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THE IMPORTANCE OF EDUCATIONAL SERVICE DELIVERY PERFORMANCE AND DISTINCTIVE CAPABILITIES TO COMPETITIVE ADVANTAGE AND ITS IMPLICATION ON STUDENT'S TRUST

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ABSTRACT

This research aims to assess students' perception on educational service delivery performance, distinctive capabilities, competitive advantage, students' confidence and the influence of the delivery of special educational services and capabilities to the competitive advantage and students' trust in South Sumatera. The method used is a descriptive, economic based approach-particularly focusing on marketing management of educational services. The verification model and solution techniques used to analyze is Structural Equation Modeling (SEM). The unit analysis in this study is private universities in South Sumatera, and the observation unit is students in South Sumatera. The result shows that improving competitive advantage in the event to increase the students' trust, a variable is present as a dominant determining factor; distinctive capabilities, in which this includes intangible assets, understanding customers demand, and tangible assets. These findings are in line with the three pillars of education from The Ministry of Education; equity and expanding access; quality, relevance and competitiveness; as well as governance, accountability and public image, where the three pillars of education comes down to intangible assets.

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INTRODUCTION

For higher educational institutions, quality is the "lifeblood" that drives the increment of students enrolled, its competitive advantage, and long term, sustainable benefit. Given an intangible service, it is important for the students to have accurate expectation; and in return, the institution should then live up to it or, even better, exceed the expectation initially set. According to Best (2000:111), an industry's pulling factors can be measured by aspects of; market growth, which encompasses its size, its level of growth and potentials; intensity of competition looking at the numbers of peers; access to enrollment and availability of substitute products which in this case, alternative educational options; access to market-or potential students-including customer familiarity, access to channels and the institution's fitness.

Over the last three years, private universities in Indonesia have been experiencing a significant decline in number of students, affecting the growth rate of private universities establishment. The situation provides the notion that the high school graduates' interest to pursue higher education is also going downhill, while at the same time indicating their lack of enthusiasm to enroll into certain or most majors.

Let us take a look at one particular region in Indonesia where the presence of local higher educational institution is of importance: Southern Sumatera. In 2007, total number of university majors in this particular region fell by 278% compared to that of in 2006. Southern Sumatera is the closest Sumatera's region to Java island, which makes students tend to opt for universities located in Java (Jakarta, Bandung and Yogyakarta). Recently, the region also promotes vocational high schools which promise faster access to jobs, while an infamous narrative has it that higher educational institutions is one of the main contributors of 40% exponential rise in unemployment, Department of Manpower data in 2007 reads. In addition, many of its local public universities have established new study programs like Associate's Degree and Undergraduate program, and enabling special privilege programs targeting high income population to enroll. Looking at another dimension of competitors would require us to also recognize the increasing number of international universities establishment in Indonesia. Given this landscape of battlefield, private universities in Indonesia need to improve its excellence in terms of educational service delivery to excel and thrive in the market.

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Another predicament also comes from the students; amidst this increasing competition, their behaviors are also highly dynamic and unpredictable. This is without doubt, posing a difficulty to higher educational institutions in adjusting their internal organizational strength to the fluctuation, resulting in capability gap. Not to forget, the government's regulation on BHMN, which makes it twice harder. These days, private universities or (*Perguruan Tinggi Swasta* or PTS) are staggering through its attempts for development among the highly dynamic market and rising number of peers/competitors, competing not only with private university peers but also public, that the chance to capture larger chunk of the potential market is significantly sized down.

The dire consequence of the above phenomenon is that, private universities are forced to accept students without proper selection procedure, leaving the public questioning their quality. Public's trust crisis is the translation of private universities' incapability of both providing distinct excellence, and showing robust development in educational delivery over the years to the society and academics.

Theoretical Framework

The ultimate determinant factor of an organization's success is how far it can fulfill the potential market's needs; how it manages to improve its product or service and leverage marketing tools in providing higher value among its peers, which can eventually seize the market's trust into buying its products or services (Kotler & Armstrong, 2007)

Educational business is a service-providing business. Hence, public and market's trust is prominent. Professional in handling the business is a must, given the thriving presence of competitors. New paradigm needs to be instilled across institutions, strategic management has to be rolled out and enforced optimally. The driving force should be centered upon the service quality, while also keeping in mind about adjusting the strategy to cover the existing needs and demands, improving talent-sourcing and developing key principles for its competitive advantage and the development of academic culture (Joko Sasono, 2000).

Typically, higher educational institutions have similar resources and they can be rolled in and out across institutions. This indicates an opportunity to increase competitive value through determining high potential benefit and by also reviewing ways to leverage these resources to construct and adopt a solid strategy based on the characteristics of the industry. Perceived reputation (or attractiveness) also directs the level of performance inside the institutions. In which the former often times departs from distinctive capabilities the institution has, both in the form of tangible and intangible assets. Distinctive capabilities can potentially increase the competitive advantage, but this has to be followed with a good, integrated management of other capabilities or resources too. One way to define distinctive capabilities is; that it is superior, distinctive and flexible enough to adjust to the industry's changes.

Echoing Soekartawi (2005:8); the parameter of distinctive capabilities is varied and is used to attract new potential students. This parameter is cascaded down into forms of assets

such as information technology, the graduates' success stories, and other educational facilities which make what is called as distinctive capability. Soekartawi elaborates that tangible distinctive capability refers to patents, ownership of licenses or entitlement of a certain monopoly rights for an activity or program; where intangible distinctive capability refers to the renowned name of the institution's quality (built reputation), effective leadership, strong team work, the culture of organization, as well as robust domestic and international tie-ups. On another hand, common capabilities that are easily adopted or imitated by other institutions are, among others, lecturers & staffs' technical competence, financial capability and marketing levers.

Implementing a clearly-defined strategy will certainly give incremental improvement in performance. If the institution plans to focus on pricing as its distinctive value, it has to roll out a strategy with granularity to achieve sustainable competitive advantage. Information on students' needs is to be combined with innovation and creativity in order to improve the quality of education delivered. A higher educational institution does not have the necessity to go with lower prices when it provides strong benefit and value to the students enrolled that none of the others are giving.

Students' trust on the institution is built through ensuring value in every knowledge-transfer-activity being delivered. Trust is formed when students are certain and secure about the integrity of the institution. It is also important to maintain continuous long-term relationship with the students. Therefore, it is for the institutions to make sure that knowledge transferred is highly applicable for the students even after post-college/university lives.

Morgan and Hunt, in *Egan* (2001) explain that trust and commitment are the main indicators of sustainable relationship between companies and customers. Looking at customer relations, trust and commitment are positioned in the center of challenges in the marketing strategy, which determine the continuation or termination of the relationship (Bejou and Palmer in *Egan*, 2001).

RESEARCH METHODOLOGY

This research uses management approach with the focus on educational service marketing management pertaining to service delivery, distinctive capabilities, and its implication on competitive advantage as well as students' trust to private universities (PTS) in South Sumatera.

Since the main objective of this research is to measure the level of impact the independent variables (service delivery and distinctive capabilities) have against the dependent variables (students' trust to private universities), with an intervening variable (competitive advantage); the framework used as the analytical tool is Structural Equation Modeling (SEM). The rationale is that it enables indirect measuring of the constructions by analyzing the indicator of variable and latent variable, as well as spotting any miscalculations.

Research Findings

Variables of educational service delivery, distinctive capabilities and competitive advantage are latent exogenous

variables that influence the variables of students' trust as a latent endogenous variable.

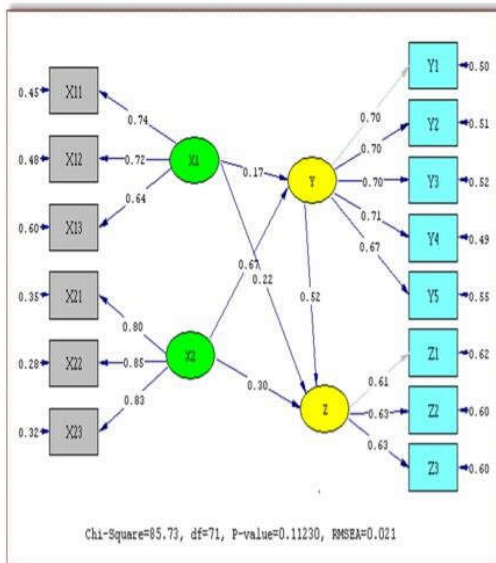


Figure 1 Educational Service Delivery Cycle (X₁) and Distinctive Capabilities (X₂) and Competitive Advantage (Y) influencing Students' Trust (Z) in South Sumatera region.

The calculation result can be found as follows:

Table 1 Parameter Estimation of Educational Service (Service Delivery), Distinctive Capabilities and Competitive Advantage influencing the Students' Trust (Z) in private universities in South Sumatera

Variables	Coefficient path	Test t	R ²
Service Delivery	0.22	3.42	0.85
Distinctive Ability	0.30	3.48	
Competitive Advantage	0.52	5.57	

The above result denotes that the Service Delivery has the coefficient path (γ) of 0.22 with t value of 3.42, which is higher compared to t of the table (1.96). From this we can draw a conclusion that partially, the Service Delivery variable has a moderate impact to the students' trust. This variable occupies 4.84% of the total impact to Students' Trust (Z) in private universities in South Sumatera.

Going back to Morgan and Hunt's theory of customer-company relations; trust and commitment of the students-the market-are inextricably linked to the performance of higher educational institutions in delivering education. Institutions need to build trust and security on the integrity and reliability of their service, while also sustaining their distinctive capabilities and competitive advantage. Furthermore, once trust and security are won, institutions should strive to maintain long-term relationship with the students.

Now on to the next variable. Looking at the figure, we know that Distinctive Capabilities has a coefficient path (γ) of 0.30 with the value of t 3.48, higher than the value of t in the table (1.96), which concludes that the share of impact that Distinctive Capabilities variable has, is relatively significant to the Students' Trust (Z). The variable occupies 9% of the total impact percentage of Students' Trust (Z) in private universities in South Sumatera. Having distinctive

capabilities is of paramount importance to win the students' trust. Emotionally, trust will drive the students to commit themselves into their venture in enrolling into a certain major in a certain university. As Soekartawi (2005:8) proposes that the parameter of Distinctive Capabilities of a higher educational institution are varied and to be leveraged in promoting trust to the students, which eventually contribute to the increment of enrollments. This can be in a form of Information Technology, facilitating better access to jobs for graduates, and other educational facilities.

Moving on to the last discussed variable, the figure tells us Competitive Advantage has a coefficient path (γ) of 0.52 with the value of t 5.57, higher than the value of t in the table (1.96). The significance of this variable contributes to the largest part of impact, which is 27% of the total impact to the Students' Trust (Z) in South Sumatera.

Higher educational institutions can excel in its competitive advantage through paying closer attention to the students, market (students) segment and competitors. The dimension of competition is broken down into human resource, science and technology, time and financial. Competitive advantage creates Superior Customer Value that improves the market's level of satisfaction. Superior Customer Value will enable the students to compare different weight of value institutions are offering, and will eventually affect their decision to enroll into the institution they perceive better than the others.

Needless to say, Competitive Advantage stands on the front row against all other variables (Service Delivery and Distinctive Capabilities), making it the utmost important factor that determines the Students' Trust in South Sumatera.

Coefficient Determinant R² of 0.85 as shown in the figure explains the share of Service Delivery, Distinctive Capabilities and Competitive Advantage that make up 85% of total impact percentage, with other unmentioned factors contribute to the rest 15% share.

A structural model for the figure is explained as follows:
 $Z = 0,22 X_1 + 0,30 X_2 + 0,52 Y + \zeta_2$

Referring to the research findings elaborated previously, incorporating the results into the model would give us:

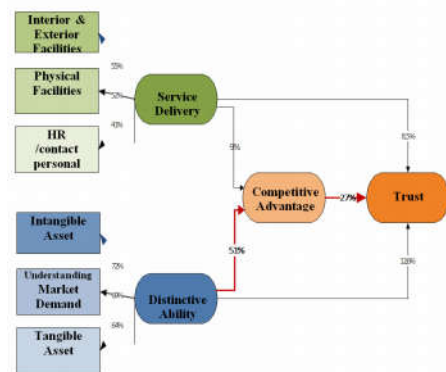


Figure 2 Problem Solving Model

The model highlights Service Delivery and Distinctive Capabilities, which are the main ingredients to strengthen Competitive Advantage in winning the Students' Trust.

Distinctive Capabilities consist of intangible asset, thorough understanding of market demand and tangible asset. This finding speaks a volume about The Ministry of Education's Three Pillars on education (*Tiga Pilar Pendidikan*); 1) equality and equity of access to education; 2) quality of education, relevance and competitiveness; 3) governance, accountability and public reputation, in which these three pillars are part of intangible assets.

Capabilities mismatch is a major disturbance to the institution's progress in constructing Superior Customer Value for the institution to improve its position in the market. However, this signifies an opportunity to amplify the distinctive capabilities. The strategy's level of flexibility and the institution's adaptability represent the effectiveness in responding to the market's demand and dynamic competition. In strategic marketing, the current and upcoming strategies should put its paramount consideration and thinking to the students (customer focus) and competitors (competitors-centered) by synergizing operational functions.

Institutions need to identify their distinctive capabilities to match them with potential service value available. A capability is called distinctive if it is superior, not imitate-able, valuable, rare and usable in dynamic competitive strategies. This capability is distinctive, differentiating the value of a certain institution to the rest and is to be carefully tailored to the dynamic market demand to maximize value capture. The absence of distinctive capabilities will pose great difficulty to institutions to meet the market demand and improving its quality.

Having these said, identifying distinctive capabilities and incorporate them into the strategy of fulfilling the market demand is essential. For this, institutions need to rigorously set the plan of where, when and how to offer superior service. This can be done through ensuring the alignment of distinctive capabilities and market demand (capabilities match). Leveraging this will help increasing customer's value-student's value-, offering unique products or relatively lower price point or even the combination of both.

The current strategies of improving institutional excellence (positional advantage) and performance of higher educational institutions in Indonesia are customer-centric. Aside from being better in terms of positional advantage and performance, institutions possessing distinctive capabilities are at advantage in establishing Superior Customer Value. Simply because these institutions are at a better position to have resource-based comparative advantage.

Within an industry where competitors are having relatively similar resources, improving positional advantage and performance can be done through competitive advantage approach, pivoting the focus of customer value on market perspective (market-based). While on another hand side, institutions with capability gap(s) will struggle to even define the magnitude of their potential customer value creation, feeling relatively more inferior and will tend to have no recognizable positional advantage. Nonetheless, this inferiority can be overcome by optimizing strategic relationship marketing; utilizing information and technology.

Evidently, the dynamic of market (students) which carries a wad of unpredictability and changes have made institutions precarious teetering on its edge in fore-seeing its future outlook. This shows that strategic vision is the key of strategic management. Given this future outlook-minded strategy landscape, institutions are to use Strategic Situation Analysis in defining the position of the institution against its competitors.

The fluctuating market demand has made the market highly dynamic. Institutions need to embark on setting strategies from identifying its target market. Because even after setting target market, competitors are already on the combat ground, thus making the importance of competitive advantage beyond question.

Since the lever of competitive advantage is bound tightly to customer value, the marketing mixture is then the key to access to market. An institution's success in formulating the right market mixture is inevitably depending on the institution's success in instilling one shared vision internally across all work functions. Every process stage of strategic management has to take the current condition into account in the event to adapt and adjust strategies with changes.

Empirical and theoretical study discussed in this paper suggest that to improve educational delivery performance, a model of strategic management approach should be taken, which is called 5A Model:

1. Arena (A1), indicates where to compete. Higher educational institutions are competing for a high potential market (high market attractiveness); here, institutions are to define where the target is;
2. Advantage (A2), indicates when the institution is going to compete. Institutions are to identify its strategic positioning in the market;
3. Access (A3), indicates how the institution is going to compete. Here, institutions are to compete by leveraging internal and external strength through optimizing information and technology;
4. Activities (A4), indicates the institution's level of capability in running cross-functional coordination in implementing Internal Business Process (IBP);
5. Adapt (A5), indicates the institution's level of meticulousness in facing the dynamic environment presented in every milestone of strategic management. At this point, control of information and technology is the key to maintain its position against peers.

If the implementation of the above 5A model is equipped with rigorous synergy and persistent consistency, achieving positional advantage is not an impossible task, enabling institutions to create superior organizational performance.

CONCLUSION

1. The essence of distinctive capabilities to private universities in South Sumatera predominantly makes up the largest percentage of impact compared to educational service delivery. The largest chunk of percentage of the total students' trust impact is made out of distinctive capabilities, which particularly cashes its light upon intangible asset (reputation, lecturers quality, accreditation rank & graduates'

success stories), understanding the market demand (; understanding the students' needs and intentions), and tangible asset.

2. Improvement of significant competitive advantage in winning the students' trust; this is built through ensuring students experience, service quality, attractiveness and distinctive services of private universities.

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