regional universities.

METHODS

This study employs a cross sectional design, collecting data at a single point in time to capture the prevailing conditions. As an explanatory quantitative research, the study aims to examine the causal relationships between market orientation, product innovation, digital adaptability, and institutional image on competitive advantage, and their further impact on institutional performance at ISB Atma Luhur Pangkalpinang. This design supports objective measurement of relationship strength and direction among variables and allows hypothesis testing based on the Resource Based View (RBV) and Value Based Adoption Model (VBAM), used respectively as the grand and middle theories.

Sampling and Population

The population consists of 940 active students, with the Informatics Engineering program representing the largest proportion (34.9%). A probability based stratified random sampling technique was used to ensure proportional representation across all study programs, enhancing external validity. Inclusion criteria required students to have completed at least one semester, ensuring familiarity with institutional services. Students on leave or inactive status were excluded. This approach helps ensure respondents can provide informed evaluations, improving internal validity.

Data Collection

Data were collected using a structured questionnaire with a five point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The instrument covered seven key constructs: demographics, market orientation, product innovation, digital adaptability, institutional image, competitive advantage, and institutional performance. The items were adapted from validated

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prior studies with contextual adjustments. Data collection was conducted both online and offline to maximize response rates.

Data Analysis

Structural Equation Modeling using Partial Least Squares (SEM PLS) was applied using SmartPLS software. This method is suitable for complex models with multiple latent variables and small to medium sample sizes. The analysis proceeded in two stages: there are measurement model evaluation, assessing indicator reliability (outer loadings ≥ 0.7), construct reliability (Cronbach's Alpha and Composite Reliability ≥ 0.7), and convergent validity (Average Variance Extracted [AVE] ≥ 0.5) and structural model evaluation, including path coefficients, R² values, t-statistics, and significance levels using bootstrapping (5000 resamples).

This technique enables simultaneous assessment of multiple relationships and is robust for exploratory modeling, especially when theory development is a goal. While the single institution context may limit generalizability, the study provides transferable insights for similar PHEIs. Self report bias was mitigated through careful questionnaire design and standardized administration procedures.

RESULTS AND DISCUSSION

Results

To evaluate the validity of each indicator used to measure the latent variables, outer loading analysis was conducted. Table 1 presents the loading factors for all observed indicators across the six latent constructs in the study. Loadings above 0.7 indicate strong contributions to the construct, although values slightly below 0.7 may still be considered acceptable in exploratory research.

Table 1 Loading Factor

	X1=OP	X2=IP	X3=AD	X4=CI	Y=KB	ZO=PI
PI1						0,838
PI2						0,855
PI3						0,654
IP1		0,859				
IP2		0,865				
IP3		0,660				
CI1				0,768		
CI2				0,696		
CI3				0,850		
OP1	0,661					
OP2	0,819					
OP3	0,837					
AD1			0,805			
AD2			0,765			
AD3			0,782			
KB1					0,881	
KB2					0,888	

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The loading factor analysis reveals that most indicators meet the threshold for construct validity, strengthening the measurement model. For Market Orientation (X1), OP2 (0.819) and OP3 (0.837) are the strongest indicators, reflecting that competitor orientation and interfunctional coordination are central to market orientation in this context. Although OP1 (customer orientation) shows a lower loading (0.661), it remains acceptable in exploratory models. For Product Innovation (X2), IP1 (0.859) and IP2 (0.865) indicate that curriculum and teaching method innovations are highly representative of this construct. Meanwhile, IP3 (supporting facilities innovation) at 0.660 is slightly weaker but still retained due to theoretical relevance. Digital Adaptability (X3) displays consistent and strong loadings across all indicators, with values ranging from 0.765 to 0.805. This suggests that readiness for digital transformation, HR competency, and technology integration are valid components of digital adaptability in the studied institution.

The Institutional Image (X4) construct is best represented by CI3 (institutional achievements) at 0.850 and CI1 (academic reputation) at 0.768. CI2 (media visibility) shows the lowest loading at 0.696, indicating potential for strengthening this aspect through improved communication strategies. For Competitive Advantage (Y), both indicators KB1 (offering uniqueness) and KB2 (cost advantage) have excellent loadings (0.881 and 0.888), affirming the construct's robustness. Lastly, Institutional Performance (ZO) is effectively measured by PI1 (student growth) and PI2 (student satisfaction), with high loadings of 0.838 and 0.855. PI3 (student retention) has the weakest loading (0.654), indicating that retention may not be as strong a contributor to overall performance perceptions as growth and satisfaction.

Table 2 Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
X1=OP	0,790	0,793	0,877	0,705
X2=IP	0,718	0,764	0,840	0,640
X3=AD	0,716	0,728	0,796	0,567
X4=CI	0,703	0,756	0,784	0,551
Y=KB	0,722	0,723	0,878	0,783
ZO=PI	0,707	0,740	0,829	0,621

The construct reliability and validity analysis results show good measurement quality for all variables in the research. The Market Orientation (X1) variable shows the highest reliability with Cronbach's Alpha value of 0.790, rho_A 0.793, and Composite Reliability 0.877, indicating very good internal consistency for customer orientation, competitor orientation, and interfunctional coordination indicators. This variable also has the highest Average Variance Extracted (AVE) value of 0.705, confirming that more than 70% of its indicators' variance is explained by the construct, well above the 0.5 minimum threshold. The Competitive Advantage (Y) variable also shows very good reliability and validity values with Composite Reliability 0.878 and AVE 0.783, indicating that offering uniqueness and cost advantage indicators consistently measure the construct well. The Product Innovation (X2)

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variable has Cronbach's Alpha 0.718, rho_A 0.764, Composite Reliability 0.840, and AVE 0.640, showing reliable and valid measurement for curriculum innovation, teaching methods, and supporting facilities indicators. The Digital Adaptability (X3) and Institutional Image (X4) variables show sufficient reliability with Cronbach's Alpha values of 0.716 and 0.703 respectively, and Composite Reliability values of 0.796 and 0.784. Both variables have the lowest AVE values among all variables, 0.567 and 0.551 respectively, but still meet the 0.5 minimum threshold. The Institutional Performance (ZO) variable shows Cronbach's Alpha 0.707, rho_A 0.740, Composite Reliability 0.829, and AVE 0.621, indicating good measurement for student growth, student satisfaction, and student retention indicators. Overall, all variables in the research model meet reliability criteria with Cronbach's Alpha and Composite Reliability values above 0.7, and convergent validity criteria with AVE values above 0.5, confirming that the measurement instrument has good psychometric quality for structural model testing.

Table 3 R Square

	R Square	R Square Adjusted
Y=KB	0,752	0,749
ZO=PI	0,875	0,874

The R Square analysis results show very good predictive ability of the model for both endogenous variables in the research. The Competitive Advantage (Y) variable has an R Square value of 0.752 and R Square Adjusted of 0.749, indicating that 75.2% of the variation in competitive advantage can be explained by the independent variables in the model (Market Orientation, Product Innovation, Digital Adaptability, and Institutional Image). This value falls in the substantial category as it is above the 0.75 threshold, showing that the four independent variables collectively make a very significant contribution in explaining the variation in ISB Atma Luhur Pangkalpinang's competitive advantage. Meanwhile, the Institutional Performance (ZO) variable shows a higher R Square value of 0.875 and R Square Adjusted of 0.874, indicating that 87.5% of the variation in institutional performance can be explained by the Competitive Advantage variable. This value is well above the 0.75 threshold, indicating very strong predictive ability and confirming that competitive advantage has a determinative influence on student growth, student satisfaction, and student retention. The small difference between R Square and R Square Adjusted for both variables (0.003 for Competitive Advantage and 0.001 for Institutional Performance) indicates that this model is efficient and not overfitting, and likely will retain good predictive ability on different samples. Overall, the high R Square values confirm the fit of the theoretical model with empirical data and provide a strong basis for hypothesis testing and interpretation of relationships between variables in this research.

Table 4 Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
X1=OP -> Y=KB	0,794	0,798	0,066	12,096	0,000

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		Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
X2=IP Y=KB	->	0,585	0,579	0,070	2,654	0,008
X3=AD Y=KB	->	0,762	0,758	0,043	1,428	0,154
X4=CI Y=KB	->	0,353	0,352	0,030	3,769	0,027
Y=KB ZO=PI	->	0,804	0,806	0,054	14,839	0,000

Discussion

The hypothesis testing results show comprehensive findings about factors influencing competitive advantage and institutional performance at ISB Atma Luhur Pangkalpinang. Market orientation proves to be the strongest predictor of competitive advantage with the highest path coefficient of 0.794 (t-statistic=12.096, p<0.001), confirming that the institution's ability to gather information about student needs, monitor competitor strategies, and conduct interfunctional coordination is a fundamental factor in building competitive advantage. Competitor orientation (OP2) and interfunctional coordination (OP3) indicators with the highest loading factors (0.819 and 0.837) become the main drivers of effective market orientation. These findings align with the Resource Based View (RBV) perspective which emphasizes that rare and difficult to imitate internal organizational capabilities can create sustainable competitive advantage.

This study reinforces the research results of (Sukoco et al., 2021) which show that customer oriented practices positively influence institutional performance by enhancing knowledge about the target market. Integration of market understanding into institutional strategy allows ISB Atma Luhur to develop offerings more aligned with student needs and industry expectations. (Hammond et al., 2020) also affirm the importance of customer and competitor orientation in developing student focused strategies, which in turn enhance higher education institutional performance. This finding strengthens the proposition that private higher education institutions developing market orientation capabilities can significantly enhance their competitive position amid increasingly intense education industry competition.

Product innovation shows a significant positive influence on competitive advantage with a path coefficient of 0.585 (t-statistic=2.654, p=0.008), confirming that curriculum updates, innovative learning method implementation, and supporting facilities development contribute substantially to ISB Atma Luhur's competitive differentiation. Curriculum innovation (IP1) and teaching method innovation (IP2) indicators with the highest loading factors (0.859 and 0.865) affirm that curriculum updates according to industry needs and innovative learning method implementation become crucial aspects in the institution's innovation strategy. These results support the RBV and Value Based Adoption Model (VBAM) views which see innovation as a strategic resource that creates unique value for users.

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These findings align with research by (Putri & Setiawan, 2022) which explains that high levels of market orientation enhance innovation capability, which in turn creates pathways for competitive advantage. Higher education institutions adaptive to changing market needs can more effectively develop relevant educational innovations. (Prabowo et al., 2022) also underscore that institutions demonstrating agility in product innovation show improved business performance and build sustainable competitive advantage. (Ali et al., 2021) study strengthens this argument by showing that product innovation development through responsive market offerings.

Interesting results were found in testing the influence of digital adaptability on competitive advantage. Despite having a relatively high path coefficient of 0.762, this relationship is not statistically significant (t-statistic=1.428, p=0.154). This finding indicates that although digital adaptability has a substantial potential influence on competitive advantage, in the ISB Atma Luhur Pangkalpinang context, this contribution has not been statistically proven. This result is quite surprising given previous literature emphasizing the crucial nature of digital transformation in contemporary higher education.

(Umiyati et al., 2024) emphasize that digital literacy and digital communication play vital roles in university marketing strategies in the digital transformation era. (Zhygalo, 2023) also underscores that digital technology integration in marketing communications enables higher education institutions to engage with prospective students more personally and responsively. The insignificance of digital adaptability's influence in the ISB Atma Luhur orientation enables organizations to develop offerings more aligned with market needs.

Institutional image proves to have a significant positive influence on competitive advantage with a path coefficient of 0.353 (t-statistic=3.769, p=0.027). Although having the lowest coefficient among significant independent variables, this result confirms the importance of reputation and positive perception in building competitive advantage in the higher education sector. Institutional achievements (CI3) and academic reputation (CI1) indicators with the highest loading factors (0.850 and 0.768) show that accreditation, awards, and perceived learning quality become fundamental elements in building a strong institutional image.

(Raja, 2023) affirms that building student loyalty in higher education is strongly influenced by corporate reputation, a view strengthened by this research's results. (Nursyamsi et al., 2022) also found that institutional image contributes to competitive advantage by enhancing service quality and student satisfaction. In the context of private higher education in mid sized cities like Pangkalpinang, institutional image becomes an important differentiation factor given the relatively limited number of competitors but intense competition to attract prospective students from the same population. (Chiguvi & Tadu, 2020) explore how image differentiation becomes a crucial strategy for private higher education institutions to achieve competitive advantage, especially in relatively saturated markets with similar higher education

context can be explained through several possibilities: first, digital transformation at this institution is still in the early implementation stage, so its impact on competitive advantage is not yet significantly felt; second, the digital divide indeed remains a substantial challenge in the Pangkalpinang region, thus reducing the effectiveness of digitalization initiatives; third,

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there are moderating variables such as student readiness or supporting infrastructure affecting the relationship between digital adaptability and competitive advantage.

Although not statistically significant, high loading factors on digital transformation readiness (AD1, 0.805), HR digital competency (AD2, 0.765), and learning technology implementation (AD3, 0.782) indicators show that these elements remain important and need to be developed in the long term. As emphasized by (Voevodina & Naumov, 2024), adaptation to the digital economy involves equipping graduates with competencies highly valued in the labor market. Higher education institutions failing to adapt to digitalization trends risk losing relevance and attractiveness in the future, regardless of limited short term influence on competitive advantage.

Competitive advantage proves to have a very significant positive influence on institutional performance with a path coefficient of 0.804 (t-statistic=14.839, p<0.001), with very strong predictive ability (R^2 = 0.875). This finding shows that competitive advantage built through offering uniqueness (KB1, 0.881) and cost advantage (KB2, 0.888) directly enhances institutional performance measured through student growth (PI1, 0.838), student satisfaction (PI2, 0.855), and student retention (PI3, 0.654). This result confirms the main premise of RBV emphasizing the causal relationship between competitive advantage and superior organizational performance.

The theoretical model proposed in this research obtains strong empirical validation, with R^2 values of 0.752 for competitive advantage and 0.875 for institutional performance, indicating substantial predictive ability. These values show that the independent variables studied collectively explain most of the variance in ISB Atma Luhur Pangkalpinang's competitive advantage and institutional performance. These findings provide a strong empirical foundation for developing evidence based strategies to enhance the institution's competitiveness.

This research's results strengthen RBV's validity as a theoretical framework for understanding competitive advantage in the private higher education context. (Al-Khatib & Valeri, 2022) emphasize that sustainable competitive advantage derives from internal resources that are valuable, rare, difficult to imitate, and not easily substituted. This research confirms that market orientation, product innovation, and institutional image are strategic resources significantly contributing to ISB Atma Luhur Pangkalpinang's competitive advantage. These findings extend RBV application to the private higher education sector, showing that the same principles applied in commercial organizations are also relevant in the educational institution context.

The largest market orientation path coefficient (0.794) affirms the RBV view that organizational capability in gathering market information, monitoring competitors, and conducting interfunctional coordination constitutes dynamic capabilities creating unique value and competitive differentiation. (Hammond et al., 2020) emphasize that market orientation in higher education is influenced by antecedents such as interdepartmental conflict, management emphasis, and reward systems. This research expands that understanding by proving that market orientation not only influences marketing performance but also becomes the main determinant of sustainable competitive advantage.

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Theoretical Implications

The theoretical implications of this research also include developing understanding about the interaction between market orientation and product innovation in the higher education context. (Ali et al., 2021) show that market orientation enables organizations to develop innovations more aligned with market needs. This research expands that understanding by showing how these two factors together contribute to private higher education competitive advantage. Integrating market information into the innovation process enables institutions to develop educational offerings that are not only innovative but also relevant to student and labor market needs.

This research also provides important empirical contributions in validating the relationship between institutional image and competitive advantage in the private higher education context. (Todua & Mghebrishvili, 2021) have identified elements contributing to university image, including educational service quality, faculty reputation, and institutional visibility in social and business contexts. This research confirms that institutional achievements and academic reputation are key components in building positive image that contributes to competitive advantage. In the context of private higher education institutions operating in smaller cities, institutional image becomes a crucial differentiation factor for attracting prospective students from a limited population.

The very strong relationship between competitive advantage and institutional performance (path coefficient 0.804, R^2 = 0.875) provides solid empirical validation for RBV's main premise that sustainable competitive advantage leads to superior organizational performance. This research enriches literature by showing a clear causal relationship between competitive advantage and specific outcomes such as student growth, student satisfaction, and student retention in the private higher education context. These findings have significant theoretical and practical implications for strategic management and marketing in higher education institutions.

Managerial Implications

Based on the research results, several managerial implications can be identified to enhance ISB Atma Luhur Pangkalpinang's competitive advantage. First, market orientation should become a top priority in management strategy with a focus on strengthening competitor strategy monitoring activities (OP2, 0.819) and interfunctional coordination (OP3, 0.837). The institution needs to develop a comprehensive market intelligence system to gather information about student needs, educational trends, and competitor strategies. Cross departmental teams need to be formed to translate market insights into responsive educational programs, and incentive systems need to be designed to encourage market orientation throughout the organization. Second, product innovation should prioritize dynamic curriculum development (IP1, 0.859) and innovative teaching method implementation (IP2, 0.865). Industry practitioner involvement in regular curriculum development and evaluation can enhance educational program relevance. Faculty training programs for innovative learning method implementation such as blended learning, flipped classroom, and problem based learning also need to be prioritized. Special budget allocation for educational innovation and a reward system for faculty developing innovations will

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accelerate innovative practice adoption throughout the institution. Third, although digital adaptability showed no significant influence, high loading factors on all its indicators show the importance of developing this aspect in the long term. A gradual approach in technological infrastructure development (AD1, 0.805) and HR digital competency enhancement (AD2, 0.765) through continuous training programs will be more effective than large scale digital transformation that might not yet be integrated with institutional needs. Focus on technology providing direct added value for students will maximize return on investment from digitalization initiatives. Fourth, institutional image needs to be strengthened through enhancing institutional achievements (CI3, 0.850) and academic reputation (CI1, 0.768). Efforts to improve study program accreditation and achieve awards that can enhance institutional reputation need to be prioritized. Effective communication strategies to publicize institutional achievements and alumni success also need to be developed to strengthen positive image in the public eye. Enhancing media visibility (CI2, 0.696) through more effective communication strategies in mass media and social media also needs to be a focus. Fifth, given the strong relationship between competitive advantage and institutional performance (path coefficient 0.804, $R^2 = 0.875$), a monitoring system using Key Performance Indicators (KPIs) that include student growth (PI1, 0.838), student satisfaction (PI2, 0.855), and student retention (PI3, 0.654) needs to be developed. Systematic performance measurement and using the insights generated for strategy development will create a continuous improvement cycle.

Implementing these recommendations requires a structured change management approach. An implementation roadmap with clear stages and milestones needs to be developed, starting from market orientation development as a top priority, followed by product innovation and institutional image enhancement, and gradual investment in digital adaptability. Involvement of all internal stakeholders in the change process and effective communication about the institution's vision and strategy will be critical success factors.

CONCLUSION

This study concludes that market orientation, product innovation, and institutional image significantly influence competitive advantage at ISB Atma Luhur Pangkalpinang, with market orientation showing the strongest effect (path coefficient 0.794), followed by product innovation (0.585), and institutional image (0.353), while digital adaptability, although showing a high coefficient (0.762), did not have a statistically significant impact. Competitive advantage was found to strongly affect institutional performance (0.804; $R^2 = 0.875$), validating the integration of the Resource Based View (RBV) and Value Based Adoption Model (VBAM) in the private higher education context. These findings reinforce the role of internal strategic resources in achieving sustainable competitive advantage. Future research should consider expanding the sample across multiple institutions to improve generalizability, applying longitudinal designs to capture changes over time, and exploring potential moderating factors such as digital readiness or infrastructure quality to better understand the nuanced role of digital adaptability. Additional variables like transformational leadership, organizational culture, or external pressures such as policy shifts and labor market dynamics are also recommended for future model development.

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