

# 5. Building Customer Value of Higher Education Institutions in Indonesia in Facing the ASEAN Economic Community

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## BUILDING CUSTOMER VALUE OF HIGHER EDUCATION INSTITUTIONS IN INDONESIA IN FACING THE ASEAN ECONOMIC COMMUNITY

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### Abstract

The ASEAN Economic Community (AEC) offers many prospects and opportunities to the business community. The AEC will allow the free flows of goods, services, investments, and skilled labors across the region, therefore it will give great impact on the way the organizations work and do business, including higher education institutions as market entity. There are many reputable universities in the South East Asia region that will attract students from Indonesia. Many industries will also employ graduates from any universities in the region. Higher education institutions in Indonesia themselves should be attractive to students from other countries. The graduates as their output should also be attractive to the industries. In order to compete internationally, higher education institutions must create customer value. Customer value is the difference between the values the customer gains from owning and using a product/ service and the costs of obtaining the product/ service. This paper will provide review about the main customers of higher education institutions, the main processes of higher education institutions, and seek to explore how to create value for the customers of higher education institutions in Indonesia. The study would focus on approach adopted at Faculty of Economics, Maranatha Christian University, Indonesia.

**Keywords :** customer value, higher education institutions, AEC

### Introduction

The ASEAN Economic Community (AEC) provides many opportunities of integration, collaboration and competitiveness among higher education institutions within the ASEAN regions (Sugiharto, 2016). Higher education is crucial to socio-economic and political development of any nation. This clarifies why government as well as individuals and non-governmental organizations pay greater attention to it (Moguluwa & Ewuzie, 2013). In facing AEC, local higher education institutions should accelerate their ways to go international.

During 1990s, many higher education institutions began restructuring and reengineering their operating processes to cut costs and become more efficient while responding to increased competition. Yet these institutions also realized that these efforts was expensive, difficult, and time-consuming. Then, the focus is currently shifting from improving internal operations to concentrating more on customers (Grant & Anderson, 2002). Therefore, as the first step, higher education institutions should identify appropriately who their customers are, so they can determine how they operate and interact with their customers.

The higher education institutions have a great number of customers groups that can be classified in primary, secondary, and tertiary, according to their order of relevance. The primary customers are students, the secondary customers are the education authorities and employees and the tertiary customers are the alumniees, families, employers, etc (Robinson & Long, 1987 cited in Pereira & Da Silva, 2003). Kotler and Fox (1985), cited in Pereira & Da Silva (2003), specified that higher education institutions have several publics and need to know how to manage



responsive relations with most of them. Public is a distinct group of people and/or organizations that has an actual or potential interest in and/or effect on an institution. There are individuals and groups that have an actual or potential interest in effect on a higher education institution: current students, prospective students, faculty, parents of students, administration and staff, alumnies, suppliers, competitors, government agencies, business community, mass media, foundations, trustees, accreditation organizations, local community and general public. Then, Pereira and Da Silva (2003) concluded that the main processes of higher education institutions including education (teaching and learning) and research, thus, the main customers of each one of these processes can be identified as follows:

Table 1. The Main Customers of Education Processes

Process	Internal Customer	External Customer
Teaching	Faculty	Student
Learning	Student	Employer
Research	Faculty	Society/ Government

Today's successful organizations at all levels have one thing in common, they are strongly customer focused. These organizations seek to understand and satisfy the needs of their customers and they motivate everyone in the organizations to produce superior value for their customers, leading to high levels of customer satisfaction (Kotler & Armstrong, 2012). In order to win the competition in AEC era, higher education institutions should attract new customers by promising superior value and keep the current customers by delivering satisfaction.

### Customer Value and Satisfaction

Higher education institutions can be considered as service organizations/ service providers. Customers choose among many services offered by many higher education institutions based on their perceptions of the value of the services delivered. Customer value is the difference between the values the customer gains from gaining and using a product/ service and the cost of obtaining the product/ service. Customers often do not judge product/ service values and costs accurately or objectively. They act on perceived value (Kotler & Armstrong, 2012). Customer value is widely accepted as critical factors in the long term success of an higher educational institution that aim at attracting and retaining students (Phadke and Bhagwat, 2011, cited in Hidayah, et al., 2013). It can be interpreted that the value is the most important factor in determining the long term success of educational institutions in gaining and maintaining students.

Customer satisfaction depends on product/ service's perceived performance in delivering value relative to customer's expectations. If the product/ service's performance falls short of the customer's expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is delighted (Kotler & Armstrong, 2012). Thus, value creation is the most important task in customer satisfaction, hence higher education institutions should pay greater attention to it.



Customers who are satisfied tend to show positive behavioral outcomes and ultimately the financial benefits from the satisfied customers. Some previous studies conducted by Wahyuningsih (2005) and Roostika & Muthaly (2010) have proven that customer behavior is influenced by customer value and customer satisfaction. Customers' positive behavior can be demonstrated by (Walz & Celuch, 2010, cited in Hidayah, et al., 2013):

- Say positive things about the product/ service.
- Defend when someone say something negative about the product/ service.
- Encourage friends and relatives.
- Recommend.

### Building Customer Value of Higher Education Institutions

Porter (1985) cited in Rathee & Rajain (2013) popularized value chain as a representation of an organization's value adding activities and a technique for understanding an organization's ability to add value through its activities, and their internal and external linkage, and allows manager to identify where value is currently added in the system.

The primary activities in Porter's original value chain model are:

- Inbound logistics, involve relationships with suppliers and include all the activities required to receive, store, and disseminate inputs.
- Operations, are all the activities required to transform inputs into outputs (products and services).
- Outbound logistics, include all the activities required to collect, store, and distribute the output.
- Marketing and sales, activities inform buyers about products and services, induce buyers to purchase them, and facilitate their purchase.
- Service, includes all the activities required to keep the product or service working effectively for the buyer after it is sold and delivered.

Secondary activities are:

- Procurement, is the acquisition of inputs, or resources, for the firm.
- Human resource management, consists of all activities involved in recruiting, hiring, training, developing, compensating and (if necessary) dismissing or laying off personnel.
- Technological development, pertains to the equipment, hardware, software, procedures and technical knowledge brought to bear in the firm's transformation of inputs into outputs.
- Infrastructure, serves the company's needs and ties its various parts together, it consists of functions or departments such as accounting, legal, finance, planning, public affairs, government relations, quality assurance and general management.

Porter's original value chain model (1985) is set in the context of a traditional manufacturing organization. Then, Dambudzo (2013) identified the primary activities in value chain for higher education institutions based on Porter's original value chain model, they are:



- Inbound logistics, preparation for course development (curriculum planning, acquiring or preparing for learning specific hardware, learning management, content, hiring authors/writers, ordering reference materials-textbooks, formation of internal course teams.
- Operations, course development process-writing, multimedia creation, editing, formatting, graphic design, printing and web publishing.
- Outbound logistics, packaging and storage of courses, processing mail and delivery materials to students, access to courses for students.
- Delivery (sales), collaborating and marketing preparation of brochures, advertising materials, university calendar as marketing strategies. Communicate benefits, attributes, culture and competitive.
- Service, coaching, mentoring, assessment and testing, technical and support services, learner self service, tutor support academic experts/marketing, counseling, granting awards.

Secondary activities are:

- Procurement, resource acquisition for the organization (sourcing and negotiating with suppliers).
- Human resources management, recruiting, developing, motivating and rewarding workforce.
- Technology development, information processing and development and protection of knowledge in the organization.
- Organizational infrastructure, concerned with a wide range of support systems and functions: finance, planning, quality assurance and control, general senior management.

Regarding to primary and secondary activities in value chain for higher education institutions developed by Dambudzo (2013), we can identify where there is potential to create further value in the future. In this study, the strategic choices for building customer value adopted by Faculty of Economics, Maranatha Christian University (MCU), West Java, Indonesia will be explored as follows:

- Keep the institution affordable and accessible for the students. Faculty of Economics, MCU must attract the best students from West Java and around Indonesia by offering affordable tuition fees and scholarships (internal and external scholarships) for students with financial need. Faculty of Economics, MCU also allows brightest students from senior high schools around Indonesia to register as institution's students without admission test (S1).
- Faculty of Economics, MCU embraces communication and management practices that support collaborative university-business interactions. This collaboration can take many pathways, such as joint research and development projects, training sessions, internship program for students and more. This collaboration can help the faculty staffs to commercialize their inventions and ideas and graduates can immediately enter the workforce (S2).
- Maintains strong links with the community and encourage faculty staffs to be engaged in public service, consultancy and collaborative work with the business and industry, government, and the private sector in areas where they have special expertise (S3).



- Academic exchange between students and faculty staffs from Faculty of Economics, MCU and universities abroad (Korea, Taiwan, China, Japan) to support a multicultural society. International cooperation is the best way to improve quality and pool local resources and foreign resources for joint academic project. Academic exchange can play a significant role in knowledge exchange between the two institutions and provide students and faculty staffs with a valuable international perspective. When the institution send students and faculty staffs abroad, they will experience and learn from different cultures. When institution get foreign students and faculty staffs into the classrooms, they will learn about Indonesian. Local students who will be interacting with them in the campus will also learn about the home countries of guest students and faculty staffs. This will help develop local students the capability to deal with other cultures and give them preparation for leadership in an integrated ASEAN region (S4).
- The essential purpose of a higher education institution is to equip young generations to become productive members of society. In order to deliver quality learning experiences for the students, faculty staffs must be at the forefront of knowledge in their areas. For this reason, faculty staffs of Faculty of Economics, MCU have to be involved in scholarly activities, such as national and international conference (S5).
- Develop curriculum that weave together different disciplines to prepare graduates for the complex world beyond the university. The type of jobs graduates will face in the workplace demand broader perspectives. Graduates need to have appreciation of the linkages of their major with other disciplines (S6).
- Faculty of Economics, MCU must be more aggressive in ensuring that more faculty staffs are engaged in research. Faculty of Economics MCU provide grants to support faculty staffs in conducting research and encourages faculty staffs to participate actively in research cooperation and gain research grants from government (S7).
- Value for higher education can be created through integrated marketing communication approach, such as advertising, promotion, direct marketing, and public relation (Chinwuba & Ewuzie, 2013). Faculty of Economics MCU should develop appropriate communication program for customers. Public relations team has set an agenda to introduce Faculty of Economics MCU more specifically to the high school students throughout Indonesia. Faculty of Economics MCU also encourages students and lecturers to write articles about application of management and accounting in various fields of human life to be published in national newspaper. Students association/ students organization arranges annual program such as annual national competition, national seminar, and so forth, through collaboration with various institutions (S8).
- Faculty of Economics, MCU continuously renew an integrated online information system to facilitate main customers in accessing all information needed (S9)
- Faculty of Economics, MCU coordinates with central library to update references (text books, e- books, e-journal) (S10).
- Accreditation is both a process and status. It is the process of reviewing colleges, universities, institutions, and programs to judge their educational quality and how well they serve students and society. The result of the process, if successful, is the



award of 'Accredited Status'. Accreditation in Indonesia is a means to assure and improve higher education quality, assisting institutions and program using a set of standards developed by National Accreditation Agency for Higher Education. This agency has introduced a quality assurance system in 7 (seven) criterias/ standards, they are (1) Vision, Mission, Objectives and Strategy, (2) Governance, Leadership, Management, and Quality Assurance System, (3) Students and Graduates, (4) Human Resource Management, (5) Curriculum, Learning Approach and Processes, and Academic Atmosphere, (6) Finance, Facilities & Infrastructures, and Information Management, (7) Research, Community Services, and Collaborations (Ahza, 2008). The government and society recognition of higher education program accreditation result issued by National Accreditation Agency for Higher Education is continuously increasing. Programs under Faculty of Economics MCU have achieved 'Level A Accredited Status'. The accreditation level is also used as one of the requirements in some private companies in their recruitment program for fresh graduates. This concern also starts in some government institutions. 'Level A Accredited Status' means that students and public can expect that a higher education institution or program lives up to its promises (S11).

For students, accreditation provides value:

1. Encourages confidence that the educational activities of an accredited institution or program have been found to be satisfactory.
2. Accredited status indicates to other institutions in judging requests for transfer or applications of the graduate that the sending institution or program has met expectations of quality.
3. Signals to prospective employers that students' educational program has met widely accepted standards, with graduation from an accredited program, in some cases, a prerequisite for entering a profession.

To the public, the accreditation result provides value:

1. Confirms that the public presentation of an educational program and student services is fair and accurate.
2. Assures that a neutral, external party (National Accreditation Agency for Higher Education) has reviewed the quality of education provided and has found it to be satisfactory.
3. Confirms that institutions and programs have processes to meet changes in thinking within the academy and in the public's expectations.
4. Aids the graduates to enter a profession, when a particular field may require graduation from an accredited program or institution.
5. Signals to prospective employers that an educational program has met widely accepted educational standards.





The relationship among the value creation strategy with the main customers of Faculty Economics, MCU and value creation activities is shown in the following matrix.

Table 2. Matrix of Relationship among Value Creation Strategy, Customers, and Activities

Activities	Customers			
	Student	Faculty	Employer	Society/ Government
Inbound logistics	S1, S6	<sup>25</sup> S6	S6	S6
Operations	S2	<sup>25</sup> S2, S4, S5	<sup>25</sup> S2, S4, S5	<sup>25</sup> S2
Outbound logistics	<sup>25</sup> S2	<sup>25</sup> S3, S7	S2, <sup>25</sup> S3	S3, S7
Marketing & sales	S8	S8	S8	S8
Service	S11	S7, S11	S11	S11
Procurement	S1, S11			
Human resources management		S3, S4		
Technology development	<sup>30</sup> S9, S10	<sup>30</sup> S9, S10	<sup>30</sup> S9	S9
Infrastructure	S9, S10	S9, S10		

## Conclusions

Today's successful organizations in winning the competition in AEC era should be strongly customers focused. Higher education institutions in Indonesia should attract new customers by promising superior value and keep the current customers by delivering satisfaction. Customers who are satisfied tend to show positive behavioral outcomes and ultimately the financial benefits from the satisfied customers.

This paper discussed about the main customers of higher education institutions, they are student, faculty, employer, and society/ government. Then, higher education institutions should identify value adding activities to understand about their ability to add value through the activities, and identify where value is currently added in the system.

The strategy/ approach in building customer value in Indonesia, especially adopted by Faculty of Economics, MCU is presented. Each strategy is added in each activity to create value for each main customer.





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