



Service Quality, Competitiveness, Accreditation and Performance of Private Universities in Bandung

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This study analyzes the effect of service quality, competitiveness, and accreditation status on the performance of the private universities in Bandung. Higher service quality, accreditation, and competitiveness would boost higher performance. Nevertheless, at private universities, the higher accreditation status does not guarantee higher performance, service quality, and competitiveness. This article scrutinizes why these conditions occur. Using questionnaire, the data was collected from 110 lecturers at 22 private universities in Bandung. Then, the data was analysed using Structural Equation Modeling. The overall model indicates importance of service quality, competitiveness, and accreditation status to improve the performance of the private universities in Bandung, with the competitiveness factor having the greatest effect. Nevertheless, the influence of service quality and competitiveness on performance based on accreditation status has shown somewhat different results.

Key words: *Service Quality, Competitiveness, Accreditation, Performance of Private Universities.*



Introduction

A University is one of higher education institutions that has an important vision and mission to contribute to the sustainability development and the community development of a country. The better the education system the higher the potential to build the capacity of a country to adopt, disseminate, and optimize the available science and technology. The value of higher education in developing countries is associated with the value of contribution to national development (Cooper, 2009). In Indonesia, the function of higher education is perceived as key to develop capability, national character and civilization, and to enrich the life of the nation. Higher education institutions have to develop innovative, responsive, creative, skilled, competitive, cooperative, and tolerant academics. Higher education institutions also have to develop science and technology through consideration and application of the value of humanism.

The success of higher education institutions may refer to the performance of the institutions as determined by the national standards of higher education. These standards guarantee the achievement of higher education objectives that play a strategic role in achieving quality in accordance with or even beyond the criteria, especially with regard to the quality aspects of learning, research, and community service (Ramdhany, et al., 2018). A University, as an educational institution that governs higher education, public or private, has to improve competitiveness to achieve excellent performance. The performance of the university reflects the service quality of the university.

The position of private universities in Indonesia is relatively lower than the position of public universities. Indonesia's competitiveness position on the pillars of higher education from 2014 to 2017 is decreasing (Times Higher Education, 2017), indicating a decline in Indonesia's higher education performance, service quality, and competitiveness. The condition of private universities is worse than public universities however these phenomena also occur in the private universities in Bandung. To compete with other universities, the private universities in Bandung need to reposition in terms of service quality, competitiveness, and performance.

Higher competitiveness in an organization leads to the higher performance (Li, et al., 2009). Educational competitiveness also leads to higher and more equitable levels of performance (West, 2012). In this sense, competitiveness within higher education seems to be strongly related to quality and performance (Cretan, & Gherghina, 2015). The customers and clients



of the education service (students, parents and the community) deserve the best possible quality of education (Sallis, 2014), so the standards of the service quality must be remarkably considered (Ahmed, Majid & Zin, 2016; Ali & Haseeb, 2019; Haseeb, Abidin, Hye, & Hartani, 2018; Haseeb., 2019; Suryanto, Haseeb, & Hartani, 2018).

At present, more and more higher education institutions face new challenges related to accreditation and recognition of qualifications. Awareness of the need for quality assurance and accreditation has led to several new developments in accreditation, some of which are aiding the domestic and international recognition of qualifications and others are only serving to hinder and complicate matters. (Knight, 2015). The National Accreditation Agency of Higher Education in Indonesia has categorized eight statuses or ranks of accreditation: (1) outstanding, (2) A, (3) very good, (4) B, (5) good, (6) C, (7) minimum, and (8) not-accredited or expired. To simplify, it can be categorized as A, B, and C.

In the higher education assessment context, the measurement of service quality, competitiveness, and accreditation status can be used as the tools that determine the evaluation of organizational performance of an educational institution (Volkwein, 2010). Nevertheless, a move towards accreditation mechanisms sometimes makes it difficult to maintain service quality (Sarrico, et al., 2010), because the higher education institution is too focused on gaining better accreditation status requested by the government.

Thus, the purpose of this study is to analyze the influence of service quality, competitiveness, and accreditation status on the performance of Private Universities in Bandung. Furthermore, this study also analyzes the influence of service quality and competitiveness on performance based on accreditation status (A, B, and C).

Literature Review

A. *Service Quality*

The most widely used quality improvement methodologies from industry that are examined in the context of higher education are: Total Quality Management (TQM); Quality Function Deployment (QFD); Six Sigma; ISO 9001; and the Malcolm Baldrige National Quality Award. TQM was found to have the largest number of historical applications in higher education, while QFD is gaining in popularity (Quinn et al., 2009). The TQM is a way of managing that improves the effectiveness, efficiency, cohesiveness, flexibility, and competitiveness of a business as a whole (Pushpa, 2016). TQM implementation may include leadership, commitment, total customer satisfaction, continuous improvement, total



involvement, training and education, ownership of problems, reward and recognition, error prevention and teamwork (Oakland, 2014).

Six Sigma is a systematic methodology for process improvement. Schroeder (2007) outlines the commonly accepted Six Sigma steps as: Define process; Measure quality variables valued by customer – set improvement goals; Analyze root causes of current defect levels – consider process change alternatives; Improve process – check and improve; and Control – monitor over time.

The most widely used technique for measuring service quality (Sahney et al., 2004) is the SERVQUAL model. Parasuraman et al. (1988) outlined several areas for measurement of quality perception, including: Tangibles: physical facilities, equipment and appearance of personnel; Reliability: ability to perform the promised service dependably and accurately; Responsiveness: willingness to help customers and provide prompt service; Assurance: knowledge and courtesy of employees and their ability to inspire trust and confidence; and Empathy: caring, individualized attention that the firm provides its customers.

The National Institute of Standards and Technology's Malcolm Baldrige National Quality Award recognizes 'best quality practice' in the United States by analyzing seven factors in process quality, performance improvement, and business results. Award criteria (listed at www.baldrige.nist.gov) include:

- Leadership – Examines how senior executives guide the organization and how the organization addresses its responsibilities to the public and practices good citizenship.
- Strategic planning – Examines how the organization sets strategic directions and how it determines key action plans.
- Customer and market focus – Examines how the organization determines requirements and expectations of customers and markets; builds relationships with customers; and acquires, satisfies and retains customers.
- Measurement, analysis and knowledge management – Examines the management, effective use, analysis, and improvement of data and information to support key organization processes and the organization's performance management system.
- Human resource focus – Examines how the organization enables its workforce to develop its full potential and how the workforce is aligned with the organization's objectives.
- Process management – Examines aspects of how key production/delivery and support processes are designed, managed and improved.



- Business results – Examines the organization's performance and improvement in its key business areas: customer satisfaction, financial and marketplace performance, human resources, supplier and partner performance, operational performance, and governance and social responsibility. This category also examines how the organization performs relative to competitors.

B. Competitiveness

Competitiveness is a strategy to help companies maintain their survival. It is the ability of the organization to take a defensive position against competitors. This ability enables the organization to distinguish itself from its competitors which is the result of critical management decisions (Muhammad et al., 2016). The ability or resources owned by the company, are necessary in making a strategy to achieve competitive advantage for the company. Within the organization the quality of the strategy focuses on reducing the distance between consumer expectations and customer satisfaction (Sandalidou, et al., 2002). Competitiveness means the company's strategic advantage over products that are different and difficult to replicate, and produce better financial returns (Dogl, et al., 2012).

Competitiveness can be measured through multiple perspectives, as each organization has different measurements. Competitiveness is closely related to the implementation of generic strategies, in this case the implementation of cost strategy, differentiation and focus (Porter, 1986). Cost, quality, and innovation strategies can be used to measure the competitive advantage (Tuan & Yoshi, 2010). Meanwhile, competitiveness needs to be supported by responding to opportunities (Shane & Venkataraman, 2007)) and the organization's distinctive competencies (Ramdhany, et al., 2018). Thus, the dimensions of competitive advantage in this research are: (1) cost leadership, (2) differentiation, (3) respond to opportunities, and (4) distinctive competencies.

C. Performance

Company performance is one of the important measures in a company, especially with its relation to company sustainability (Jayawarna, et al., 2014). Performance in higher education is inseparable from the competence of its human resources. As this is a service institution, competence plays an important role in the achievement of higher education performance to deliver the best service quality to stakeholders. Performance is a measure of achievement obtained from the overall process activities of an organization (Costa, et al., 2015). Organizational performance measurement is carried out to make improvements and control

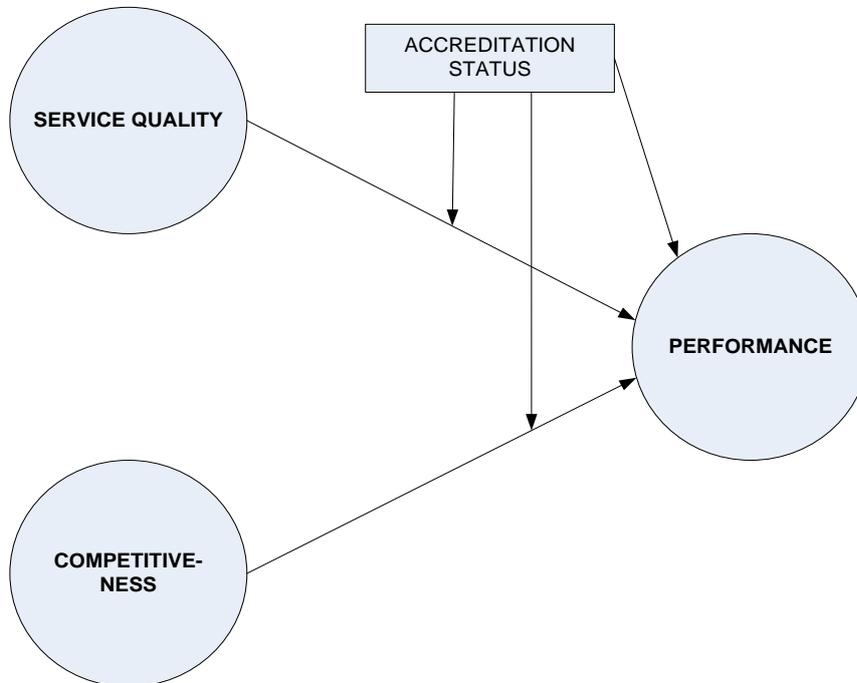


operational activities in order to compete with other organizations. In addition, performance measurement is also needed to determine the right strategy in order to achieve organizational goals (Pan, et al., 2015).

The influence of organizational strategy on the performance of an educational institution is usually motivated by the goal of achieving organizational performance created through exploration of competencies for business competition with specific market shares, so that the right strategy is needed, where the strategy can be developed to create competitiveness. It is a fact that every organization needs a clear strategy in accordance with its vision and mission. A product or service will succeed in the target market through the right strategy (Zott & Amit, 2008). Competitiveness can be a source of organizational performance, especially in service provider institutions (Athman, 2015; Rekik, v2018).

In the context of higher education institutions, the measurement of performance refers to the standards of National Accreditation Agency of Higher Education, namely: Governance, Students, Human Resources, Finance, Facilities, and Output of Tridharma. The influence of service quality on performance is based on the research of Quinn et al., (2009); Sarrico et al., (2010); and De Oliveira & Ferreira (2009), while the influence of competitiveness on performance is based on the research of Dogl et al., (2012); Athman (2015); Kabók, (2013). Based on the literature review above, the framework of this research can be drawn as follows in Figure 1.

Fig. 1. Framework of the research



Based on the framework, the hypotheses are formulated as follow:

H1: *service quality, competitiveness, and accreditation status have significant influence on performance of private universities.*

H2: *service quality and competitiveness accreditation status have significant influence on performance of private universities based on accreditation status.*

Method

This study is a quantitative approach which uses questionnaires as the main instrument of data collection. The data were analyzed by Confirmatory Factor Analysis (CFA) as the measurement part of Structural Equation Modeling (SEM), which shows relationships between latent variables and their indicators. The structural component, or the path model, which shows how the variables of interest (latent variables) are related is the other model used.

This research was conducted in 22 private universities in Bandung. All respondents are lecturers at 12 of these universities and as academics play important roles in organizing the core business of the university. The minimum sample needed is 110, which is spread proportionally across the universities.

In the model, Service Quality (SEQ) and Competitiveness (COM) are the exogenous variables, and Performance (PER) is the endogenous variable, while the accreditation status (ACS) is dummy variable to distinguish the specific models. The indicators of SEQ are Leadership, Strategic planning, Customer and market focus, Measurement, analysis and knowledge management, Human resource focus, Process management, and Business results. The indicators of COM are Cost Leadership, Differentiation, Respond to Opportunities, and Distinctive Competencies. The indicators of Performance are Governance, Students, Human Resources, Finance, Facilities, and Output of Tridharma.

Results and Discussion

The hypothesis testing using SEM consists of two steps. The first step is evaluation of outer model or measurement model or CFA, which includes the value of outer loading (valid when outer loading > 0.5 and ideally outer loading > 0.7). The results of CFA of each variable are presented here as Table 1 below.

Table 1: Loading Factor of Each Variable

Service Quality	Loading Factor
Leadership	0.617
Strategic planning	0.804
Customer and market focus	0.814
Measurement, analysis and knowledge management	0.819
Human resource focus	0.583
Process management	0.803
Business results	0.795

Competitiveness	Loading Factor
Cost Leadership	0.720
Differentiation	0.865
Respond to Opportunities	0.835
Distinctive Competencies	0.885



Performance	Loading Factor
Governance	0.793
Students	0.815
Human Resources	0.867
Finance	0.769
Facilities	0.832
Output of Tridharma	0.804

In service quality, the aspect of human resources focus is relatively lower than other indicators. This means that the private universities in Bandung tend to disregard the human resource focus or the lecturers of their university. In the long term, if the universities do not focus on these lecturers, the service quality cannot improve. Ignoring human resources in an industry may lead the organization to misfortune (Schuck & de Vreese, 2006). In this sense, the relationship between leadership and human resources focus must be resolved.

In terms of competitiveness, the aspect of cost leadership is also relatively lower than others. This means that the private universities must consider the cost or tuition fee so that the price set is competitive and can finally gain market share (the students) in comparison to other private universities or competitors (Parnell, 2011). This condition is also connected with the capability of the universities to manage their finances efficiently and effectively.

In performance, the aspect of finance seems to be relatively lower than any other aspects. In fact, the private universities in Bandung have difficulties dealing with financial accountability. The financial aspect of a service organization is important in the performance achieved by the organization in its operations (Zhu et al., 2016). Again, the financial issue must be carefully handled by the private universities.

The structural equation of the model, namely the influence of service quality (SEQ), competitiveness (COM), and accreditation status (ACS) on performance (PER) of private universities in Bandung can be formulated as follow:

$$\text{PER} = 0.341 \cdot \text{SEQ} + 0.355 \cdot \text{COM} + 0.335 \cdot \text{ACS}$$

with R-Sq = 0.293 and e = 0.707

R-square value of 0.293 indicates a significant influence of SEQ, COM, and ACS on PER, meaning that 29.3% variance of performance can be explained by service quality, competitiveness, and accreditation status, and 70.7% is influenced by other factors not examined in this model. The value also indicates the importance of service quality, competitiveness, and accreditation status to improve the performance of the private universities in Bandung. It seems that t competitiveness in this model has a greater value in its influence on performance.

Nevertheless, the influence of service quality and competitiveness on performance based on accreditation status show somewhat different results see Table 2 below.

Table 2: Accreditations status impact on performance

Accreditation Status = A	Beta	t-value	Significance	R-Sq
Service Quality	0.606	4.443	Significant	0.466
Competitiveness	0.174	1.273	Not Significant	
Accreditation Status = B	Beta	t-value	Significance	R-Sq
Service Quality	0.401	2.570	Significant	0.371
Competitiveness	0.314	2.020	Significant	
Accreditation Status = C	Beta	t-value	Significance	R-Sq
Service Quality	0.146	0.986	Not Significant	0.214
Competitiveness	0.415	2.801	Significant	

In the accreditation status = “A”, the service quality is significant but the competitiveness is not significant. In the accreditation status = “B”, both service quality and competitiveness are significant. In the accreditation status = “C”, the service quality is not significant but the competitiveness is significant.

The value of R-Sq of each model is in line with accreditation status. The greater accreditation status, the greater is the value of R-Sq. This means that the influence of service



quality and competitiveness on the performance of private universities in Bandung is greater when the accreditation status is better.

The uniqueness of this research is that the universities with accreditation status = “A” are focused more on service quality and not on competitiveness because they are in the position of having “competitive advantage”. The universities with accreditation status = “B” are both focusing on service quality and competitiveness because that is their current context and they are in “competitive parity” with the universities of accreditation status of “A” and “C”. Finally, the universities with accreditation status = “C” are focused more on competitiveness and not on service quality because they are in the position of “competitive disadvantage” and need to be more competitive.

Conclusion

The performance of the private universities in Bandung is influenced by service quality, competitiveness, and accreditation status. The service quality, competitiveness, and accreditation status play important roles in the improved performance of the private universities in Bandung. Competitiveness is essential for the private universities. The respective private university accreditation status gives a distinctive and asymmetric relationship between service quality and competitiveness that influence the level of performance. Efforts to achieve a higher accreditation status need to be balanced by efforts to maintain and improve quality services, competitiveness and performance in private universities in Bandung.

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