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COMPETITIVENESS IN HIGHER EDUCATION: A NEED FOR MARKETING ORIENTATION AND SERVICE QUALITY

Helena Štimac
Faculty of Economics Osijek
Gajev trg 7
Croatia
HR-31000 Osijek
Tel. +385/31/224-400
Fax. +385/31/211-604
E-mail shelena@efos.hr

Mirna Leko Šimić
Faculty of Economics Osijek
Gajev trg 7
Croatia
HR-31000 Osijek
Tel. +385/31/224-400
Fax. +385/31/211-604
E-mail lekom@efos.hr

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ABSTRACT. The aim of this paper is to determine the relationship between students' expectations at time of enrollment at higher education institution and their perception of different aspects of educational service quality received. Three Business Schools (Osijek, Croatia – EFO, Ljubljana, Slovenia – FELU and Szeged, Hungary – GTK) took part in this research which was based on SERVQUAL model. The higher education market in Croatia, Slovenia and Hungary was analyzed, the competitive ability of individual faculty was determined and the possible marketing strategies in order to improve their educational service quality.

JEL Classification: A23, M31, P2

Keywords: marketing, service quality, higher education, Croatia, Slovenia, Hungary.

Introduction

Contemporary market, characterized by numerous and dynamic changes, requires that all companies and institutions develop capacities for quick and flexible reactions in order to survive and develop their competitive capabilities in the market they serve. Part of the evident market changes is related to the nonprofit and public sector and thus it also increasingly gets into focus of scientific research. One of the areas that are attracting growing scientific interest is higher education. Development of the knowledge society in the 21st century is characterized by broadening the boundaries of knowledge, shortening of the knowledge life cycle, and the emergence of new knowledge at a very fast pace. Therefore, learning is increasingly becoming a life-long process that never really ends. At the same time there is a growing competition between higher education service providers since the market is increasingly privatized. Private service providers, especially in higher education are playing an increasingly important role (OECD, 2010, p. 299). In such circumstances, higher education service quality becomes a key word for the service providers.

The more developed the country, the more emphasis it puts onto education and its role in economic and social development. Beneficiaries of the education service are constantly testing and evaluating its quality. It can be said that the higher level of development put more strict rules and expectations on education service quality (Funda, 2008, pp. 9,13). Besides, economic and cultural globalization has created new challenges for the higher education system since it requires global openness and knowledge exchange due to the fact that the labor market is increasingly becoming liberalized.

In order to create a competitive market position for a higher education institution in such circumstances it is necessary that it adopts marketing concept and philosophy and creates its strategy and activities in terms of market performance: it is necessary to focus on beneficiaries'' needs, market segmentation, competition, market positioning and new products/services development that are based on identified market trends (Leko Šimić & Čarapić, 2008, p. 8).

Higher education

As education becomes increasingly important in terms of economic and social development, there is a growing pressure from different stakeholder on its performance – labor market requires adaptation of program curriculum to the changing needs of the labor market, laws and regulations are constantly being adjusted to better fit the international requirements, etc. International certifications and recognitions are becoming an important tool for quality assurance of institutions of higher education.

The paradigm that higher education is not a cost but highly profitable investment is increasingly accepted, in governments that position it as a national priority and in public in general. In OECD countries 29% adults on average has completed only primary education 44% secondary education and 28% higher education. Together with Japan and USA they have almost half (48%) of the world highly educated population (OECD, 2010, p. 27).

Knowledge today is being treated as the key factor of economic growth, and ability to create and follow new technological development in developed economics. Such dynamic environment of the higher education points to some new necessary features that it has developed (Maringe & Gibbs, 2009, p. 47): complexity of the „educational product" complex social role of education institutions, importance of their financial performances and competition.

Higher education in Europe is marked by the Bologna process that involves 46 countries. The process has been developed and applied after some serious problems in European higher education have been identified (Higher Education in Europe, 2009, p. 16): insufficient flexibility, non-transparent education system which impedes international mobility of students and experts and inadequate reactions to market changes.

Service quality in higher education

Quality is being defined in different terms: as readiness for use (Juran, 1982), as value-added (Shannon, 1997, pp. 94-97), as constant, never-ending improvement (Foster, 2001, p. 36). In marketing terms we can say that something is of quality if it satisfies the consumer's expectations. So it can be defined as consumer's satisfaction (Juran, 1988) or as adaptation to the requirements (Crosby, 1984).

For all systems that create new value, including higher education it can be said that „quality means different things for different people and it is usually connected with processes and results of these processes"(Vroeijenstijn, 1995, p. 13). In other words, „quality is connected to three different causally determined values: purpose, processes and people" (King

Taylor, 1992, p. 40). Quality of the higher education is a dynamic category based on the aspiration for constant improvement of all processes and their outcomes. It is „spiritus movens"of social development, driving force of economic development and backbone of individual career development (AZVO, 2011). The widely accepted definition of education quality is that „it is a continuous process of fulfillment of set education standards" (Ivošević, *et al.*, 2006, p. 5). Barnett (1992, p. 61) defines higher education quality as „evaluation of the process of education shown through process of improving educational development of beneficiaries… in order to reach the set goals". Fincher (1994) analyses the changes of the higher education service quality perspective during time; from its starting basis as experience, over technics to contemporary style and process.

The initiatives to evaluate higher education service quality is a result of dynamic changes in the environment of higher education (Martensen, *et al.*, 2000, p.372): significantly higher level of needs and requirements by students and labor market, markdown of public financing of higher education and increased competition on higher education market.

The search for quality is determined by three major drivers (Peter and Waterman, 1986): customer requirements, need for organizational excellence and efficiency and responsibility toward stakeholders. Hill's (1995) research on higher education service quality perceived by students in Great Britain has emphasized the need for continuous information gathering about students' expectations, not only during the time of their studies, but also after the studies, and even before they choose what and where to study, in order to provide the competitive service quality that meets the students' expectations. Besides Hill, Douglas *et al*. (2006) have studied the higher education service quality in Great Britain and found that a number of material goods included in educational service quality (classrooms, IT availability, student restaurant, etc.) contribute to their perception of education service quality much less than teaching process and learning experience quality.

The major challenges in higher education today are: decreasing quality due to inadequate models of teaching process evaluation, inadequate application of existing quality control mechanism, favorization of general education, devaluation of liberal model of education, plethora of information and fragmentation of knowledge, commercialization of scientific projects, etc. (Gajić, 2010, pp. 44-46). All these challenges put increasing pressure on traditional universities and at the same time create favorable environment for transformation of higher education institutions form faculty-centered into market-driven organizations. From this fact arises the need for application of marketing concept in higher education institutions.

The role of marketing in higher education

In general, the recognition of the nonprofit and public sector importance in contemporary society coincides with the cognition of universal applicability of marketing principles. Higher education institutions face, on one hand, the growing impact of the changing environment where they have to attract a critical mass of customers, and on the other hand, requirements of the government, ministry of education and general public (Arambašić, 2009, p. 4). In order to efficiently fulfill these requirements in situation of increased competition, marketing orientation in higher education institutions is becoming necessary.

Marketing in higher education has a very different role today than it had only a few decades ago: from advertising, publicity, lobbying and fundraising as sporadic, non-systematic activities, it has developed a totally new dimension with emphasis on image and reputation creation, attracting new and alternative financial resources, etc. Estimations say that „traditional universities" allocate about 5% of their income for marketing purposes, in

comparison to over 20% of income allocated by private, market-oriented institutions (Maringe & Gibbs, 2009, p. 44). Student as the major stakeholder and his needs is in focus of all activities.

Marketing in higher education institutions based on integrated marketing principles of business sector helps them to face the challenges of the changes in the environment by creating so called „learning environment" which is customized to satisfy the recognized needs of the customers. In the context of marketing orientation the process of higher education is seen as an exchange process where institutions offer different knowledge, skills and competencies, preparation for career, satisfaction and other benefits to their customers by using different resources, and in return they receive tuition fees, donations, time and energy from their stakeholders (students, funders, labor market). Due to the better choice possibilities of higher education service providers, students today look for value added: better service, program quality and value for money. If we consider that the major goal of higher education institutions is delivery of high quality service it is necessary that all stakeholders cooperate in creation of such service which opens space for customer relationship marketing. In order to fulfill this goal higher education institutions have to implement marketing on both strategic and operational level in order to create stable but flexible structure and system.

However, it is still open for discussion: how well is marketing implemented in higher education and is there an efficient system and network between all stakeholders that enables organization and implementation of marketing orientation (Birnbaum, 2000).

Comparative analysis of the higher education market in Croatia, Slovenia and Hungary

Croatia, Slovenia and Hungary are facing enormously increased competition on higher education market in Europe as well as in their domestic markets. In Croatia and Hungary there are already over 50% of existing higher education institutions that can be categorized as profit-oriented, while in Slovenia there is equal number of traditional and private higher education institutions.

All three countries have law on higher education that regulates this area. In all three countries there is Ministry for higher education that is responsible for the education policies.

Croatia and Slovenia have started adjustment to Bologna process in 2005 and Hungary a year later. The structure of the higher education is similar in all three countries, and according to Bologna process divided into three levels: pre-diploma, diploma and doctoral level. Unlike Slovenia, Croatia and Hungary are facing the problem of unfavorable ratio of teaching staff and students, which affects the efficiency of the teaching process and is in collision with Bologna standards that require small study groups and individual approach to students.

Slovenia and Hungary are EU member countries which gives them certain benefits in terms of open access to EU higher education market (mobility of students, teaching and non-teaching staff), easier harmonization of ECTS scores and diplomas, availability of structural funds for higher education development, etc. On the other hand Croatia as a candidate country has less benefit and still has a long road ahead in systemizing different activities and policies in higher education and solving some of the existing problems: university autonomy, opaque dual higher education system (universities and polytechnics), non-existent network with the labor market, etc.

The most important source of financing for public universities is direct government financing where every single university is given so called block grant. Slovene and Croatian higher education is free for all full time students, while in Hungary there is a category of „private need students" that study full time but over the quota and finance their studies

themselves. Beside full-time students, in all three countries there is also a category of part-time students that also finance their own studies.

Due to the economic crisis that occurred in all three countries during past few years their governments have introduced different measures for the recovery which also included area of higher education. The economic crisis has weakened government finances and created high level of unemployment in these countries. In this context Croatia is facing the problem of high proportion of highly educated young people that are unemployable, which is beside the crisis also related to the discrepancy between higher education programs and labor market needs and requirements. In Hungary higher education institutions have taken an active role in helping their graduates to get employment or start their own careers. Higher education institutions in Hungary are faced with the problem of low interest for diploma studies since the labor market is not aware of difference between the two levels of education, while in Croatia the problem is opposite – labor market does not recognize pre-diploma level and considers it as „unfinished" education. Slovenia has currently the situation of 85% employment which is favorable for the higher education market development (Statistical Office of the Republic of Slovenia, 2009, p. 8).

All three countries strive for improvement of the higher education service quality. Higher education institutions in all three countries have developed programs for quality development. At least once a year internal evaluation is organized and external usually every three years. External evaluation is necessary for re-accreditation of the institution. Most of the universities in all three countries have offices and/or boards for quality assurance, although they don't exist on level of their member institutions.

The most important problems in all three countries are complicated responsibility system (national vs. local government and university vs. single faculties and departments), competition of new private higher education institutions, inefficiency and rigidity of the higher education system, and weak relation between higher education and labor market.

Research

Research of the higher education service quality was conducted at the Faculty of Economics and Business Management in Szeged, Hungary, GTK) (sample of 130 students), Faculty of Economics in Osijek, Croatia (EFO) (sample of 310 students) and Faculty of Economics in Ljubljana, Slovenia FELU) (sample of 250 students). The total of 690 responding students represent 8-12% of active students at each faculty. Research was conducted by highly structured questionnaire created according to SERVQAL model. In data analysis descriptive statistics, comparative analysis, correlations, multivariate analysis (factor analysis, method of principal axis factoring and reliability analysis), ANOVA, and IP analysis were used. *Table 1* shows sample description.

The major goal of this research was to determine important factors that contribute to the higher education service quality evaluation by students as its major stakeholders. Since this is a multi-cultural research the other goal was to determine if there are specific differences in different countries. Finally researchers wanted to give the overall evaluation of the researched institutions' education service quality and thus provide a tool for their marketing strategy development.

Table 2 shows the differences of students' opinions in relation to different aspects of education service quality. They are shown as average grades on the 5-point Likert scale, from 1 meaning „do not agree at all" to 5 meaning „totally agree".

Table 1. Sample description

		EFO		FELU		GTK	
	N	N	%	N	%	N	%
Year of study	1st	116	37,4	88	35,2	45	34,6
	2nd	73	23,5	56	22,4	47	36,2
	3rd	59	19,0	68	27,2	7	5,4
	4th	62	20,0	37	14,8	31	23,8
Student status	Non-paying	115	37,1	200	80,0	74	56,9
	Fully-paying	128	41,3	-	-	33	25,4
	Partly-paying	67	21,6	49	19,6	23	17,7
Study success (average grade)	2.0 – 3.0	94	30,3	129	51,6	16	12,3
	3.1 – 4.0	177	57,1	101	40,4	79	60,8
	over 4.1	39	12,6	15	6,0	35	26,9

Source: own calculations

Research results and discussion

The bolded values show the highest average grade of some aspect of higher education service quality at all three institutions. GTK has the largest number of different aspects evaluated as relatively best (9), FELU has 7, and EFO only one. However, if we analyze the total average score of all statements, i.e. aspects on higher education service quality, we see that they are almost identical – at FELU it is 3.79, at GTK 3.66, and at EFO 3.5.

Table 2. A comparison of education service quality evaluation

Good organization of studying	3,17	3,62	3,78
Acquired knowledge responds to my expectations	3,33	3,60	3,86
High level of applicability of acquired knowledge	3,77	3,61	3,28
Acquired knowledge is socially necessary	3,84	3,89	3,66
High program quality	3,49	3,77	3,81
Acquired knowledge enables my personal development	4,13	3,72	3,93
Adequate resources (library, PCs, classrooms, presentation equipment, and similar)	3,47	4,14	4,55
High quality of work of teaching staff	3,53	3,8	3,88
High quality of work by non-teaching staff	3,47	3,72	3,1
Good knowledge and capabilities of teaching staff	4,1	4,15	4,12
Good knowledge and capabilities of non-teaching staff	3,72	3,88	3,25
Politeness of teaching staff	3,49	3,77	3,84
Politeness of non-teaching staff	3,29	3,84	3,33
Credibility of teaching staff	3,58	3,92	4,0
Good organization of schedule	2,71	3,45	3,22
Good organization of opening hours	2,87	3,37	2,29
Good reputation of institution	3,55	4,22	4,3
Total	3,5	3,79	3,66

Source: own calculations

Since 17 variables were tested as different aspect of higher education service quality, there was need for their summing up to smaller number of common factors which relationship will be tested by correlation. Factor analysis and consistency analysis include all three institutions (N=690). The tested sample is 543 respondents (78.7%), and the rest was excluded from the factor analysis. Exploratory factor analysis extracted three factors:

- Factor 1 was named „**Organization and teaching staff“**. Variables included in this factor are those related to organization of studies, schedule, opening hours, resource availability and teaching staff work quality, their politeness and credibility.
- Factor 2 was named **„Non-teaching staff“**. Variables included in this factor are non-teaching staff, their politeness and quality of their work.
- Factor 3 was named **„Acquired knowledge“**. It included variables of acquired knowledge, its applicability, its social necessity, its respondence to students' expectations and its ability to enable personal development.

After factor analysis, ANOVA was used in order to determine statistically significant differences between factors and single variables from the socio-demographic data. Results are presented in table 3.

Table 3. Statistically significant differences between factors

	Student status		**Year of study**		**Study success**	
	F	Sig.	F	Sig.	F	Sig.
F1	11,298	,000*	1,350	,257	,119	,888
F2	1,046	,352	8,176	,000*	2,071	,127
F3	,511	,600	5,646	,001*	1,203	,301

Source: own calculations

There are statistically significant differences between all three factors. Factor 1 (organization and teaching staff) shows significant differences with regard to student status (F=11,298, p=.000). Full time students that don't pay for studying (within quota) have evaluated this factor with highest score (3.65), somewhat lower score was given by part-time students (3.59) and the lowest by „private need students (3.33) (only at GTK). Factor 2 (Non-teaching staff) and factor 3 (Acquired knowledge) show statistically significant differences with respect to year of study (F=8,176, p=.000; and F=5,646, p=.001). The highest average score to the both factors was given by first-year students (3.84 to factor 2 and 3.87 to factor 3), which seem logical since they are new in the system. The lowest score to factor 2 was given by second-year students (3.53) and to factor 3 by third-year students (3.53). The latter are close at the labor market and therefore more aware of what they got, and what the labor market requires. No significant differences were found with respect to study success.

Beside evaluation of different aspects of higher education service quality the students' motives for choice of certain institution were also analyzed. *Figure 1* shows that employability and program quality are the key motives for their choice, while location of the institution and „second choice“ are least important. However, „second choice“ is of relatively highest importance at EFO in comparison to other two institutions. GTK shows significantly highest relative value of location and study costs as motives for choice of the institution.

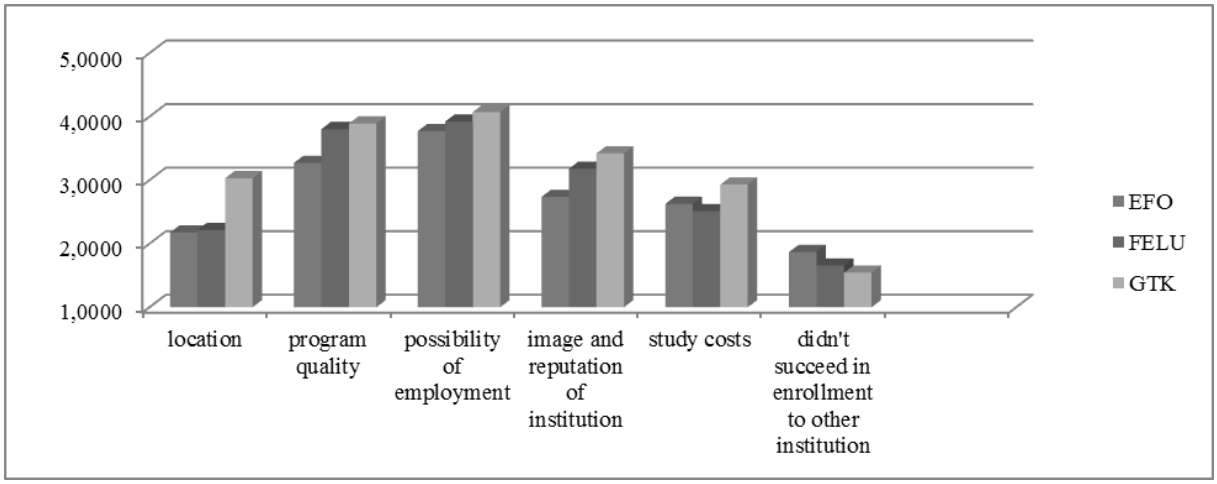

Figure 1. Reasons/motives for students' choice of institution

In order to determine the differences between students' expectations and actually perceived education service quality IP analysis was used. It is a method for education service quality evaluation that Joseph et al. (2005) used in order to define efficient management method for improvement of different aspects of higher education service quality by directing resources and organizational efforts to identified focal areas.

Focus groups in IP analysis are students in all three institutions, while factor list is divided into 4, according to identified most important motives for choice of institution – program quality, employability, institutional image and reputation, and study costs. IP analysis was used in a way that it takes students' motives as expected variables and evaluated corresponding aspects of higher education service quality as perceptual variables. The aim is to find out to what extent actual perceptions match with expectations at the enrollment to the institution. The following aspects of higher education service quality and motives were compared:

1. Program quality – the importance of program quality as a motive was compared with students' evaluation of: „ program quality“, „quality of work by teaching staff“ and „knowledge and capabilities of teaching staff“.
2. Employability – the importance of employability as a motive was compared with students' evaluation of: „acquired knowledge responds to my expectations“, „acquired knowledge is applicable“, „acquired knowledge is socially necessary“ and „acquired knowledge enables personal development“.
3. Image and reputation – the importance of image and reputation of the institution was compared with students' evaluation of „high level of credibility of teaching staff“ and „reputation of the institution in local environment“.
4. Study costs – the importance of this motive was compared with the students' evaluation of „adequacy of resources at the institution“.

Defined factors were placed into IP matrix in order to identify the aspects of higher education service quality that need to be developed in each institution.

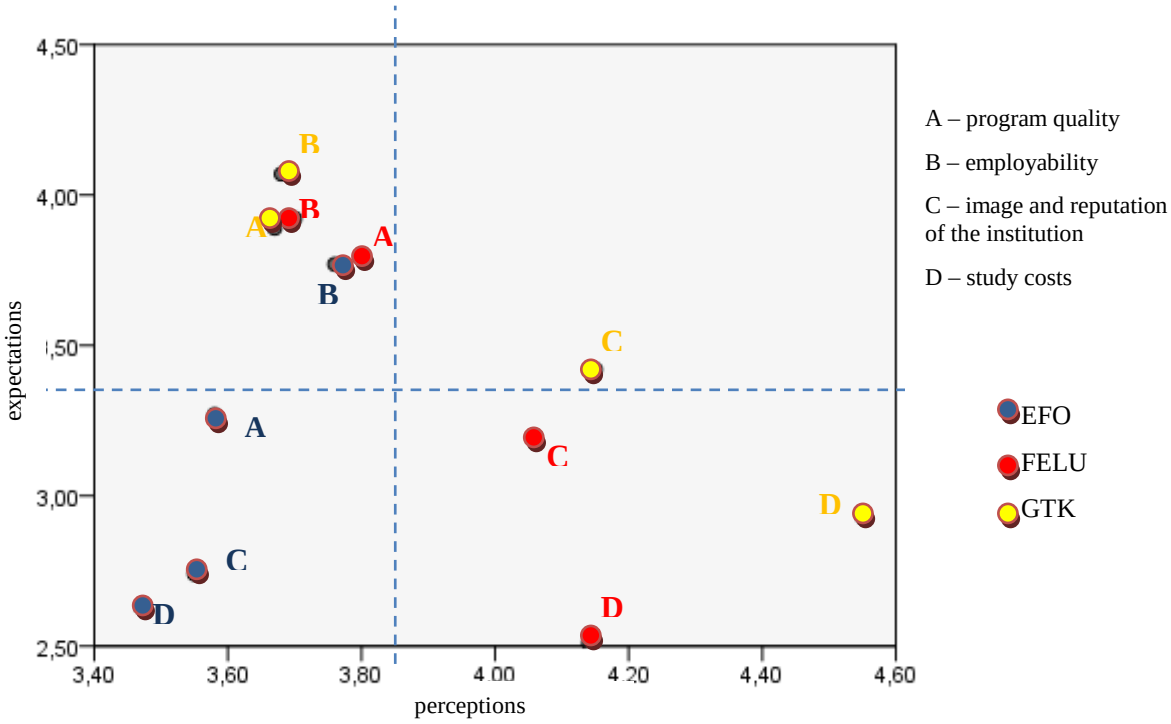

Figure 2. IP matrix

The IP matrix shows the following:

- Quadrant 1 (upper left corner – high expectations and low perceptions) – This quadrant shows the aspects of education service quality that have the highest potential for the creation of more competitive position in the market and most of the efforts should be concentrated on them. In our case, at all three institutions have the problem of incompability of perceptions of employability and evaluation of acquired knowledge and its applicability. The reason for this discrepancy might be in „too theoretical approach" to teaching process, and again, it points out to the necessity of better cooperation with the business sector. In this quadrant we also find the factor „program quality" at FELU and GTK. Students seem to be disappointed with the actual quality of the program and teaching staff which is not corresponsive to their expectations at the enrollment.
- Quadrant 2 (upper right corner – high expectations and high perceptions) – Only image and reputation of GTK is positioned in this quadrant. It shows that the institution is doing a good job concerning its image and reputation, probably in some aspects other than program quality. It has to work on maintaining this position.
- Quadrant 3 (lower right corner – low expectations and high perceptions) – in this quadrant we found study costs at FELU and GTK and image and reputation of FELU. In first case (study costs) it implies that students are „positively surprised" since they expected their study costs to be higher than they actually are. In case of image and reputation FELU should use the power of „word of mouth" of existing and past students in order to promote its image and reputation that is better that students expect it to be.
- Quadrant 4 (lower left – low expectation and low perceptions) – this quadrant contains three factors at EFO (program quality, image and reputation and study

costs). Only low expected and perceived study costs represent good position, while on the other two the institution has to work hard in order to improve its performance, service quality and competitive position.

Strategic implications

Higher education play increasingly important role in contemporary „knowledge society". There is growing demand for higher educated experts on labor market. In order to fulfill labor market needs and requirements, higher education institutions need to constantly work on improving their service quality in different ways: study process improvement, adaptation to changes in the labor market, financial, mobility and career development support for students are some of the most important issues. Market trends and environment changes are key elements to be followed in order to keep and improve the higher education service quality. Higher education service quality of the institution should be constantly monitored and adapted in order to satisfy both students and labor market needs and requirements.

Based upon research results the following marketing issues and goals have been identified:

1. Application and harmonization of programs with the Bologna process and criteria.

The identified serious problem at EFO and GTK is unfavorable ratio of teaching staff and students which highly impacts the quality of teaching process and is in contradiction with basic prerequirements of the Bologna process. It results in rather low evaluation of education service quality perceived by their students.

2. Harmonization of higher education service with labor market needs and requirements.

This problem is also relatively more serious at GTK and EFO which have suffered more from the existing economic crisis, particularly in term of employment. Disturbingly high proportion of highly educated young people is unemployed. At the same time labor market doesn't recognize the meaning of different levels of degree brought by Bologna system. Therefore it is a necessary task for higher education institutions to cooperate more closely with labor market and research their needs and requirements on one side and on the other to educate the labor market about meaning of Bologna process and degrees. This problem is of lesser importance at FELU since there is an efficient network and cooperation between the institution and business sector, which results in higher level of employability of students who obtain their degree. Hereby we suggest building up of alumni network as a bridge to development of more efficient communication with the business sector. Besides, establishment of the career center within the institution and organization of hands-on projects in companies could improve students' perception of the higher education service quality and result in their better employability.

3. Improvement of program quality.

Increasing competition on higher education market makes quality a key word for creation of competitive position of every institution. The research has indicated that quality of work of both teaching and non-teaching staff makes a significant part of the overall perception of higher education service quality, which could be improved at all three institutions. Nevertheless, some other aspects of higher education service quality can be introduced or improved: life-long learning program, better linking of formal, non-formal and informal learning in the curriculum, cooperation with labor market, etc.

4. Institutional marketing.

A number of often neglected marketing tools should be used to promote the institution: publicity, web marketing, public relations, direct marketing aimed at potential, current and former students in order to improve the image and reputation of the institution.

5. Establishment of marketing position at the institution.

In order to manage the previously mentioned institutional marketing issues, a great help could be appointing a marketing expert to do the job. Usually there is a marketing expert position at the university level (GTK, for example), but very rarely at single institution. Such an employee should provide constant market research, take care of efficient communication with all stakeholders of the institution, organize promotional activities, but also work on internal marketing in the institution which would improve cooperation between different departments and teaching and non-teaching staff and students.

Conclusions

All three researched institutions have significant potential for improvement of their competitive position on higher education market. All three of them enjoy very good image and reputation in their respective local environments and have identified strengths such are quality teaching staff, study resources, cooperation with similar institutions, etc. The most dangerous threat to their market position is the competition, particularly from private higher education institutions which seem to be more flexible and market oriented. Understanding of value and importance of marketing concept application in the field of higher education is a prerequisite for their successful market performance, due to dynamic changes in needs, requirements and values of all stakeholders.

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