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**EDUCATION SERVICE QUALITY OF A BUSINESS SCHOOL:  
FORMER AND CURRENT STUDENTS' EVALUATION**

**ABSTRACT**

In Croatia and other countries in transition dramatic changes in the area of higher education are mainly due to market (economic transition) and institutional changes (Bologna process implementation). One of the solutions to fight the market changes and challenges for institutions of higher education is the implementation of marketing concept in order to create a competitive, market sensitive institution and satisfied customers. Quality is the key word in this process. The aim of this paper is to identify the model for education service quality evaluation applicable in Croatian circumstances and to apply the model and evaluate the education service quality at Faculty of Economics in Osijek. The results are presented in the paper.

## **EDUCATION SERVICE QUALITY OF A BUSINESS SCHOOL: FORMER AND CURRENT STUDENTS' EVALUATION**

### **1. INTRODUCTION AND BACKGROUND**

The pace and dynamics of global changes in many aspects of life are changing dramatically and it is also noticeable in the area of higher education. According to Sotirakou (2004), mass higher education, the emergence of knowledge society, the unprecedented development of information technology, the marketization of higher education, as well as the turbulence of globalization has brought revolutionary changes to the universities' mission and purpose all around the world. In the special area of higher business education the following trends in both form and contents can be noticed (Laforge and Haynie, 2006):

- the focus is shifting from transactions to relations and partnerships
- increasing emphasis on ethics and corporate social responsibility
- emergence of global perspective
- new organizational designs and patterns of employment
- a shift in accreditations from education inputs to learning outcomes
- increasingly diverse student population
- the need to teach a growing student population with fewer resources.

In addition to these factors and trends, building a market economy in Croatia and many other transitional countries of Central and Eastern Europe has brought not only the emergence of various economic conflicts but also a partly or total destruction of entire spheres of activity. One very fragile sector has been higher education, especially business education, which has undergone massive changes and is constantly facing both institutional and market changes.

Market changes have occurred due to the fact of economic transition from planned to market economy, whereby the whole structure and content of business studies required radical changes. One of the major problems in this situation was that the majority of the faculty was educated in the period of planned economy and had neither sufficient knowledge nor experience with business in the market economy. The other reason for market changes has been the privatization of many sectors in the economy, including the higher education, where

new private business schools, local but also international, have created competition which had never before existed.

Major institutional changes are happening due to the Bologna system implementation, which is a totally new higher education concept for traditional universities in transition economies.

Only about 12% of Croatian population has a higher education degree, which is a half of OECD countries average. The major problems of higher education in Croatia have been identified as:

- insufficient growth of educational capabilities, and
- their inadequate quality and efficiency (Grbac and Meler, 2006).

As a country preparing for the EU accession, Croatia is obliged to adapt its higher education system to European standards, so that these institutions can become a part of EU cooperation and higher education exchange programs. The process of harmonizing Croatian higher education system with the Bologna process started with signing the Bologna Declaration in May 2001 and bringing in the new Act on scientific activity and higher education in July 2003. It indeed was a unique chance to overcome the above mentioned problems and implement a totally new higher education concept. However, the Bologna process was carried out in extremely short period (only 8 weeks for general program design and 10 week for detailed program completion) and, most importantly, without any research of the environment and demand characteristics, neither of direct customers (students), or indirect customers (economy, i.e. business environment).

Higher education in business is one of the areas in which the new-type education institutions appear and create competitive environment. The system of higher business education is becoming dual, made of public institutions, i.e. traditional universities, but also of an increasing number of private institutions. To our opinion, the increase of private institutions is mainly due to the noticed conflict between higher education in this area and the labor market needs, between education and work.

Out of total of 97 higher education institutions in Croatia (excluding polytechnics) currently there are 8 traditional, state-owned universities with business schools in Croatia and 12 private institutions in business education of the new type. Although they still do not have the

same status, especially concerning costs of studying, there is an increasing number of students interested in these new types of studying. It is clear that traditional universities have to act.

Faculty of Economics in Osijek (EFO), the institution in which the research was conducted, is a mid-size state-owned traditional business school, a part of the J.J. Strossmayer University in Osijek, in north-east of Croatia. The School has started implementing the Bologna system in year 2005-2006, and currently has both the Bologna and the old system running simultaneously for different generations of students. The School has about 4800 active undergraduate students and 66 faculty members (19 full professors, 11 associate professors, 6 assistant professors, 25 assistants and 5 senior lecturers). The staff includes the student service (4 persons), library (3 persons), school administration (8 persons), computer center support (2 persons), bookstore (1 person) and housekeeping staff. The “old” undergraduate program offers two modules: Marketing management and Financial management, while the Bologna program offers seven different modules: Marketing, Management, Entrepreneurship, IT, Banking and finance, Economic development and Trade and logistics.

The major goal of this paper was to identify the model for education service quality evaluation applicable in the Croatian context and to evaluate the education service quality at EFO. It was done by researching the opinion of former students and checking them against the previous research made with current students.

## 2. MARKETING APPLICATION IN INSTITUTIONS OF HIGHER EDUCATION

One of the solutions to “fight” the market changes for higher education institutions is the implementation of marketing concept. In order to compete effectively in the marketplace, an educational institution needs to differentiate itself from the competitors. The use of marketing in this context could be very beneficial to educational institutions, but one of the major problems that educational institutions in the Western world were facing 20 years ago and even today in transitional economies when attempting to use marketing is the negative attitude that some educators and members of the public have towards marketing. Kotler and Fox (1985) mention a number of concerns that marketing application has raised in the area of education. The major problem is about the incompatibility of educational mission and profit orientation of marketing, i.e. the purpose of educational institutions is to impart knowledge

and skills, whereas the main purpose of marketing is to make a profit, which makes marketing incompatible with educational mission. Even today in the USA there are opponents to bringing higher education in closer alignment with market principles. Green (2003) criticizes that such an attitude will lead to “taylorization” of higher education by transforming faculty into a contingent labor force and learning into commodity. Slaughter and Rhoades (2004) write about “academic capitalists”, new type of university organizations where the knowledge is treated less as a public good, but more as a commodity to be capitalized on in profit oriented activities. However, today a majority of both educators and public agree that marketing not only is able, but must provide a service to the society. Due to privatization process, many public institutions are becoming market players and have to seek their market position: health, educational, cultural, and other institutions are facing private competition and need to change their attitude and way of functioning.

The future of business education, according to Acito et al. (2008), will be created by the strategic decisions of individual institutions. These decisions will be shaped by each institution's capabilities relative to the opportunities and threats their leaders perceive to exist in the environment. To our opinion, the quality of the education service is the key word in creating business school strategy.

### 3. MEASUREMENT OF THE EDUCATION SERVICE QUALITY

Berry and Parasuraman (1992) argue that strategic success of a service organization depends on its ability to enhance its image by consistently meeting or exceeding customers' expectations. In order to achieve this goal, marketing research is a necessary prerequisite. Although subjective, the service quality is a very complex category and it represents the customers' attitude, opinion and relation to the service. It is closely related to customers' satisfaction, although experts disagree: does customer satisfaction influences service quality perception or does service quality leads to customer satisfaction (Ozretić Došen, 2002). Therefore, it is necessary, but not easy to measure service quality. The service quality can be measured in many different ways. The most general “golden rule” of service quality measurement is that customers compare their perceptions and expectations. If the difference between service quality perception and expectations is positive, the customer is satisfied, and vice versa. However, the methodology for service quality measurement is developing very

fast, due mainly the recognized importance of service quality in creating competitive position in the market.

Different methodology and models have been created for measurement of service quality in the area of education. Owlia and Aspinwall (1996) give an overview of quality factors in the relevant literature. Out of number of different variables taken into account by authors that have researched service quality in the 1980-ies and 1990-ies, they create their own model consisting of six dimensions of service quality in higher education: tangibles (equipment, facilities, ease of access, appealing environment, support services), competence (academic staff, theoretical and practical knowledge, up to date, teaching expertise, communication), attitude (understanding student needs, willingness to help, availability for guidance and advice, giving personal attention, emotion, courtesy), content (curriculum relevance for future job, effectiveness, containing primary knowledge and skills, communication skills and teamwork, cross-disciplinarity), delivery (effective presentation, sequencing, consistency, fairness of examination, feedback from students, encouraging students), and reliability (trustworthiness, giving valid award, keeping promises, handling complaints).

Joseph and Joseph (1997) create their own model consisting of the following determinants of service quality in higher education:

- academic reputation, meaning the prestigious degree programme, recognized nationally and internationally and excellent faculty;
- career opportunities, meaning how employable are the students after getting a degree from certain institution and the information that the institution provides on career opportunities;
- programme issues, meaning availability of specialist programmes, degree flexibility, a practical component in the degree, the availability of several course options and flexible entry requirements;
- cost/time, meaning length of time needed to complete a degree and costs involved;
- physical aspects, meaning excellent academic, accommodation, and sports and recreation facilities, as well as an appealing campus layout;
- location relates to the geographic allocation of the institution; and
- other which deals with the word of mouth communication and family and peers influence when selecting a university.

The common characteristic of all these models is that they were created in an environment of highly developed market for higher education and therefore they couldn't be applied as they are in Croatian environment. The Joseph and Joseph model was analyzed in Croatian circumstances as follows:

- Academic reputation has no significant meaning for Croatian business students. There are no official school rankings, and businesses don't differentiate different school diplomas when doing job candidates' selection. The majority of students therefore choose to study according to the school geographical location (closeness to their hometown). The reputation of a school is mainly created by the word of mouth.
- Career opportunities also play a minor role with Croatian students within the same field of education, but a more important one in choice of the area of education (medicine vs. business, or law). Croatian institutions of higher education are in general not very active in providing career opportunities or support, except for letters of recommendations for good students. Private schools of higher education tend to be more active in this aspect of service quality.
- Programme issues play a significant role for student when choosing an institution. Unique programs are highly valued. For example, Faculty of Economics in Osijek is the only one in Croatia offering the graduate program in Entrepreneurship and about one third of students come from out of the region, including Bosnia and Herzegovina and Macedonia. This is twice the ratio than in other «standard» programs offered by the majority of business schools in Croatia (15%).
- Since the average period of finalizing higher education (up to three years ago, 8 semesters) in Croatia is 6.3 years<sup>1</sup>, and the drop-out rate is very high (over 75%!), most students choose to study in the area where they live so they can cut living costs if they continue living with parents. Therefore, location is an important criterion when choosing an institution. There are only 3.2% foreign (mostly ex-Yugoslavia) students and 15.2% students from out of eastern Croatia, the region that EFO covers. Physical aspects of the institution in such context play a very minor role.
- Finally, word of mouth and reference groups, as major creators of institution reputation in situation of non-existent official rankings and evaluations, are very

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<sup>1</sup> According to OECD research of tertiary education in Croatia

important for both institution choice and area of specialization selection at the chosen institution, although it is often negative or at least questionable selection criteria. For example, one course with higher than average requirements can be a cause for student to choose a different area of specialization (Marketing over Management or Finance).

#### 4. RESEARCH

The research was conducted on a sample of 150 former students of EFO in December 2007. The data collection model was questionnaire distributed to 500 randomly selected graduate students from EFO data base. The respondents were asked to identify and evaluate various aspects of educational service quality at EFO. Later on, their results were compared to the results of current students' research (sample of 273 students) on the same topic, made in early 2007.

The research was based on SERVQUAL model as described by Parasuraman, Zeithaml and Berry (1988). The difference of quality criteria evaluation was analyzed and checked against the sample characteristics (years of employment, area of specialization and study success).

Due to the specific characteristics of Croatian higher education market it was necessary to adapt existing models for measurement of education service quality.

The overall education service quality was analyzed through three different aspects:

1. organization and capabilities was a complex criteria consisting of 5 variables:

- organization of studies,
- adequacy of resources (library, PCs, classrooms, presentation equipment, etc.)
- opening hours and schedule,
- faculty quality, politeness, credibility, knowledge and capability
- staff quality, politeness, knowledge and capability

2. The acquired knowledge as criteria of educational service quality consisted of the following variables:

- the quality of the overall program,
- the acquired knowledge responds to the expectations,
- the acquired knowledge is needed,
- the acquired knowledge enables personal development,

- the acquired knowledge is useful for future work.

3. Study success was defined as classified average grade at graduation of respondents. This was the only possible measurement that could be used, since the Faculty does not keep track of former students and their further career development.

#### 4.1. Sample description

Table 1 shows the major sample characteristics. The sample of former students was analyzed according to what was expected to be the most important elements of education service quality evaluation: area of specialization, years of employment, way of getting employment and study success.

**Table 1. Sample description (former students)**

	N	FREQUENCY	PERCENT
<b>Area of specialization<sup>2</sup></b>	Management	21	14
	Marketing	84	56
	Finance and accounting	43	28
<b>Years of employment</b>	0 – 1	16	11
	1 – 5	61	41
	5 – 10	35	23
	Over 10	38	25
<b>Employment<sup>3</sup></b>	Application to company tender	73	49
	Via employment agency	7	5
	Self-initiative	20	13
	“Connections”	12	8
	Entrepreneur / Self-employed	14	9
	Other	19	13
<b>Study success (average grade)<sup>4</sup></b>	2.00 - 2.99	15	10
	3.00 – 3.99	98	65
	4.00 – 5.00	36	24

<sup>2</sup> There are 2 answers missing here

<sup>3</sup> There are 5 answers missing here

<sup>4</sup> There is 1 answer missing here

## 5. RESULTS AND DISCUSSION

Statistical analysis has shown the following results of former students' evaluation of education service quality at EFO: on scale 1-5 (1=poor; 5=excellent), the major strengths of EFO are:

- knowledge and capabilities of faculty (3.75)
- opening hours and schedule (3.57), and
- reputation of EFO (3.48);

while the major weaknesses are:

- politeness of staff (2.48)
- quality of work by staff (3.01), and
- acquired knowledge responds to the expectations (3.13).

Statistically significant differences according to the sample characteristics were found in area of specialization (management, marketing, finance and accounting) and way of getting employment ( $t=2,879$ ;  $p=.005$ ). Significantly larger number of marketing students is either self employed or has been employed by “connections” than the other two groups. This situation could probably be explained by economic trends in the area of eastern Croatia where the most of students of EFO come from. Namely, after the war (1991-1995) in which this area was heavily destroyed in the economic sense came the privatization period where most of the local companies were bought by larger, either domestic or foreign companies. The majority of these companies have their headquarters in Zagreb, which meant that all strategic jobs, especially those in marketing were situated in Zagreb, and already formed. On the other hand, companies that have stayed local, due to the bad post-war economic conditions, were trying to cut all possible costs, and marketing is still perceived as something that can be cut down with the least direct effects on business performance. As a consequence, many people with this area of specialization couldn't find jobs easily, unless they had “connections”, or they were willing to take risk and start their own marketing businesses, mostly in the field of market research or advertising. In a long run, this trend has produced the decreasing interest for this area of specialization at EFO.

Another statistically significant difference was found between area of specialization and evaluation of EFO's organization and capabilities ( $t=-14.216$ ;  $p=.000$ ): again, former marketing students have evaluated this criterion significantly lower than other two groups

(3.17, vs. 3.4 and 3.3). This again could be explained with the previously mentioned business structure of the local area which has caused that many people educated as marketing experts could not get employment in this field, but in other fields. Such a situation has partly influenced their perception of EFO organization and capabilities – of course, in a negative way. No other significant relations were found.

In order to analyze the development of the education service quality at EFO we have compared the obtained results with the results obtained somewhat earlier (January 2007) with the sample of current students at EFO. Two papers with more detailed analysis were published earlier (Leko Šimić, Čarapić, 2007, 2007a). The comparison of the two sets of evaluation tries to match the value chain approach that emphasizes the quality of admitted students, the quality of educational experience and their career opportunities as much as it is possible within the given circumstances.

Analysis of the three complex criteria for evaluation of the education service quality shows that the highest mark by former students was obtained for study success as criteria (over 3.5), whereas it was the lowest - only 2.97, for current students. The “acquired knowledge” criterion was evaluated as 3.28 by former and 3.59 by current students. Finally, “organization and resources” criteria were evaluated as 3.24 by former and 3.42 by current students. The overall evaluation of education service quality at EFO is 3.28 (former students), i.e. 3.42 (current students). The evaluation differences of single variables of the two respondent groups are shown in Table 2.

Table 2. A comparison of education service quality evaluation at EFO by current and former students

	<b>Current students</b>	<b>Former students</b>
Acquired knowledge responds to the expectations	<b>3,4652</b>	3,1267
Applicability of acquired knowledge	<b>3,7179</b>	3,3933
Acquired knowledge is socially necessary	<b>3,6374</b>	3,3000
Program quality	<b>3,4469</b>	3,1879
Acquired knowledge enables personal development	<b>3,6630</b>	3,3960
Adequate resources (library, PCs, classrooms, presentation equipment, and similar)	<b>3,6813</b>	3,2400

Quality of work by professors	<b>3,3187</b>	3,2933
Knowledge and capabilities of professors	<b>3,9377</b>	3,7467
Knowledge and capabilities of staff	<b>3,2088</b>	3,1333
Politeness of staff	<b>2,5092</b>	2,4800
Opening hours and schedule	<b>3,7729</b>	3,5667
Reputation of Faculty	<b>3,5788</b>	3,4800
Organization of studying	3,2857	<b>3,3800</b>
Quality of work by staff	2,9927	<b>3,0133</b>
Politeness of professors	3,2344	<b>3,3020</b>
Study success	3,0	<b>3,5</b>
<b>Total</b>	<b>3,4208</b>	3,2818

It is obvious and quite understandable that former students tend to be more critical when evaluating educational service quality once they have finished the education and gained some work experience. However, the most significant differences in evaluation are in the area of the quality of knowledge that they receive and to what extent it is applicable in the business world. It seems that EFO does not prepare its students well for their future jobs, and that it desperately needs more contacts with the business environment in both curriculum creation and application in courses.

According to both groups of respondents, the weakest point at EFO is the non-teaching staff, the quality of their work, knowledge and politeness. This is a potentially very dangerous situation if EFO does not react properly. The trend is a long term one, and since the performance of personnel and their interaction with customers create an important part of service quality, especially in case when service is complex and customized as it is the case with business education (Crosby et al. 1990), it can directly jeopardize the image of the institution.

An interesting result was also the study success of the two groups. It seems that former students have significantly higher study success (average grades) than the current ones. It might mean on one side that higher grades are obtained more in the senior years of study although the previous research has shown no significant differences in study success between different years of study; and on the other hand, that Bologna system implements higher standards for knowledge evaluation than the traditional system.

It seems that the organization and capabilities (mainly tangible resources, like library, PCs, classrooms) have evolved the most. In these variables current students give significantly higher marks than the former students.

The least difference in current and former students' evaluation is found in knowledge and capabilities of professors and staff, opening hours and schedule and school reputation.

Altogether, the evaluation results are not too good. Average score of 3.42 (current students), i.e. 3.28 (former students) clearly points to the fact that there are many things to be improved within the education service quality at EFO.

## 6. CONCLUSION

Higher education institutions in Croatia, including EFO need to develop the effectiveness of different forms of activities within the institutions as well as with the outside, "real" world. It is especially valid for business schools that are in a way in better position since the school management and faculty is educated in this area. Development of the higher education market and competition between new private and "old" state institutions requires introduction of market sensitive institutional culture within old institutions and development of cooperative links with the business community in order to bridge the widening gap between academic research, technological development and commercial market.

A constant research and analysis of education service quality is a necessary prerequisite for its improvement. An institution can implement it by itself, but national standards and rankings can be a much more powerful resource for competition for good schools. American experiences show that these rankings have a significant effect on school's well being and strongly impact the school choice by students and their parents. (Acito et al, 2008). Although the competition and real market functioning in this area in Croatia is still weak, we might expect out customers (both students and business community) to become more critical and ask for and choose institutions with better education service quality. Implementation of above mentioned activities could help in improving the education service quality, thus creating better image and reputation of the institution, attracting good students, respectable faculty,

new commercial and scientific projects as well as donations from business as additional financing sources that again will enhance the quality of the institution in general.

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