CHAPTER 1

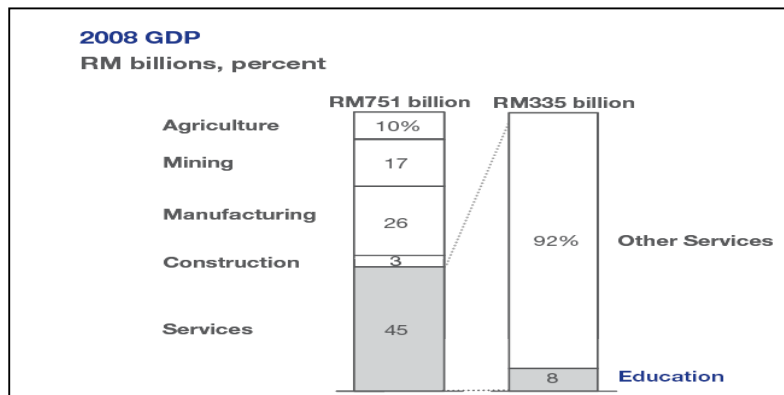**INTRODUCTION**

1.1   INTRODUCTION

Educational institutions around the world have become more service-oriented. Malaysia, a developing country, also places emphasis on service economy and has implemented extensive economic transformation shifting from a resource-based economy to services-oriented economy (National Innovation Model, http://www.mosti.gov.my). The service industry is broad and covers sectors such as tourism, health care, education, hospitality, consultancy, repairs, and rentals, etc. Table 1.1 shows that 45% of services contributed RM335 billion out of RM 751 billion in year 2008. Of the various sectors in the service industry, the education sector has high potential for future development, whereby generating 8% in services industry (Total Gross Domestic Product, Department of Statistics, Malaysia, http://www.statistics.gov.my). With regards to this, several educational areas are strongly advocated by the Malaysia Government in its National Key Economic Areas (NKEAs) under the Tenth Malaysia Plan 2011-2015.

Table 1.1
Total Gross Domestic Product (GDP), 2008

Source: Department of Statistics, Malaysia, http://www.statistics.gov.my

In Table 1.2, the education service for private sector shows contributed good gross output (RM6.3 billion) which college and university education service were the highest impact (85.3%) among the education industry (Education Services-Private Sector, Summary findings, Department of Statistics, Malaysia, http://www.statistics.gov.my)

Table 1.2
Percentage Distribution of Gross Output and Value Added by Education Industry, 2009

Industry	Gross Output
Pre-primary education services	5.7%
General school secondary education services	9.0%
College and university education services	85.3%
Total gross output: RM6.3 billion	

Source: Department of Statistics, Malaysia, http://www.statistics.gov.my

In 2010, there were 20 public universities, 21 private universities (not including branch campuses) and 23 university colleges, 5 foreign university branch campuses, 25 polytechnics, 40 community colleges and over 40 private institutions of higher learning in Malaysia (http://www.mohe.gov.my). To remain competitive, higher education institutions have to maintain enrolment rates and create opportunities for cross-boundary learning and collaboration (Clewes, 2003; Cronin and Taylor, 1992).

The potential future development in education services is also supported by a overwhelming growing number of students pursuing tertiary education, in public or private higher education institutions, Table 1.3 reflects this growing trend with the number of students continues to increase from 2000 to 2010: 2000 (574,421); 2005 (731,698); 2010 (1,326,340) (Ministry of Higher Education, http://www.mohe.gov.my).

Table 1.3
Enrolment in Tertiary Education Institutions by Levels of Study (2000 – 2010)

Level of Study	Number of Students								
	2000			2005			2010		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Total	313,374	261,047	574,421	390,388	341,310	731,698	853,590	472,750	1,326,340

Source: Ministry of Higher Education, http://www.mohe.gov.my

Students' enrolment and intake are vital for an educational institution to sustain its business. Therefore, it is necessary for educational institutions to identify and understand the variables or factors that most heavily influence the preference of potential students when they choose an institution to further their studies (students' enrolment) or when existing students choose to continue their studies for subsequent years at the same institutions (students' intake).

1.2   PROBLEM STATEMENT

Nowadays, most of the university staff have no efficient method to monitor and understand students' needs. Thus, a student and university staff expectation gap is probably appeared (Shank, Walker and Hayers, 1995). Achieving high service quality and customer satisfaction is a vital goal of all organisations, including not-for-profit and educational institutions (Ham, 2003).

The former Education Minister Tan Sri Musa Mohamad highlighted that there was a change of mindset for students nowadays where they demanded better quality from private higher education institutions. Thus, higher education institutions should not be surprised if a student put in a complaint that a lecturer is not teaching properly in class (Rajah and Nadarajah, 2000).

Students want to see continuous improvement within an institution as a result of their complaints. They will attempt to find a right channel to give their feedback and voice their dissatisfaction (Hasan, et al., 2009).

In view of the public perception of poor quality on private higher education institutions, it was always the last choice for students to select private higher education institution if they were not offered by the public higher education institution. This was unwholesome perceptions that not even wanted to see by Malaysia Prime Minister (Ling, 2003). Therefore, good quality service and reputable corporate image of private higher education institutions are vital to raise public confidence in private higher education institutions.

This study can gather valuable information for universities to improve the students' satisfaction. The neglect of the aspects of service quality and corporate image could cause the institution be short of a number of students enrolment and intake which would be upsetting its revenue (Zammuto et al. 1996).

1.3   RESEARCH QUESTIONS

Service quality, corporate image, student satisfaction and positive word-of-mouth will be used as constructs to assess the experiences, preference, satisfactory level and loyalty of students currently pursuing their studies in a private university.

The following are the four research questions of this study:

(a) What dimension of service quality influences student satisfaction most?

(b) What factor influences student satisfaction predominantly?

(c) What is the relationship between student satisfaction and positive word-of-mouth?

(d) How do service quality and corporate image influence positive word-of-mouth through the mediating effect of student satisfaction?

1.4   PURPOSE AND SIGNIFICANCE OF THE STUDY

The purpose of this study is to assess whether there is any influence of perceived service quality and corporate image on positive word-of-mouth, while examining the mediating effect of student satisfaction on these relationships. According to some past studies, these two factors bring satisfaction to the existing students and subsequently create a positive word-of-mouth for the potential students. The study is also able to guide the academic and administrative staff to focus and improve the impact areas consistently, by doing the right thing rather than doing things right, to develop superior service quality as well as prominent corporate image of its university. (Yeo, 2009)

1.5   RESEARCH OBJECTIVES

The following are four objectives have been formulated based on the aforesaid research questions to accomplish the task of this research project:

(a) To determine the dimension of service quality influences student satisfaction most.

(b) To determine which factor that influences student satisfaction

predominantly.

(c)   To determine the relationship between student satisfaction and positive word-of-mouth.

(d)   To assess the mediating effect of student satisfaction on the relationship between service quality and corporate image to positive word-of-mouth.

1.6   SCOPE OF THE STUDY

This study focuses on the undergraduate students of a young and fast-growing private university in Malaysia. It will cover the undergraduate students of all faculties spread over four campuses of the university in Perak and Klang Valley. The students are from various courses and academic years. They are considered as customers of their university who can provide feedback on service quality, corporate image, satisfaction level and positive word-of-mouth for this study. The students of foundation studies and postgraduate programmes are not included in this survey.

The undergraduate students have adequate experience, which is at least 1-year, of the services provided by the academic and administrative staff of the university. Thus, they are able to share their point of views on the service quality and corporate image of the university.

1.7   ORGANISATION OF THE STUDY

This research report has five chapters. Chapter 1 give an overview of the study covering the purpose and significance of the study, problem statement, research questions, research objectives and the scope of the study.

Chapter 2 covers literature review. It covers an elaboration of the respective constructs such as service quality, corporate image, student satisfaction and positive word-of-mouth. In this chapter, a number of past similar research studies that affect the relationships of the variables will be reported.

Chapter 3 elaborates the research methodology of this study. It starts off with a research framework of the study. This is followed by the development of research hypotheses, the measurement of constructs, questionnaire design, sampling design, data collection procedure and data analysis techniques.

In chapter 4, research outputs from several data analysis techniques are discussed. The first part of this chapter discusses the demographic characteristics of the respondents and subsequently the results of the reliability assessment. This is followed by the findings of correlation analysis. Lastly, the multiple regression analysis, which is used to examine the significance of hypotheses on the relationship between independent variable and dependent variable.

The last chapter presents a summary of the previous chapters and concludes the findings of this study. It also discusses the limitations of the study, suggestions for future research, implications and contributions of this study.

1.8   CONCLUSION

Provision of educational services and programmes has been viewed as an important global business, including in Malaysia, which grows rapidly and

brings a huge impact to a country's economy. Nowadays, the constant change in trend and culture has made educational institutions place much more emphasis on service and become more service-oriented. The management of institution is always confronted with the challenges on how to outperform their competitors in order to retain business in this competitive environment. In fact, the management should put more efforts in managing and promoting the institution to sustain its business.

The institution should differentiate themselves from other competitors by improving its reputation and corporate image through offering superior service quality and value of programmes as well as its activities to increase customer satisfaction which in turn influences positive word-of-mouth. The purpose of this study is to identify if the service quality and corporate image influence positive word-of-mouth, and whether student satisfaction has a mediating effect on their relationships.