DISTINCTIVE CAPABILITY AND CUSTOMER DEMANDS IN SUPPORTING VALUE CREATION AND ITS IMPLICATION ON CORPORATE IMAGE AND MARKETING PERFORMANCE OF HIGHER EDUCATION INSTITUTIONS: A SURVEY AT PRIVATE HIGHER EDUCATIONS IN JAKARTA

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ABSTRACT

Private universities nowadays have evolved into a business commodity so that the way it is managed is also shifted just as other businesses. The success of a business is more highlighted to the success of marketing. The success of the marketing performance can not be separated from universities success in establishing a reputation. To develop a good reputation, then universities need to do a proper strategy. Value creation for customers that is based on consideration of customer needs and capabilities provided by universities, are the right steps for designing strategies. The aim of this study is to examine and find the influence of the distinctive capabilities owned by universities and the customer demands in supporting the value creation which implies on the image and marketing performance of private universities in Jakarta.

The research method employed is descriptive and verificative of 209 private colleges in Jakarta Regional III under Jakarta Private Universities Coordinating Agency, with the unit of observation is based on data obtained from managers and students through a questionnaire with Likert Scale. Data processing uses structural equation model (SEM) with AMOS version 20 of IBM program. The finding shows that distinctive capability owned by universities and customer demands affect the value creation in which distinctive capability is more dominant. In conducting value creation, private universities are more likely based on resources based rather than market based. In forming the corporate image of private universities, direct influence by customer demands is more dominant than the distinctive capability, so that in forming the corporate image, private colleges are more likely as momentarily image or pseudo-image by building an opinion based on the market conditions. Similarly with the value creation, distinctive capability owned by universities and customer demands affect the formation of corporate image of private higher education institutions. Meanwhile the marketing performance is directly affected by the distinctive capability. The formation of the corporate image through the appropriate value creation based on distinctive capability and customer demands will contribute in improving the marketing performance at private colleges.

Keywords: marketing performance, corporate image, value creation, customer demands, distinctive capability

INTRODUCTION

The progress of a nation is determined by the quality of human resources. The quality of human resources is the main asset, inexhaustible and sustainable so we need to improve it for

the betterment of nation in the future through which education is implemented. The development of education has become a good service business and does not recognize the term of crisis. Even, some countries make efforts to provide education as one of the programs to attract overseas students with a reason to increase foreign exchange earnings of the country. This condition is strengthened by the ratification of the World Trade Organization (WTO) on the trade arrangements in 12 service sectors, in which one of them is education, so that the field of education is included in the field of services that lead to liberalization and internationalization. Competition took place across the country and even across continents.

To prepare for global competition, legislation in Indonesia governs the education system with the substance of the performance targets must be achieved by educational institutions, among others, good quality, relevant to the needs of work and has competitive advantage, innovation, responsiveness, creativity, skills as well as the graduates who are able to meet the national interests and enhance the nation's competitiveness. Higher education managers are required to have the ability to offer products or services in education that have a competitive advantage. This means, businesses need to explore internal and external aspects of business derived from the needs or demands of the consumers (customer requirements) and are developed to have the ability to offer better educational products and services.

In the external aspects of business, the implementation of strategies that fit the demands of students will result in superior customer value either unique benefit or low relative cost. Furthermore, superior customer value will be the main attraction for students to meet the expectations and needs. For universities, colleges appeal reflects the opportunities and threats. Therefore, the analysis of external environment, especially the college environment is conducted to identify external opportunities and threats, as stated by Jauch and Glueck (2000: 87) that, "environmental analysis is a process used by strategy planners to monitor environmental factors in determining an opportunity or a threat towards the organization". Dess Lumpkin (2003:53) explains that an external environment of higher education that can be used in setting the marketing strategy is macro environment (economics, politics, social and culture, technology, globalization), competition and market environment. Internal aspects of business is performed by observing the internal environment to identify the strengths and weaknesses of the organization. Jill Dixon (2002: 56) describes in detail the important aspects to know the internal conditions, particularly higher education institutions. The main information of the internal environment of higher education institutions that provides input for the preparation of a marketing strategy is the aspect of human resources, finance, service quality, corporate strategy and administration system.

Data obtained from the Center for Education Statistics show that nationally over the past four years there has been a high growth in the number of universities, namely from 2638 universities in the period 2006/2007 to 3011 State / Private Universities at the end of 2009/2010. There is an increase of 18:27%. The growth is dominated by private universities located in big cities, such as Jakarta, Bandung, Yogyakarta, Semarang, Surabaya and Medan. This means, it would be a tight competition in the capture of consumer market.

Another factor that makes the competition even more intense is the government's policy to give autonomy to the state universities by turning the status of some universities in Indonesia to state owned universities which gives flexibility to the state universities to manage resources autonomously including the new admissions in terms of both strategy and capacity which increase the number of students who enter the state universities significantly. This condition makes private universities with all its limitations more difficult to compete in the new admissions since in one hand the number of private universities rose, on the other hand the number of applicants remained the same even tend to decrease. Thus there has been a

competition of influence among private universities to attract prospective students.

Surveys show that some of the considerations in choosing a college among others, the quality of institutions, quality of studys programs, accreditation, corporate image, facilities, location, interests, family references, friend references, costs, as well as job placement opportunities. In facing the competition, several universities in Jakarta have done some innovative branding communication strategies to create customer value and enhance the corporate image through various steps taken towards the World Class University (WCU).

Based on the above explanation, this research examines the demands of students (as internal consumers and educational process resources) for the fulfillment of their needs and distinctive capability of the organization towards the value creation and its impact on the corporate image and performance of higher education marketing. Marketing performance is formed from the college image and the image formation can be done by creating a superior value in a college perceived by stakeholders.

PROBLEM STATEMENT

Based on the phenomenon explained in the background and the identification of the problem causes in private universities in Jakarta, the problem statement can be formulated as follows: (1) How is the condition of distinctive capability, customer demands, value creation, corporate image and marketing performance, (2) How is the influence of distinctive capability and customer demands on value creation, (3) How is the influence of distinctive capability and customer demands on marketing performance, (5) How is the influence of distinctive capability and customer demands on corporate image through the value creation, (6) How is the influence of distinctive capability and customer demands on marketing performance through value creation, (7) How is the influence of distinctive capability and customer demands on corporate image through the value creation that has implications to marketing performance?

LITERATURE REVIEW

This study uses several theories that explain the concepts of distinctive capabilities, customer demands, value creation, corporate image and marketing performance which is based on multiple sources of knowledge that continues to grow today.

Distinctive Capability

According to David (2011: 93) distinctive capability is "A firm's strengths that can not be easily matched or imitated by competitors". It means that a company should have different advantages that is difficult to be imitated by competitors. While Kotler and Keller (2009: 37) define: "Distinctive capability of a company is the application of core competencies that are owned by their respective companies which possess three characteristics: first, as a source associated with the competitive advantage which contributes significantly to bring benefits perceived by the customer (perceived customer benefits); second, it can be applied in a variety of markets and; third, it is difficult to imitate by competitors ". According to Hill and Jones (2010:75-76), to be able to have a distinctive capability, an institution must have at least "(1) specialized enterprise resources, valuable and capabilities required to take advantage of these resources or (2) ability to specifically manage the resources ". Thus, it can be said that a distinctive ability is a combination of resources and organizational capabilities. In view of the *resource-based* theory presented by Barney and Clark (2007: 5),

distinctive capabilities (distinctive compentences) are the attributes of a company that make it possible to pursue a strategy that is more effective and efficient compared to others. The prevailing view of the resource-based strategy is that resources and organization capability are important parts of the strategy formulation. This study uses a distinctive capability level of parameter which is divided into three dimensions, namely tangible resources, intangible resources and organizational capabilities.

Customer Demands

According to Kotler and Keller (2009: 12), demands are the most fundamental human needs. The need becomes desire when they know the object has a specificity that gives satisfaction of needs. The need has been transformed into a desire which serves as a further form of the fulfillment which is no longer just functional but also symbolic and emotional. understand further about the consumer needs, Kotler and Keller (2009: 27) use the term societal marketing concept where the task of the organization is to determine the needs, wants and interests of target markets and deliver the desired satisfaction more effectively and efficiently than the competitors by way of protecting or increasing the number of consumers and in the long run making society life better. Meanwhile, in realizing the demands, customers are strongly influenced by the behavior of both internal and external factors which must be understood by the marketers in implementing the process of marketing. study, customer demands is defined as everything that become the expectations on the needs and wants of students towards the chosen university at this time. Sahney et. al (2004) categorize the customer demands based on the concept of total quality management namely tangible, content, attitude, compentency, delivery and reability. Based on the initial survey results in this study, what is expected by prospective students as consumers of higher education provides a description of a reality concerning consumer demands on higher education. Some constructs formed with regard to higher education desired by consumers include the quality, completeness of facilities, corporate image, majors, status, environment, favorable, location and employment opportunities. This study developed several research constructs to obtain customer demands based on the discovery of an initial survey and the existing theories. The constructs will be used as the measurement of customer demands, among others, based on the dimensions of quality, infrastructure and facilities, costs, employment and location.

Value Creation

According to Kotler and Keller (2009), in the process of value creation there are three aspects can be done by a company, namely: *creating, communicating*, and *delivering* value to customers. Priem (2007: 220) states that value creation is a benefit that involves an increase of value advantage or a decrease of exchange value in which each can increase consumer surplus. Payne and frow (2005: 170) state that the key foundation of the process of value creation is (1) to determine the value of company can be given to customers, (2) to determine the value of company can be received from customers, and (3) the success of managing the exchange value which involves the process of *co-creation* or *co-production*, maximizing the long term value of a desired customer segment. From the above explanation regarding the comparison of the concept of value creation, it turned out that there is a similarity in the essence of the concept of value creation in which all the above opinions reveal that there is an increase in the value received by customers through various efforts in order to provide more benefits for them. Universities must be able to give more satisfaction or benefit to students as customers. Therefore several steps of value creation strategies have to be taken into action. This study emphasizes the concept of value creation delivered by Kotler and Keller that can

be illustrated through the dimensions of *customer focus*, *business domain* and *business partner* in the context of the implementation of services in the field of higher education.

Corporate Image

Kotler and Keller (2009) define the image as "a set of beliefs, ideas and impression of someone about an object". The object in question can be a person, organization, family or other people known. If the object is in the form of organization, it means that all beliefs, pictures and impressions on the organization owned by an individual is an image. Kennedy in Mohammad and Awang (2009: 30-40) divide the image of the company into two main components, namely functional and emotional components. Functional component is associated with the real characteristics of organizations such as buildings, infrastructure and facilities, location, and people. The emotional component is associated with psychological dimension that is manifested by feelings and attitudes towards the organization. Worcester in Virvilaite and Daubaraite (2011: 536) states that the image of the company / institution consists of the product image, brand image and consumer brand image. In a college, Katanen (2010: 57) explains that the image of the university is formed on the basis of how well the university succeeded in fulfilling the basic responsibilities, conducting research, teaching and providing services primarily to college students as customers. According to Polat (2011) image of the organization consists of view, picture, or impression that are formed in the individual mind, based on the data and information collected through the interaction of individuals with the elements of an organization. In the context of educational institution, Polat et. al (2010) divide the corporate image into the dimensions of quality image, program image, social image, organizational infrastructure image and image in general. In this study, the concept of corporate image that will be examined is an adaptation of some of the corporate image concept presented by some previous researchers by adjusting the object of research. Some dimensions which are in accordance with the college image among others image based on quality, product, social relations and facilities.

Marketing Performance

In the world of higher education, marketing performance can be measured from a management perspective and from a consumer point of view. Both have their own advantages which could explain how effective the organization's activities in interacting with consumers. Huang, Binney and Hede (2010: 4) found that the institutional performance related to the competitive advantage of educational institutions can be evaluated at three levels: students, staff and institutions. Competitive advantage in the context of a particular institution may lie in the effectiveness and efficiency of tangible and intangible resources needed to support the teaching and learning process. Huang, Binney and Hede (2010: 5) explain further that some of the dimensions which can be used to assess the performance of educational institutions, among others: student performance, staff performance and institutional performance. The indicators in students performance, namely: level of work of the graduates, percentage of the graduates who continue their studies, level of graduation, knowledge and professional skills of the graduates.

Performance

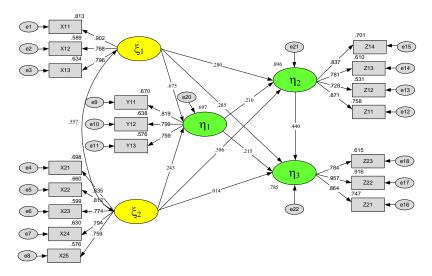
The performance indicators of staff / faculty are: performance in teaching, performance in academic research, performance of applied research, practical experience and teaching skills. While indicators of performance in institutional level include: organizational culture, evaluation of graduates / alumni, institutional distinction, community services, development of holistic education, development of professional curriculum, the reputation of the

institution, management facilities, collaborative industry - university, ranked magazine, evaluation of industry on quality of the graduates.

RESEARCH METHODS

This study uses the approach of economics science, particularly management with a focus on marketing in educational services, with regard to the influence of distinctive capability, customer demands on value creation as well as the implications on the image and marketing service performance of private colleges in Regional III of Jakarta Private Universities Coordination Agency. The study was conducted through surveys. Relative purpose of this study was to measure the effect of multiple independent variables (capability privileged and customer demands) to the dependent variable (the image and marketing performance) which involves an intervening variable (value creation), so the approach in modeling and solution techniques employed as an analytical tool in this study is a method of *structural equation modeling (SEM)* through version 20 of IBM AMOS as seen in the following figure.

Structural Equation Modeling



The analysis units in this research were private universities located under Regional III of Jakarta Private Universities Coordination Agency. The observation unit relating to all the variables obtained based on information and literature through the leaders / managers of private colleges and university students. This research is a descriptive and verificative study. Descriptive study aims at obtaining a picture or description of the variables studied. While the verificative study aims at determining the relationship between variables through a hypothesis based on the data in the field. There are two methods of survey applied in this study, namely descriptive survey and explanatory survey, with respondents as many as 209 Private Universities. This study used questonnaires as the main tool.

Validity and Reliability

To test the validity, instruments performed using IBM software of SPSS 17.0, in which the correlation technique used is the product correlation formula of Moment Pearson as follows:

$$r_{yx_i} = \frac{n\sum_{i=1}^{n} x_i y_i - \sum_{i=1}^{n} x_i \sum_{i=1}^{n} y_i}{\sqrt{n\sum_{i=1}^{n} x_i^2 - \left(\sum_{i=1}^{n} x_i\right)^2} \sqrt{n\sum_{i=1}^{n} y_i^2 - \left(\sum_{i=1}^{n} y_i\right)^2}}$$
(3.2)

Based on validity testing of the items by using SPSS 17.0, it is then obtained the test results as follows: (1). The validity of the test results to the 15 items of questions on distinctive capability variable are entirely valid, (2) The validity of the test results to the 10 items of questions on consumer demands variable are entirely valid, (3) The validity of the test results to the 5 items of questions on value creation are entirely valid, (4) The validity of the test results to the 13 items of questions on corporate image variable are entirely valid, (5) The validity of the test results to the 4 items of questions on marketing performance variable are entirely valid. The research tool reliability testing is performed using SPSS Software 17.0 in which the method employed is the "Alpha Cronbach" (Santoso, 2012) with the following formula:

$$\alpha = \frac{k}{k-1} \left[1 - \frac{\sum \sigma_i^2}{\sigma_x^2} \right]$$
 (3.3)

Notes:

k = total items

 σ_i^2 = varians of items

 σ_x^2 = varians of groups

If α value is closer to one, the instrument is reliable. Calculation of the validity and the reliability of each item of inquiry is conducted with SPSS 17.0. The test result of questionnaire items validity for the five variables namely distinctive capability, customer demands, value creation, corporate image and marketing performance in this study used Cronbach Alpha as seen in the following table:

Reliability Testing

Variable	Number of Questions	Cronbach Alpha	Remark
Distinctive Capability	15	0.906	Reliable
Customer Demand	10	0.811	Reliable
Value Creation	5	0.867	Reliable
Corporate Image	13	0.897	Reliable
Marketing Performance	4	0.853	Reliable

Source: Primary Data Processing, 2013

FINDINGS AND ANALYSIS

Distinctive Capabilities owned by colleges provide more dominant influence compared to the customer demands in developing value creation. This indicates that the value creation which was built by private universities in Jakarta tend to pay more attention to the distinctive capabilities owned and not fully taking into account the demands of the customers, or it can be said that private universities are more likely oriented to *resources based* rather than *marketing based* in building value creation.

In establishing the corporate image, customer demands have a more dominant influence than distinctive capabilities and value creation. This suggests that the formation of corporate

image of higher education institutions tend to be more based on what the customer demands, and not because of the distinctive capability or value creation that have been implemented well. It can be said that universities in Jakarta tend to perform instant imaging by developing a positive opinion on the growing trend which in this study is termed as *pseudo imaging*.

Corporate image is more dominant in influencing marketing performance than the distinctive capabilities and value creation. This shows that the successful establishment of the corporate image has an impact on the marketing performance of private universities in Jakarta. If seen from the dimensions that make up the image of the institution, there is a correlation between the formation of quality image with the quality level of marketing performance. However, the formation of the quality image is more likely based on the opinion of building quality but not the process of establishing the real quality so that the performance is only limited on input and output obtained but outcome has not been demonstrated. This means that the marketing performance of private universities in Jakarta has just focused on improving the quality of education namely by producing graduates and graduate competences but not on how these graduates are absorbed into the world of work to the fullest.

Customer demands have very low direct influence on marketing performance and the influence between the customer demands and the marketing performance is not significant. The marketing performance of universities in Jakarta are more affected by the imaging process quality resulting from the ability of the university management to meet the demands of students, so the demand of students is not a factor that can directly affect marketing success, but if the universities ignore the demands of students, it will cause deterioration in marketing performance. On the other hand, if the universities can understand and meet what is required by students it will also increase the marketing performance.

Overall, it can be explained that the marketing performance of private universities in Jakarta is influenced by distinctive capabilities either directly or indirectly with a total effect of 0.500 or 50%. While the total indirect and direct influence of the customer demands on marketing performance is 0289, or 28.8%, and found that the direct effect of the customer demands on marketing performance is not significant. Thus, it indicates that the influence of distinctive capability is more dominant than the customer demands in improving marketing performance in which the management tends to focus on strategies for performance improvement by fixing the distinctive capabilities owned by the colleges. The results of this study make it clear that private colleges in Jakarta tend to be oriented to resources based in the target market achievement.

Based on the model of research and analysis, it can be observed that the universities in Jakarta in achieving marketing performance has a tendency to (1) take advantage of the distinctive capabilities which tend to be sourced from the intangible resources in higher education institutions; (2) fulfill the demands of students such as facilities, quality and employment opportunities; (3) establish a value creation strategy that is focused on maintaining and improving the value of benefits to customers; (4) perform the imaging based on social image and program image.

Based on the above discussion, we know that to achieve the desired marketing performance, private universities in Jakarta need to take real steps by taking into account variables of solution by developing a strategy to increase value creation that have an impact on improving the corporate image based on the ability of colleges in optimizing the distinctive capabilities and understand and meet the demands of college students as customers. The low performance of marketing in Jakarta shows the weakness of distinctive capabilities owned by private universities and the weakness of fulfilling customer demands for a variety of inhibiting

factors. Some of the most striking weaknesses that can be observed within the capabilities of universities, among others:

a. Competence of Lecturers

Reality on the ground shows that many private universities in Jakarta do not have a standard of lecturers' qualification for example up to the present time there are still many lecturers who only got a Bachelors Degree and equal (38.5%). Meanwhile, the Article 46 of Education Act No. 14/2005 on Teachers and Lecturers, it is explained that to be a lecturer one must possess a minimum academic qualification of: a) Master's Degree to teach Diploma or Degree Program; b) Doctoral Programs to teach in the Graduate Program and c) any person who has expertise with outstanding achievements can be appointed as a lecturer. Further, in the design of Ministerial Decree 2013 on Higher Education National Standard (SNPT) it is explained that lecturers must have 4 competences namely: pedagogic, professional, personal and social competence besides academic qualifications. There are still a lot of lecturers who do not understand the scientific method, lack of research that automatically lack of scientific publications, weakness in using a foreign language, poor teaching methods which make them look unprofessional.

b. Building and Infrastructure Facilities

Building and Infrastructure facilities owned by private universities in Jakarta are largely recognized by most management as a weakness point. Therefore they are often avoided as an advantaged value. There are still prevalent private universities in Jakarta that have been running with limited facilities. In fact, when referring to the Act No. 234/ 2000 on Guidelines for the Establishment of Higher Education, it is stated that to establish a private college, one of the basic requirements is the land of 5000 m2 for academy, college, and polytechnic while for institute is 8000 m2 and university is 10,000 m2. Further, based on the government regulation No 19/ 2005 on National Education Standards, it is stated that "Each educational unit shall have the infrastructure which includes land, classroom, boardroom, lecturers room, administration room, library, laboratory, workshop, production unit space, canteen, power of installations and services, a gym, a place of worship, playground, creativity space, and other spaces needed to support the well managed and sustainable learning process ". Government policies that continue to provide the ease of permitting the establishment of private universities that do not meet the minimum standards of facilities contribute to the low standard of education in Indonesia, especially the standard of facilities in private universities.

c. Speed Level of Services

Generally, management of private universities in Jakarta admitted that in serving students as customers, the speed level of service is still not optimal. This weakness is understandable, given that many private universities in Jakarta are still limited in terms of quality of resources and facilities as they relate to funding. To manage resources and good facilities need significant capital. Referring to the success of some private universities in Jakarta that in order to improve the service, they need adequate infrastructure by adopting integrated information technology to spend hundreds of millions and even billions of rupiah. This condition is difficult to be fulfilled by most of the private universities in Jakarta.

d. Level of Innovation Development

Innovation at private universities in Jakarta is generally believed to be not optimal. It can be seen from less development of innovative environment due to lack of research and development go on. Universities and colleges have an average unit or agency of research and

development, but the image of it, in fact also at public universities is still not positive, as pointed out many research activities are conducted just as 'academic exercise' and yet it has not responded sensitively to the reality of the needs and / or problems encountered. Besides, the low innovative contribution of private universities in Jakarta towards the efforts of making people prosperous in particular are also related to several factors / conditions, including: [a] technology users in the country have more confidence in using foreign technology that is sometimes cheaper and ready to use than to wait for the development of technology by domestic research and development institutions; [b] regulations and policies do not encourage the establishment of conducive ecosystem to the growth and development of innovation in the country, for example, Act No 35 / 2007 which has not yet been fully implemented; and [c] very low budgetary allocation of research and development from the government and the difficulty of holding private sectors to undertake collaborative research and development activities (Lakitan, 2012)

CONCLUSION

The results of the above analysis and discussion can be concluded that the distinctive capability is an ability that is worth winning, and become the benchmark of a college, which is owned by private universities in Jakarta is not optimal yet due to the lack of tangible resources owned especially on completeness of facilities and infrastructure and make the building as an identity. Likewise with the demands of customers namely customer needs and desires of private universities in Jakarta which have not been fully met, particularly the quality of education, quality of services, facilities and support, suitability of tuition fees, scholarships, opportunities to obtain employment and the level of realization of the university collaboration with industry. Then the value creation built by private universities in Jakarta is also not right, caused by low effort of universities in building networks with other universities in improving the quality of education. In terms of image, the corporate image that is built by private universities in Jakarta is not positive. It is associated with inadequate facilities and the quality of which is owned by universities, especially in the learning facilities include laboratories, a library, student activities, research and quality of universities in general as well as the quality of services provided. In building the value creation, private universities in Jakarta tend to be based on the resources based although they still pay attention to market demands (market based). While the corporate image is more likely as the momentarily image or pseudo image by developing opinions based on market conditions or customer demands. The formation of corporate image that was built by the development of appropriate value creation by optimizing the distinctive capabilities owned and with due regard to the demands of customers will contribute to marketing performance improvement at private universities in Jakarta.

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