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A Welcome Note:

We are happy to introduce to you Volume 11 for the year 2011. In this volume, we present to you four issues of the ***Journal of Academy of Business and Economics***. In this issue Number 2 of the journal (JABE), we have published 17 high quality research articles primarily in Finance, Management, Ethics, Economics, Operations Management, marketing, and related areas. Each article has successfully undergone a double-blind peer review process. The JABE is a peer-reviewed journal listed in the Cabell's Directory 2011-14 Editions. The journal has ISSN number (**ISSN: 1542-8710**) issued by the Library of Congress, Washington, DC. The JABE is also listed in the Ulrich's International Periodicals Directory. The JABE is available online from the EBSCO Publishing and Cengage/Gale Group Publishing. Since 2005, the South Stockholm University- Södertörn, Stockholm, Sweden, has been sponsoring the JABE. JABE is the flagship publication of the International Academy of Business and Economics (IABE).

The objective of the journal is to create and provide a worldwide forum for faculty, professionals, and students to publish and share developments in the business, economics, and related fields, particularly relevant at the international level, to help continuously improve teaching, scholarship, and practice. We believe that the JABE has been fulfilling these objectives in each of its volume and issue. We welcome your assessment of these objectives.

On behalf of the Executive Board of the International Academy of Business and Economics, we sincerely thank the South Stockholm University, Stockholm, for their sponsorship of the JABE since 2005. We also thank to all our reviewers for their invaluable timely help in reviewing the papers. The editorial board of the IABE has significantly contributed towards the success of the journal and we commend the editorial board. We express our sincere thanks to all the authors who submitted their papers for review for the journal.

Our website is redesigned and you are welcome to submit your paper online at www.iabe.org for review, see the status of your paper under review, and much more.

We look forward to your participation and support for continued success of the JABE.

Best Regards,

Professor Alan S. Khade, Ph.D
California State University Stanislaus
Managing Editor

Dean and Professor Cheick Wagué, Ph.D.
South Stockholm University
Managing Editor

TABLE OF CONTENTS

JABE, Volume 11, Number 2, 2011
ISSN: 1542-8710

A SERVICE FOCUS IN HIGHER EDUCATION AND THE CQL-MODEL

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ABSTRACT

This paper focuses on the importance of a marketing and service focus in higher education. That importance is discussed and how marketing and service orientations have developed in the public sector. Marketing and service focus in higher education is discussed in depth. A part of that discussion is devoted to the introduction of the SERVMO MODEL Voon (2006) where the effects of a service-driven market orientation on service quality are delineated. The model, however, does not deal with the effect of service quality on other variables. To complete the picture a model developed by Helgesen and Nesset (2007), is therefore also introduced. It traces the effects of service quality, satisfaction and image on the loyalty of students to universities and programs.

The main contribution of this paper is the introduction of a research model, the CQL-Model, covering the process from culture to loyalty and a set of hypothesis derived from it. The model postulates that a service culture affects service quality which in turn affects the image of a organization´s goods and services, the image of the organization itself and its customers´ satisfaction. It also postulates that many other variables have an effect on satisfaction such as product quality, price, situational factors and personal factors. Loyalty is depicted as having two dimensions, attitudinal and behavioural loyalty.

Keywords: *Service Quality, Loyalty, Segmentation, Universities, CQL-Model*

1. INTRODUCTION

The main purpose of this paper is to introduce a research model that shows the connection between a service culture, service quality and loyalty. The model is, in part, based on models developed by, on the one hand, Voon (2006) and the other Helgesen and Nesset (2007). In addition it incorporates variables, other than service quality, that are known to have an effect on satisfaction

The paper starts with a discussion on the importance of a marketing and service focus. It is pointed out that the market orientation concept seems to be often misunderstood and connected to the for-profit sector. It is also pointed out that the market orientation concept has been of limited concern in the public sector among other things because of this misunderstanding. Two other known reasons, are that on the one hand that the market concept has not been adapted to fit the special situations of the public sector and on the other that politics can hinder a successful implementation. There is an in-depth discussion about marketing and service focus in higher education and how it has evolved.

Finally the research model is introduced. Its main purpose is to show the relationship between a service culture, service quality and loyalty. It is assumed that loyalty is the end goal and that other variables affect it directly and indirectly. Eleven hypothesis connected to the model are put forward. A research project that has as its aim to find support for the hypothesis has been started.

2. THE IMPORTANCE OF MARKETING AND SERVICE FOCUS

In the public sector the marketing concept has been of limited concern and sometimes misunderstood (Caruana, Ramaseshan and Ewing, 1997). The marketing concept has primarily been related to the private sector and for-profit enterprises. Many have criticized that changes in the public sector have not been focused enough and overly motivated by cost-cutting and streamlining instead of focusing on the needs of those whom the operation is designed to serve (Ferlie, Ashburner, Fitzgerald and Pettigrew, 1996). And even though directors of public enterprises may be willing to implement the marketing concept, frequently those efforts have been a failure (Laing and McKee, 2001). The implementation of the marketing concept can fail for a variety of reasons. In particular, there seems to be a fundamental misunderstanding regarding the concept of marketing in the public sector (Price and Brodie, 2001; Laing, 2003; Grönroos, 2006). This misunderstanding is rooted in defining marketing as primarily a function instead of viewing marketing as a philosophical foundation which the operation is based on (cf. Shostack, 1977; Grönroos, 1978; Donnelly and George, 1981; Hunt, 1976).

A second reason has to do with the uniqueness of public service compared to typical for-profit operations. Although the operation in question has all of the characteristics of typical service (intangibility, heterogeneity, simultaneous production and consumption, perishability) (Kotler and Andreassen, 1991; Zeithaml and Bitner, 1996), there is a fundamental difference that sets public operations apart from other operations. Public operations thus may be driven by political motivations, a community rather than consumer focus, and the target group approach may not be as evident as in for-profit operations (Laing, 2003). Referring to goals as political is based on a wider definition of the concept of profit; or: providing the best service possible at the lowest cost possible. This also emphasizes a critique of the tendency to assess the performance of public enterprises in the same way as for-profit enterprises and thus overlook the social needs and community benefits that public enterprises serve (Ferlie et al., 1996; Price and Brodie, 2001).

The third reason is political behavior, defined by Kohli and Jaworski (1990, p. 12) as *"behavior that consists of individuals' attempts to promote self-interests and threaten others' interests".* Because the board members of public enterprises frequently are appointed by majority and minority political parties, political agendas often take precedence over the interests of the organization and the recipients of its services. The behavior of political board members thus is often in direct conflict with the basic premise of the marketing concept; to define people's needs and attempt to fulfill them effectively and/or efficiently.

The idea that non-profit organizations can utilize marketing is not new. In 1951 Converse foresaw the rise of marketing theory. Grether (1976) identified the development of marketing into an ideological basis for organizations. Converse was a leader in the field in the first half of the twentieth century (cf. Converse, 1938, 1942, 1945a, 1945b, 1958) and clearly points out that at that time the field of marketing was mainly concerned with sales, but neither service nor non-profit enterprises. However, just like Converse, more scholars are starting to explore the potential of marketing theory (Bartels, 1951; Hutchinson, 1952; Baumol, 1957; Taylor 1965). Around 1960 Drucker presented what may be called the foundation for modern marketing theory. Although Drucker is better known for his contribution to management theory, he discusses the role of marketing in strategy implementation (1958). Drucker maintains that from the viewpoint of the customer, the organization's operation essentially is marketing. Thus it's imperative to understand and define the customer's needs. Furthermore, Drucker points out that marketing is more than just sales and promotion, in fact, it is one of the only two facets of the operation that generate income, the other one being innovation. In his seminal work, Marketing Myopia, Levitt (1960) lays the groundwork for modern marketing theory. He demonstrates the importance of defining competition based on needs – the competitor is the one who satisfies the same or similar needs. Kotler has written extensively on marketing (Kotler and Levy, 1969; Kotler, 1979; Kotler, 1992; Kotler, 2004; Kotler, 1998; Kotler and Lee, 2007) and most importantly for this work, expands the scope of marketing beyond for-profit organizations and tangible goods.

He also identifies four different types of stakeholders; suppliers, customers, direct stakeholders or those members of the public, who directly benefit, and finally indirect stakeholders or members of the public who have some interest in the operation. He emphasizes that not-for-profit enterprises must adapt the methods of marketing to their special needs. Levy and Kotler (1969) introduced the concept of furthering as a next step in the development of the marketing concept. The development of this new concept is necessitated by, first, increased importance of intangible goods, second, globalization, third, increased importance of the public sector, fourth, increased competition, fifth, developments in communications, and sixth, increasing criticism of the operations of firms, communities, schools and other organizations. Hunt (1976) presents an interesting model of the scope of marketing, incorporating a normative and a positive approach, both the profit and the not-for-profit sectors, and micro and macro activities. He criticizes the field for an excessive focus on the normative, micro, profit sector.

3. THE SERVICE MARKETING CONCEPT IN THE PUBLIC SECTOR

As earlier meantioned, many researchers have expressed the view that it is important for the public sector to adopt the marketing concept. It should be made clear that when discussing the marketing concept or market focus it should not be interpreted as taking the operation public or to privatizing it. Market focus refers to the need for the operation to define the customers' needs and wants and to satisfy/serve them better and more effectively and/or efficiently than the competition. It should furthermore be kept in mind that the concept has been conceptualized in a number of ways and identified by different labels. Thus market orientation, customer orientation, customer concept, and customer focus are all labels that have been used. Following is a review of some recently published key studies of the importance of the marketing concept and its implementation in the public sector.

Chen, Yu, Yang and Chang (2004) emphasized the importance of implementing the marketing concept in the public sector. They highlight, as do other researchers, the possibility of adopting these concepts in the public sector and the need to pay careful attention to their implementation. To this end they introduce a methodology termed COSES or Customer-Orientation Service-Enhancement System, which is a collection of best practices from the public sector. The COSES methodology underlines two key areas; on the one hand the development of processes and the organization of management, and on the other hand the nurturing of the culture within the organization. The study emphasizes the development of an organizational culture that supports operations that promote service quality and customer satisfaction.

Lee (2006) studied the performance of Australian Government Enterprises in 1998-2002. The study shows that despite systematic implementation of new administrative procedures, performance improvements did not materialize. Some possible explanations are discussed, such as different definitions of performance improvements, different definitions of the customer concept, different definitions of service quality, and the inside-out tendency of the organizations instead of seeking outside information and formulate the corresponding outside-in service solutions. These issues are critical to the marketing concept and thus raise the question whether the limited performance improvements are due to a lack of emphasis on the marketing concept.

Pérez, Fernández, Carrillo and Abad (2007) discuss the importance of STP-marketing in the public sector. They describe service in the public sector as homogeneously implemented, i.e. the same service for everyone, while those who receive the service are quite heterogeneous and essentially not one unified group. Rather, the receivers of the service are many groups with different needs and wants and thus the service should be implemented accordingly. They also discuss different views on how to measure service quality and present the pros and cons of different measurement instruments. Pérez, Abad, Garrillo and Feernández (2007) studied the importance of service quality in public-service transport. They explored the relationship between different service quality dimensions and purchase intentions and their results demonstrate this relationship. Furthermore, they explore what the right methods of measuring service quality are and compare different approaches to measuring service quality. Well known models such as SERVQUAL, SERVPERF, Q-scale, EP, and E-S-Qual are introduced.

4. THE MARKETING CONCEPT AND SERVICE FOCUS IN HIGHER EDUCATION

Current views on market orientation can be traced back to research published in 1990-1993 (Narver and Slater, 1990; Kohli and Jaworski, 1990; Deshpandé, Farley and Webster, 1993). Even though scholars were at the same time focusing on the implementation of market orientation and the value of service orientation in higher education (Varey, 1993; DiDomenico and Bonnici, 1996; Reavill, 1998; Canic and McCarthy, 2000) there is a very limited number of studies regarding the relationship between market orientation and service quality in this area (Voon, 2006). A study of this topic thus is an important addition to the current knowledge on market orientation, service management and service measurements in higher education.

Varey (1993) presented the point of view that it is important to define how marketing values can be implemented in higher education and how service quality should be defined. The study focused on market and service orientation in higher education in Britain and Varey identifies a number of notable and important factors that may serve as barriers to the implementation of such orientations. Varey also states that there is no common understanding as to who the customer is in higher education, the students or the community, nor is there a common understanding of how to define quality in higher education. Thus it is important to realize that there are many stakeholders in higher education, in addition to students, who must be taken into account. Students are customers in the sense that they may choose to go to university or not and can furthermore choose between universities should they choose to attend. Varey furthermore emphasizes the importance of correctly defining quality, e.g. differentiating between the quality of teaching on one hand and the quality of service on the other. It is a common misunderstanding that service assessments in universities are in competition with traditional teaching evaluations; rather, they are an addition and intended to measure items that mostly are separate from the academic teaching.

DiDomenico and Bonnici (1996) emphasize the importance of adopting methods from other fields into higher education and in that regard refer to classic definitions of service and service quality (c.f. Berry, Parasuraman and Zeithaml, 1988; Parasuraman, Zeithaml and Berry, 1988). The study adapts the SERVQUAL questionnaire for a US university and demonstrates that the results vary according to quality dimensions. Reavill (1998) points out the importance of service focus in total quality management in UK higher education. Reavill emphasizes the identification of who the customer is in higher education since the attempt to meet the demands and wishes of the customer is the basic premise of all quality efforts. Similar to Varey (1993), Reavill highlights the importance of realizing that the customers in higher education are not one single group but many and that possibly they should be viewed as stakeholders rather than customers. Thus the stakeholders are students, employers, students' families, university staff, suppliers, other schools/education institutions at other levels, other universities/HEIs, the business community, the general public, government, taxpayers, and professional associations. Although it could be argued that some of these groups overlap, Reavill points out that all of these parties have a stake in the operation of higher education and thus must be taken into account when higher education is organized.

Voon (2006) emphasizes the importance of service-driven market orientation (SERVMO) and its relationship with service quality. The aim of the research was to define this type of market orientation and to explore its connection to service quality. A questionnaire was administered to 588 university students in Malaysia in order to better decipher the relationship between SERVMO and service quality. Voon points out that a key reason for difficulties in improving service quality and developing a service culture in higher education is a lack of market orientation in higher education as well as a misunderstanding of the marketing concept. Voon also identifies the importance of service quality for universities, for example in achieving competitive advantage, meeting government demands for cost-effectiveness and efficiency as well as in meeting the public's growing expectations towards higher education and the role of higher education in building a stronger community. Voon divides SERVMO into six separate components; the customer orientation, the competitor orientation, the interfunctional orientation, the performance orientation, the long-term orientation, and the employee orientation. Voon's findings indicated a strong correlation between SERVMO and service quality. To assess service quality the SERVQUAL instrument was used, but only the section on perceptions. A high score on SERVMO thus is positively related to a high score on SERVQUAL and thus it may be desirable for universities to focus on developing the areas represented by the SERVMO orientations. These results support previous findings that non-profit organizations adopt market orientation in their effort to improve performance.

Helgesen and Nesset (2007) explored the relationship between service quality, facilities, student satisfaction, image of the university, and image of the study program, with student loyalty to their study program. Student loyalty is viewed as the dependent variable and very important to the university's success. Helgesen and Nesset emphasize that although this particular study views the students as customers, they are not the only group of customers – employers, families and the community could also be defined as customers. The study used three questions to measure loyalty; how likely the student would be to recommend studies at the university, how likely the student would be to select the same program of study were s/he starting now, and how likely it is that the student would select this university for further studies in the future. Loyalty thus defined is seen as an important variable when it comes to success and thus it is important to define the aspects that contribute to students' loyalty. Helgesen and Nesset point out that many changes in the school system may contribute to reducing student loyalty, such as the Bologna Accord, which specifically introduces a system that enables students to more easily transfer from one university to another. A unified credit system and clearly defined learning outcomes facilitate transfer between universities, both for students and for university admissions administrations as all evaluations of previous studies are simplified when the system is unified according to the Bologna Process. A second reason for the importance of loyalty is that governments are increasingly basing decisions for university funding on their performance. The survey was administered at a Norwegian university and responses obtained from 454 students, or 35% of the total number of students. The survey contained 25 questions on a 7-point Likert scale with 1 representing the lowest value, such as very dissatisfied, and 7 representing the highest value, such as very satisfied. Seven of the questions were used to assess facilities, five were used to assess the service quality of studies, four were used to assess overall student satisfaction, two were used to assess the image of the university college, three for assessing the image of the study program, and as mentioned before, three for assessing loyalty. Analysis of the data was based on structural equation modeling and shows that the coefficient of determination (R^2) for loyalty is 0.8, which is considered very high and shows the strength of the model. Student satisfaction has the strongest level of association with loyalty; thus Helgesen and Nesset deduce that loyalty is driven by satisfaction at this particular university college. They do point out though that at other universities the loyalty may be explained by image rather than student satisfaction. The coefficient of determination (R^2) for student satisfaction is 0.52 and the variables that are connected to it are service quality and facilities.

5. THE CQL-MODEL

The main purpose of this paper is to introduce a research model that could be developed further. The model is based on looking at market orientation as a culture, as is assumed in Narver and Slater's (1990) definition, but also behavior, as Kohli and Jaworski (1990) assume and Voon (2006) assumes in the definition for service-driven market orientation, SERVMO. It is assumed that a certain culture is likely to enhance service quality but no claims made as to what type of influence an increase in service quality might have on the operation. Helgesen and Nesset (2007), however, do so as they use structural equation modeling to show that service quality directly affects image and overall satisfaction, which in turn affect loyalty. They do not, however, indicate which aspects affect service quality. Therefore the research model combines these two models and presents a definition of what may be labeled as service culture. The working definition of service culture is:

"Employee attitudes, expectations and behaviors, as well as the organizational values, which directly or indirectly affect the customers' satisfaction with the service."

The CQL-Model (culture, quality and loyalty) can be seen at figure 1 on next page.

Based on the research model, 11 hypotheses are proposed. The overwhelming majority of definitions for organizational culture characterize it as consisting of several dimensions. Some definitions assume only a few dimensions, such as the VSM94 by Hofstede (1994) and the CCAP by Trompenaars and Woolliams (2003), while other definitions include super- and sub-dimensions like the OCI method (cf. Cooke and Rousseau, 1988) and the Denison method (1982, 1984, 1990). Voon (2006) emphasizes service-driven market orientation, consisting of six dimensions. No stance will be taken here as to the number of dimensions or whether there be super- or sub-dimensions, other than to propose the following hypothesis:

- H1: Service culture is comprised of a number of cultural dimensions, in one way or another related to the marketing concept and market orientation.

Voon (2006) very clearly points out that certain cultural dimensions have a direct effect on service quality. The results of his research on the relationship between service-driven market orientation and service quality showed a positive relationship, i.e. the higher the score on the items measuring service-driven market orientation, the higher the score on the quality measure. Voon relies on conventional definitions of market orientation and instead of discussing service-driven market orientation it is appropriate to term it service culture. Thus the following hypothesis is proposed:

- H2: Service culture promotes increased service quality.

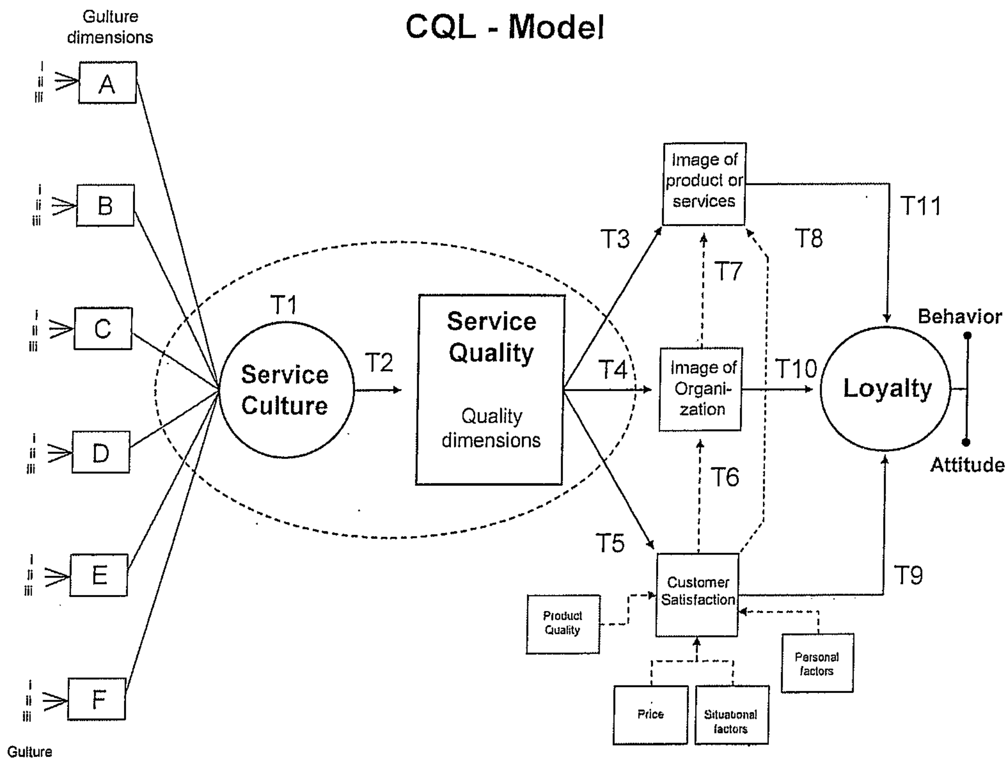

FIGURE 1: THE CQL-MODEL

Service quality has traditionally been related to the concept of loyalty (cf. Heskett, Sasser and Schlesinger in Zeithaml, Bitner and Gremler, 2009, p. 110), but it has also been debated whether the relationship is direct or indirect (cf. Helgesen and Nesset, 2007). Therefore the following hypotheses are proposed:

- H3: Service quality positively affects the image of organizations' products and services.
- H4: Service quality positively affects the image of organizations.
- H5: Service quality positively affects customers' overall satisfaction
- H6: Overall satisfaction positively affects the image of organizations and thus indirectly loyalty.
- H7: An organization's image positively affects the image of the organization's products and services and thus indirectly loyalty.
- H8: Overall satisfaction positively affects the image of products and services and thus indirectly loyalty.

The research model assumes that service quality directly affects overall satisfaction (H5), which in turn affects loyalty, both directly and indirectly. The model highlights that service quality does not equal overall satisfaction, but that service quality affects satisfaction along with many other factors, such as product quality, price, context and personal factors (cf. Zeithaml, Bitner and Gremler, 2009, p. 103). In this respect the following hypothesis is proposed:

- H9: Overall satisfaction positively affects loyalty.

Positioning is frequently divided into differentiation, positioning intension and image (Lilien and Rangaswamy, 2003; Trout, 2000). Differentiation is an approach to distinguishing one's own offer from that of the competition (Trout, 2000; Fisher, 1991; Brooksbank, 1994; Darling, 2001). The differentiation is aimed at the offer itself and various approaches can be based on the product the service, the employees or the image. The actions or intensions have to do with the organization's plans for communicating the differentiation. The actions are aimed at creating a clear, distinct and desirable position in the mind of the consumer compared to the products of the competition (Morgan, Strong and McGuinnes, 2003; Rothe, Ferguson, Harvey and Condemi, 2003). The image is what actually takes place in the mind of the target or those at whom the action is directed. The research by Helgesen and Nesset (2007) found a strong relationship between the university's image and the students' loyalty, and thus the following hypotheses are proposed:

- H10: An organization's image positively affects loyalty.
- H11: Product or service image positively affects loyalty.

Clearly a number of questions remain to be answered in relation to this research area. A special emphasis will be put on defining the concept of service culture based on the marketing concept and makret orientation and to develop a method for assessing it. It will furthermore be an interesting challenge to demonstrate the relationship between such a culture and service quality and how service quality promotes loyalty through image and overall satisfaction.

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