

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter elaborates the theoretical bases for this study based on relevant literature such as previous researches and supported reading materials. The purpose of the literature review is to acquire a better understanding of the relationships among the variables and their impacts as well as implementations over each other. This chapter concludes that the relationships among the variables used in the research framework have given enough evidences to further this study.

2.2 SERVICE QUALITY

Parasuraman et al. (1985, 1988, 1991, 1994) develop the renowned SERVQUAL instrument to measure service quality and it covers largely all sectors of services. Thus, it is also applicable for education institution (Aldridge and Rowley, 1998; LeBlanc and Nguyen, 1997; Oldfield and Baron, 2000; Viadiu et al., 2002).

Oldfield and Baron (2000) point out that the students who have spent certain period to experience the service quality will always be affected by existing experiences compared to their initial expectations. The way of evaluating the expectations of service performance has been disputed due to the broad recognition of SERVQUAL in various different fields (Cronin and Taylor, 1992). In addition, the reality of each question has been asked is also regularly criticised (Buttle, 1996). To avoid discrepancies of the measurement between

expectation and perception of service quality, the expectation dimension will not be exploited. Therefore, most of the questionnaire is only focuses on perception. (Kuo and Ye 2009).

In this study, a construct of service quality with the five dimensions (tangible, responsive, reliability, assurance and empathy) will be adopted and only the perception of service quality will be measured.

2.2.1 Relevance of Service Quality to Higher Education

A whole-person experience is resulted from a growth path that resides within and outside the classroom (Clewes, 2003; Cronin and Taylor, 1992). Service quality emphasizes the whole-person experience rather than the experience of teaching (Coleman, 2003; Cuthbert, 1996; Entwistle and Tait, 1990).

Zeithaml, Parasuraman and Berry (1990) categorize a 22-item instrument of service quality into five quality dimensions: tangibility, reliability, responsiveness, assurance and empathy which focus on perceptions of service offered by the administrative and academic staff of higher education institution. The following are the five dimensions in the context of higher education:

- (1) Tangibility: Physical facilities, equipment and appearance of university staff eg. The effectiveness of academic staff to employ the multimedia equipment–computer for lecturing (Kuo and Ye 2009).
- (2) Reliability: The level of independence and accurateness of the administrative and academic staff to perform their daily tasks.

- (3) Responsiveness: The willingness for university staff to assist students and give prompt advice and service when the students need helps.
- (4) Assurance: The aptitude of university staff to express competence, courtesy, credibility and security, and the level of knowledge possessed by lecturers in the way of instilling trust and confidence (Kuo and Ye 2009).
- (5) Empathy: The care and individualised attention given by the university staff to each student.

Kuo and Ye (2009) state that the physical facilities include classroom layout, comfort and appearance as well as their accessibility for the use of studying rooms and computer facilities. According to Yeo (2009), the higher opportunity of learning and community interface relating facilities such as laboratories, libraries, computers, sports and healthcare centers and cafeterias has notably influenced the total service quality of an institution. Moreover, it is necessary for technical instructors to guide students and give them confidence to actively involve themselves in a particular field. Clark and Ramsay (1990) report that the students in a highly reputable university were found to fully make use of support services. Hence, institutions should aggressively promote their advanced facilities to attract international students to increase their enrolment as the prominent facilities may at least cover other deficient areas (Brown, 1991; Steadman and Dagwell, 1990).

Yeo (2009) advocates administrative staff such as administrators, technicians and laboratory instructors should be service-oriented rather than

administratively supportive. He also highlights that student satisfaction requires the fulfilment of the diverse aspects of experience through supportive facilities, systems and processes. He found in his study that the likelihood of less utilisation could be due to the unavailability of facilities after office hours and the attitude of support staff. The research undertaken by Yeo (2009) on Engineering School in one of the institutions in Singapore found that this institution was trying its best to promote the essential service quality to increase institutional performance. The implementation of the said performance included attracting the best students, increasing its yearly enrolments and obtaining high rating of student experience as compared to other institutions. The Engineering School followed up on regular feedback and had conversation with all levels of institutional staff to achieve a shared knowledge on how quality might be inferred and organised. They also considered how to allocate manpower to cater specific and addition requirements of students required after working hours. Relating to this, Yeo (2009) in his study established another suggestion that service quality in education institution could be attained by having the right allocation of manpower for the success of comprehensive experiences. In sum, institutions' staff should be inspired to demonstrate a strong attitude to serve instead of just giving them instruction to do so. This is a primary step to the improvement of service in education.

In addition, the concept of service quality also consists of intangibility, inseparability, heterogeneity and perishability. The examination of service quality in education usually focuses on the services provided by the academic

and administrative staff. However, such an approach has been condemned that most of the administrative aspects of higher education institutions are often neglected (Yorke, 1995). The quality of administrative services is less covered as compare to academic execution. In fact, the quality of administrative services is vital as it heavily influences student's satisfaction (Hung et al., 2003; Ramsden, 1995; Wilson et al., 1997).

Borahan and Ziarati (2002) confirmed in their study that the evaluation of students toward teaching quality of an academic staff cover more than the content knowledge the staff possesses. It covers attributes of an academic staff such as good communication, interpersonal skills, etc which apparently contributes to the students' overall learning experience (Brown, 2004; Shevlin et al., 2000).

The relationship between service quality and higher education has been studied by Yeo (2009). There are three interrelated perspectives to define the scope of quality. Firstly, the customer expectations on the conformance to requirements; secondly, the customer perception on fitness of use (Juran, 1945); and thirdly, the perception of customer on keenness to pay for the services instead of what could be provided by the service provider (Drucker, 1985).

For quality assessment, it is crucial to determine the benchmark standards and practices. Quality assessment is to monitor the performance of service quality of education institution subsequently improve and enhance it

(Horsburgh, 1999). On top of that, Biggs (2001) emphasises that quality enhancement focuses on quality activities and issues related to responsibility and sustainability which concern a variety of practices that allow academic staff to improve their teaching skills. The variety of practices included introducing some teaching and learning skills, built-in staff development and system to assess content knowledge, educational innovation and changing conditions. According to Yeo (2009), the Engineering School in Singapore has established several plans to support the teaching ability of their faculty for continuous improvement. The faculty established 'promoting good teaching practice' which is one of their practices for total service quality strategy whereby a project team is formed among the academic staff to develop a broaden dimension of teaching and learning.

Lockwood and Hadd (2007) urge higher education institutions to ensure that their curricula incorporated recent trends of business community and global market aspect so that students are prepared to enter the emerging business arena. Yeo (2009) proposes that the latest developments of industries and technologies, relevance of courses to the future jobs, basic knowledge and skills, utilisation of computer, communication skills, teamwork and ability utilization of knowledge must be included into the curricula. The aforesaid aspects are actually part of the overall service quality of institution which have a direct impact on course design and delivery (Clewes, 2003; Owlia and Aspinwall, 1998).

Altbach and Knight (2007) point out that quality is a basic requirement for institutions to seek global recognition. Internationalization can be attained by executing diversification involving international participation or seeking accreditation from overseas. The competitive advantage such as developing in intellectual capital can be obtained from the sustainability of superior service quality. To avoid the perception of inadequate choices of the programmes to choose from the institution and less opportunity for students to apply their knowledge after finished study, the institution can propose more choices in terms of academic pathway for students. Likewise, the variety of co-curriculum activities needs to be increased so that student will get more chances to choose according to their preferences and abilities.

2.3 CORPORATE IMAGE

Boulding (1956) claims that the perceptions of corporate image are not only revealed on the tangible object but also from the subjective point of view of receiver who is interacting with the object. Hence, the thoughts, viewpoint and feeling of a customer towards the institutions are subjective (Martineau, 1958).

Corporate image is an insight of the interaction between the institution, staff, customers and the society (Walters, 1978), and the skills of an institution to portray itself in the customer's view (LeBlanc and Nguyen, 1997). Corporate image has the functional and emotional aspects. The functional aspect focuses on institution's performance – tangible characteristics – that could be easily measured. Meanwhile, the emotional aspect is the viewpoint on the

institution based on subjective attitudes such as feeling and affection (Kennedy, 1977; Martineau, 1958; Walton, 1996).

Brown and Mazzarol (2009) measure the view of the students whether the institution is friendly, supportive, innovative, student focused and offering a wide range of programmes. In terms of practicality, they focus on whether the courses are practical or theoretical, the flexibility in its entry options, and whether the study programmes are job-oriented or researched-oriented. In addition, the authors adapt conservativeness as a measure of whether the institution is long established or has modern approach, or perceived as traditional or highly prominent institution.

Reynolds (1965) explains that the customer receives diverse experiences and promotional information from an institution, which allows the customer to draw a personal view of the institution. The healthy level of the infrastructure to support the requirements and needs of customers, and factors such as perception of product and services, policies and personnel quality, are identified as a store image.

Paul and Olson (1987) describe that an institutional image is an expectation of customers towards the institution's product and service qualities. Meanwhile, Gronroos (1988) highlights that customers who possess a positive perception of an institution will assess its products and services in a more positive way. Robertson and Gatignon (1986) state that an institution's products and services are represented institutional image. This relationship could provide

some basic understanding about the institution to the first-time customers. Subsequently it would increase the confidence of the customers as well as reducing the doubtfulness of them while making decision to purchase. Keller (1998) has stated that credibility is one of the factors that determine the overall image for an institution. It measures the ability of institution to fulfill customer requirements such as professional expertise, products and services qualities as well as its reliability.

2.4 CUSTOMER SATISFACTION

Customer satisfaction is very important in service industry as it can determine whether an organization will eventually become a preferred choice of customers or not. Some researches state that customer satisfaction will increase future profitability (Anderson et al., 1994), because customers are willing to pay more on services received, repeating their purchase and creating positive word-of-mouth influencing potential customers (Reichheld, 1996). Generally, all the empirical evidences highlight that customer satisfaction has a vital role for long term benefits of organizations where it can retain customer loyalty and ensure organizations' profits reach a desired level (Homburg et al., 2006).

In higher institutions, there are a number of attempts to clarify and define the term of customer satisfaction. In 1965, the discussion on customer satisfaction had become significantly vital after revealed by Cardozo (1965). Customer satisfaction then covered various areas including academic research and institution, and corporate image. Oliver (1980) points out that

customer satisfaction should be measured between expectations and perceptions of the services being provided. Palacio, Meneses and Perez (2002) share similar views that satisfaction involves a certain level of expectations and perceptions. The expectations of potential students who have yet to experience the university's services should be measure and the authors encourage to first defining the expectations of potential students.

However, Carey, Cambiano and De Vore (2002) find that the satisfaction based on existing students' perception and experiences during their academic years in that particular institution should be considered. Another supporting view given by Hernon et al. (1999) is customer satisfaction could be separated into two categories: the experience from the direct contact between customer and institution's staff; and an overall experience from all the past connections with the institution's staff.

Besides that, Samdal et al. (1998) highlight that classroom climate heavily influences student satisfaction. This classroom climate includes how the lecturer leads students' participation in a learning environment (Wilson, 1996). The classroom climate has a tendency to vary; it depends on awareness of lecturers, the personality of the institution and class arrangement (Wilson, 1996). In addition, it is noted that the effectiveness of teaching and delivery by lecturers contribute significantly to the satisfaction of students (DeBourgh, 2003).

According to Shemwell et al. (1998); Cronin and Taylor (1992); Bolton and

Drew (1991), satisfaction is resulted from service quality. Recently, most of the studies have focused on student satisfaction by measuring customer's perception. Therefore, student satisfaction has been set by researchers to examine perceived customer satisfaction theory so that it could bring a better understanding for the student satisfaction assessment in institution (Hom, 2002).

William (2002) states that it may be inappropriate to define student as customer. However, the recent higher education marketplace has brought changes to the public's views, especially in the private higher education scenario. Dagger and Sweeney (2007); Rinehart (1993) found that students who pay high fees as compared to students paying lower fee or no fee for an education at public institution are considered as customers which they always expect better service and product qualities, and also they expect that their feedback or concern be attended to and taken into account for continuous improvement. From the marketing perspective, the profile and popularity of an institution will increase according to the level satisfaction of students.

2.5 POSITIVE WORD-OF-MOUTH

Cuthbert (1996) points out that there are many higher education institutions in the marketplace. Thus, students normally make decisions based on the quality assurance systems including university ranking and positive word of mouth. Struebing (1996) highlights that revenue can be gained from attracting new customers through word-of-mouth recommendations, increasing the percentage of customer retention and the frequency of purchase by existing

customers. Rust and Oliver (1994) mention that word-of-mouth recommendations have a quantifiable impact on sales especially from a satisfied customer who conveys the satisfactory experience to his/her friends, family and colleagues.

According to Lin and Chen (2006), satisfaction, loyalty for products and services as well as brands and retailers have been further defined in some studies. Some researchers examined loyalty from the possibility of future purchase, brand switching and personal recommendations. Personal recommendations in terms of positive word-of-mouth and dropping out from the course are always occurring in higher education as compared to loyalty reflected in repeated purchases in commercial products and services (Bloemer and Lemmink, 1992; Selnes, 1993; Biong, 1993).

Exit behaviours such as positive or negative words of mouth are a conclusion of consumer after using the service. This has drawn the attention of practitioners, researchers and public policy officials who have interest in consumer satisfaction, dissatisfaction and complaining behaviours (Bolfing, 1989). Day (1980) highlights that some of the past researches also emphasised on the vitality for word of mouth in post purchase behaviours. Word of mouth provides highly trustworthy information (Spreng, Harrel and Mackoy, 1995). It has played an essential role in consumers' information search, evaluation and buying process especially in the service industry (Cynthia, 1998; Cynthia, 1991). According to Teas, R. Kenneth (1993), new buyers seek views from experienced customers who have used tangible

services and who are able to share their opinion (positive or negative word of mouth) based on their personal understanding. Risk of perspective customers could be decreased and the chances of an increase in purchase through word of mouth are higher.

Word-of-mouth is vital for consumer who wants to involve in service industry (Cynthia, 1988; Richins, et.al 1989; Hughstead, Taylor and Bruce, 1989; Zeithaml, 1981; Shostack, 1985; Solomon and Gould, 1991; Swan and Oliver, 1989) especially services that require consumers to be actively involved in the stage of information search or during the purchase decision making process (Webster, 1988). Word-of-mouth has become one of the channels of communication of consumers' post purchase focus and it has received considerable attention in the recent literature (File, Judd and Prince, 1992). Consumers perceive risk when they are unclear of their aims; when they have more choices to match their aims; when there is a risk of getting choices wrong. Under these circumstances, consumers will depend on word of mouth to reduce their doubt in making a purchase decision (Hugstead, Taylor and Bruce, 1987).

If a customer shows dissatisfaction by given negative responses to the service provider, the customer is showing signs that he/she may stop using the service of a company or reduce the number of purchases from the company (Richins, 1983; Scaglione, 1988). The complaints from customers due to dissatisfaction could be directly reported to seller; create negative word-of-mouth or involve legal action (Singh, 1988).

2.6 THE RELATIONSHIP BETWEEN SERVICE QUALITY AND STUDENT SATISFACTION

Kerlin (2000) states that the tremendous growth in the number of institutions and learning organizations has increased the awareness of institutions to improve its service quality in order to attract and retain students. Some studies undertaken on the relationship between service quality and satisfaction has been proven, where satisfaction would influence a student's aspiration to attend, retain and give word-of-mouth recommendations to the services of institution. Thus, institutions are advised to put efforts into service quality evaluation to increase the effectiveness of their services. Ostrom and Iacobucci (1995); Gronroos (1988); Paul and Olson (1987) have identified that the service quality provided by the institution positively affects the degree of student satisfaction towards an institution. According to Spreng and Mckoy (1996), perceived service quality is a predecessor to satisfaction. For effective continuous improvement, the data of perceived service quality should be assessed and analysed from time to time (Jensen and Artz, 2005).

Further studies conducted by Parasuraman, Zeithaml and Berry (1996) and Zeithaml (2000) also found that there is a positive relationship between perceived service and customer satisfaction. Another study was conducted by Ham (2003) in a higher education environment has yielded similar results. It has been found that perceived quality has a significant connection with student satisfaction. All of the previous studies supported the recent study outcome conducted by Kuo and Ye (2009), whereby the service quality is shown to have directly and significantly influenced the student satisfaction.

Hence, the satisfaction of students must be continuously met by improving services provided by the educational institutions (Cannon and Jagdish, 1994).

2.7 THE RELATIONSHIP BETWEEN CORPORATE IMAGE AND STUDENT SATISFACTION

Brown and Mazzarol (2009) found in their study that institutional image had only shown a fairly strong relationship with satisfaction construct. However, many past studies found that the relationship between corporate image and customer satisfaction were highly significant. Such as, the studies by Ostrom and Iacobucci (1995); Gronroos, 1988; Paul and Olson (1987); Kuo and Ye (2009), which showed that the perceived corporate image on an institution positively affected and had significantly influenced the degree of student satisfaction towards the institution.

In additional, Mohamad and Awang (2009) have also disclosed that corporate image brings an impact on the student post-purchase experiences. Corporate image has significantly influenced the students' satisfaction of the university. Hence, they advise that a favorable corporate image should not be neglected as it would affect student perceptions of the institution in either functional or emotional aspects. It is recommended the institution should put in more time, resources and effort to build a superior image via various advertisement and promotion activities to the public and stakeholders including parents and students. Nowadays, a prominent corporate image, which can distinguish an institution from its competitors in this challenging market, may be an additional supportive value for the university.

In the recent study undertaken by Helena and Mario (2010), it has also found that there is a positive relationship between corporate image and student satisfaction. The study shows that the image of higher education institutions is the most influencing factor on student satisfaction. They highlight that corporate image is vital to retain its existing students and attract new students. Therefore, higher education institutions should place priority on the assessment of corporate image by their students.

2.8 THE RELATIONSHIP BETWEEN STUDENT SATISFACTION AND POSITIVE WORD-OF-MOUTH

Ranaweera and Prabhu (2003) have undertaken a research to study the combined effects of customer satisfaction and confidence on customer retention and positive word-of-mouth. The study shows that the satisfaction and confidence heavily influence customer retention and positive word-of-mouth.

Students give feedback that word-of-mouth recommendation heavily influences their decision to select a university (Cuthbert, 1996). Positive word-of-mouth might get loyal students to continue to promote their university even after graduating (Hennig-Thurau et al., 2001). Positive word-of-mouth is the result of the satisfaction of service; inversely, negative word-of-mouth is resulted from the dissatisfaction of service (Susskind, 2002).

According to Athiyaman (1997), loyalty is the combination between student keenness to talk positively about the institution and to share information to

new candidates. Positive word-of-mouth is part of the criteria of customer loyalty (Nguyen and LeBlanc, 2001). Several previous studies on customer satisfaction have identified a positive relationship between customer satisfaction and behavioral intentions (Anderson and Sullivan, 1993; Cronin and Taylor, 1992; Kivela et al., 1999; Zeithaml et al., 1996).

Customer satisfaction is always as a prediction for the revisit intentions and return patronage of customers (Ha and Jang, 2010; Gerpott, Rams and Schindler, 2001; Iglesias and Guillen, 2004). Zeithaml et al. (1996) state that consumers, who are more satisfied with the product or service provided, will have higher intentions to repurchase or recommend the product or service to others. Furthermore, the intention of repurchase will be more regular when the customer satisfaction is enhanced (Kuo et al., 2009).

2.9 STUDENT SATISFACTION AS THE MEDIATING FACTOR BETWEEN SERVICE QUALITY AND POSITIVE WORD-OF-MOUTH

Student satisfaction is expected as mediator between independent and dependent variables. This means that an independent variable influences the mediator, subsequently it will influence dependent variable (outcome). Specifically, the service quality influences students' satisfaction and then the satisfaction of the students will influence their positive word-of-mouth (Shadish and Sweeney, 1991; Holmbeck, 1997).

The fundamental theory indicates that institutions that continually improve service quality is more likely to create higher degree of customer satisfaction

and the consequence is an increase in retention of the current student population and the lessening of expenses for attracting new students as positive word-of-mouth from the existing students help promote the institutions more effectively at lower cost (Stodnick and Rogers 2008).

In the different service industries, such as banking and fast food industry, many studies have been conducted to identify the mediating of customer satisfaction between service quality and behavioural intentions or loyalty. Olorunniwo and Hsu (2006); Hong and Goo (2004); Caruana (2002) have found that satisfaction significantly mediates the relationship between service quality and behavioural intentions or loyalty in the retail banking industry. Customer satisfaction is observed as the means between service quality and customer loyalty in service industries (Iacobucci et al., 1995). Meanwhile, in the fast food industry, Bougoure and Neu (2010); Qin and Prybutok (2009); Qin, Prybutok and Zhao (2010) have also found that customer satisfaction has mediating effect on the relationship between service quality and behavioural intentions.

2.10 STUDENT SATISFACTION AS THE MEDIATING FACTOR BETWEEN CORPORATE IMAGE AND POSITIVE WORD-OF-MOUTH

Clow et al. (1997) indicate that corporate image seriously affects customer satisfaction. Satisfaction here includes satisfaction with specific products and services in various aspects of the organisation such as the physical facilities and the contacts with employees. Satisfaction is also positively related to trust (Anderson and Narus, 1990; Dwyer, Schurr and Oh, 1987). According to Lin

(2010), the mediating effect of customer trust significantly influences the relationship between corporate image and purchase intention.

Cronin and Taylor (1992) have found that customer satisfaction influences purchasing motivation which is connected to customer loyalty. Bitner (1990) supports customer satisfaction as a positive contributing factor to loyalty. Increasing customer satisfaction would inspire customers to repurchase and revisit the service provider (Al-Awadi, 2002; Anderson and Sullivan, 1993; Reichheld and Sasser, 1990). In a study conducted by Martensen et al. (2000), it was shown that telecommunications and financial services had a significant correlation between customer satisfaction and loyalty. They advocate that customer satisfaction is very important in competitive service industries.

In educational institution settings, Ostrom and Iacobucci (1995); Gronroos (1988); Paul and Olson (1987) have found that perceived image on an institution positively affect the degree of student satisfaction towards an institution. The studies also show that student satisfaction has a direct and significant effect on their loyalty. When a lot of choices from education providers are given, students normally will make decision based on the quality system of the university, the reputation of university and word-of-mouth recommendations (Cuthbert, 1996).

The findings of the study from Mohamad and Awang (2009) support that corporate image has positive significant influence on students' loyalty. Moreover, the study is also found that the students' satisfaction significantly

mediates the relationship between corporate image and students' loyalty. The outcome of research has provided an important input to the university on the need to maintain a prominent corporate image of the university in order to compete with other institutions.

Brown and Mazzarol (2009) point out that an institutional image is very essential for consumer value perception, satisfaction and loyalty. The findings of the recent studies strongly advocate that institutional image is vitally important construct for students in various types of universities regardless of the age of students. Brown and Mazzarol (2009) have selected a reasonably big sample size from existing students in Australian universities in their study, the results of study suggest that student satisfaction mediated the student loyalty and the perceived image of the host universities.

2.11 CONCLUSION

Based on the literature review above, there are enough evidences to show that service quality and corporate image have a strong influence over customer satisfaction and subsequently a high level of customer satisfaction will create a positive word-of-mouth in the service industry, which covers educational institutions public and private. The students in private institutions who are paying more than those in public universities always seek for better service quality and to enroll in reputable university.

The research framework of this study is replicated from two previous studies of Mohamad and Awang (2009); Brown and Mazzarol (2009). Both of the

studies have applied similar research framework. Mohamad and Awang (2009) conducted their research at a public university in Malaysia. Meanwhile, Brown and Mazzarol (2009) used the similar research framework to conduct their research at Australian higher education institutions. So far, no study has conducted at a young and fast growing private university.

In this study, the young university is only 9-year old. Its student population has grown overwhelming from 411 students from its pioneer intake to, more than 19,000 student enrolments. This university has produced more than 25,000 graduates with over 90% of them gainfully employed within six months upon their graduation. The growing number of students, the quality of its graduates and its growing reputation make the university a worthwhile research site for researchers to examine its service quality and corporate image. Customer satisfaction as a mediating factor will be examined to determine whether it will bring impact to the interrelationships among service quality, corporate image and positive word-of-mouth.