

**ANALYSIS OF CHANGE MANAGEMENT,
VALUE CO-CREATION STRATEGIES AND
STUDENT SATISFACTION ON CUSTOMER
RELATIONSHIP MANAGEMENT IN
SELECTED MALAYSIAN HIGHER
EDUCATION INSTITUTIONS**

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**ASIA e UNIVERSITY
2024**

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STRATEGIES AND STUDENT SATISFACTION ON CUSTOMER
RELATIONSHIP MANAGEMENT IN SELECTED MALAYSIAN HIGHER
EDUCATION INSTITUTIONS

LEE LIAN FEY

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Fulfilment of the Requirements for the
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ABSTRACT

In response to the intense competition and fragmented implementation of customer relationship management (CRM) in Malaysian private higher education institutions, this quantitative exploratory study investigates the impact of change management and value co-creation strategies on the effectiveness of CRM within this sector, with a particular emphasis on student satisfaction as a mediating factor. The study examines five change management strategies: Selling Change, Change Infrastructure, Training, Organizational Structure, and Incentives, as well as two value co-creation strategies: Student Participation and Participatory Communication. The study sampled 507 management staff members from 32 institutions affiliated with the Malaysian Association of Private Colleges and Universities (MAPCU), which includes both private universities and branch campuses of foreign universities. These institutions represent a substantial portion of the top-ranked Malaysian private universities in the QS World University Rankings 2023. Data were collected using a purposive sampling method and analysed with SmartPLS software. The analysis confirmed the reliability and validity of the constructs, as evidenced by strong Cronbach's Alpha values, composite reliability exceeding the acceptable threshold, and robust Average Variance Extracted (AVE) values. Furthermore, the square root of the AVE supported the discriminant validity of the constructs. Findings revealed that participatory communication significantly affects the effectiveness of customer relationship management (CRM). In contrast, training exhibited an unexpected negative association, suggesting a misalignment with CRM objectives. Change infrastructure and organizational structure demonstrated marginal significance, while selling change, incentives, and student participation showed no significant direct effects on CRM. However, the mediated effects of student satisfaction revealed significant relationships with Customer Relationship Management (CRM) for most strategies. The strategies of Selling Change, Change Infrastructure, and Organizational Structure positively influenced CRM through student satisfaction. The negative or insignificant impacts of Training and Incentives indicate a need for strategic realignment. Notably, Participatory Communication had a significant direct impact on both CRM effectiveness and student satisfaction, underscoring its importance in CRM outcomes. While the direct impact of Student Participation on CRM effectiveness was less pronounced, it significantly enhanced student satisfaction. These findings underscore the mediating role of student satisfaction across all strategies, highlighting its significance in improving Customer Relationship Management (CRM) outcomes in Malaysian private higher education institutions. The study offers valuable insights for administrators to refine CRM strategies, enhance the student experience at every touchpoint of the learning journey, and address challenges related to student enrolment and retention. This approach ensures a more cohesive and integrated implementation of CRM. Additionally, it emphasizes the necessity of incorporating change management, value co-creation, and student satisfaction to bolster CRM effectiveness. Future research could further investigate these findings in various educational contexts and assess their long-term impacts on institutional performance.

Keywords: Change management, value co-creation, customer relationship management, private higher education institutions, Malaysia, student satisfaction, quantitative exploratory research

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Philosophy.

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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

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A handwritten signature in cursive script that reads "Lee Lian Fey". The first letter "L" is large and stylized, with the rest of the name written in a smaller, flowing cursive.

Signature of Candidate:

Date: 4 July 2024

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In this journey, long and bright,
Through days of toil and starry nights,
A humble note, my heart's true plea,
To those who sailed this sea with me.

To mentors wise, whose guiding light,
Illumined paths, made futures bright,
Your wisdom shared, a priceless gift,
My spirit, high, you did uplift.

To all unseen, yet ever near,
Your silent roles, I hold most dear,
In every line, in every word,
Your unseen contributions, I've inferred.

This work, a voyage of the mind,
Was not a journey made by one,
But a tapestry of many threads,
By caring hands, skillfully spun.

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With a heart full of thanks to send.
For every step, and every mile,
You've made it all so very worthwhile.

In gratitude, I pen this verse,
For those who lifted this academic curse.
Your roles so vital, played with grace,
In my heart, you all have a special place.

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LIST OF ABBREVIATIONS

CEIC	Census and Economic Information Center
ChgInf	Change Infrastructure
CRM	Customer Relationship Management
DOSM	The Department of Statistics Malaysia
EScrm	Effective and Sustainable Customer Relationship Management
GDP	Gross Domestic Product
Incen	Incentives
MOHE	Ministry of Higher Education
OrgStruc	Organizational Structure
PComm	Participatory Communication
PHEIs	Private Higher Education Institutions
SChg	Selling Change
StudP	Student Participation
StuSatis	Student Satisfaction
Train	Training

CHAPTER 1

INTRODUCTION

1.0 Introduction

Customer Relationship Management (CRM) has become a pivotal element in the success of organizations across various sectors, including higher education. In the dynamic landscape of Malaysian Private Higher Education Institutions (PHEIs), the need for effective CRM strategies has never been more critical. This dissertation explores the intricate relationships between change management, value co-creation strategies, and student satisfaction, and how these elements collectively influence CRM effectiveness. The study aims to uncover the mechanisms through which these strategies can be optimized to enhance student experiences and institutional success.

1.1 Background of the Study

1.1.1 Higher Education Landscape in Malaysia

The higher education landscape in Malaysia has undergone significant transformations in recent years, fuelled by the Ministry of Higher Education's (MOHE) vision to establish Malaysia as a centre of excellence for higher education by 2020. According to the 2022 Statistics of Higher Education, Malaysia is home to diverse higher education institutions, both public and private, serving a total student population of 1,202,202 as of December 31, 2022 (Table 1.1). This includes 104,448 international students from more than 172 countries.

Public universities dominate the landscape, with 20 institutions accounting for 595,624 students, underscoring their significance in providing higher education opportunities in the country. Polytechnics and community colleges also play important roles, with 36 polytechnics enrolling 77,816 students and 102 community

colleges enrolling 15,239 students. Overall, enrolment at these three types of public institutions accounted for 57% of the total enrolment.

Table 1.1: Overview of higher education institutions in Malaysia

Types of Higher Education Institutions (HEIs)	Quantity	%	Total Student Enrolment	%
Public Universities	20	3%	595,624	50%
Polytechnics	36	6%	77,816	6%
Community Colleges	102	18%	15,239	1%
Private Higher Education Institutions	416	73%	513,523	43%
Total	574	100%	1,202,202	100%

Source: Ministry of Higher Education Malaysia 2022 Statistics of Higher Education

Private higher education institutions (PHEIs) are also notable players, with 416 institutions enrolling 513,523 students, accounting for approximately 43% of total enrolment. The data (Table 1.2) underscores the importance of private higher education institutions in Malaysia's higher education system and their role in accommodating a wide range of students. The presence of 55 private universities, 10 branches of foreign universities, 35 university colleges, and 316 colleges collectively contributes to the overall enrolment numbers and provides students with diverse educational opportunities. This diversity in PHEIs contributes to the growth and development of Malaysia's higher education sector and supports the country's vision of becoming a centre of educational excellence.

It is noteworthy that universities, branch campuses of foreign universities, and university colleges play a significant role in the private education sector in Malaysia. These 100 institutions have a combined enrolment of 379,941 out of the total enrolment of 513,523, accounting for 74% of the total enrolment in private

higher education institutions in Malaysia. These institutions represent the majority of students in private higher education, suggesting they have a substantial presence and influence in shaping the private education landscape in Malaysia.

Table 1.2: Overview of private higher education institutions in Malaysia

Types of PHEIs	Quantity	%	Total Enrolment	%
Universities	55	13%	301,957	59%
Branches of Foreign Universities	10	2%	28,187	5%
University Colleges	35	9%	49,797	10%
Colleges	316	76%	133,582	26%
Total	416	100%	513,523	100%

Source: Ministry of Higher Education Malaysia 2022 Statistics of Higher Education

This data provides a snapshot of the higher education landscape in Malaysia, highlighting the pivotal role of both public and private institutions in serving the educational needs of students and supporting the country's goals for higher education.

1.1.2 Competition and Challenges in Private Higher Education Institutions

Despite the overall growth in the higher education sector, PHEIs in Malaysia face a highly competitive environment. Figure 1.1 exhibits a 17% reduction in the number of PHEIs, from 501 in 2016 to 416 in 2022. This decline predominantly affects colleges with financial constraints and those that lack unique value propositions. Undifferentiated institutions face the risk of dwindling enrolments, exacerbated by students' preference for institutions with a strong academic reputation.

Table 1.3 reveals a persistent decline in total student enrolment in Malaysia's Private Higher Education Institutions (PHEIs). Figure 1.2 delineates the downward trend in enrolment of both international and Malaysian students. Notably, the decline

in enrolment among Malaysian students is more pronounced than that of international students. Given the increasing competition and challenges associated with student enrolment and retention, it is imperative that PHEIs take a closer look at these trends and identify contributing factors.

Figure 1.1: The downward trend of PHEIs in Malaysia

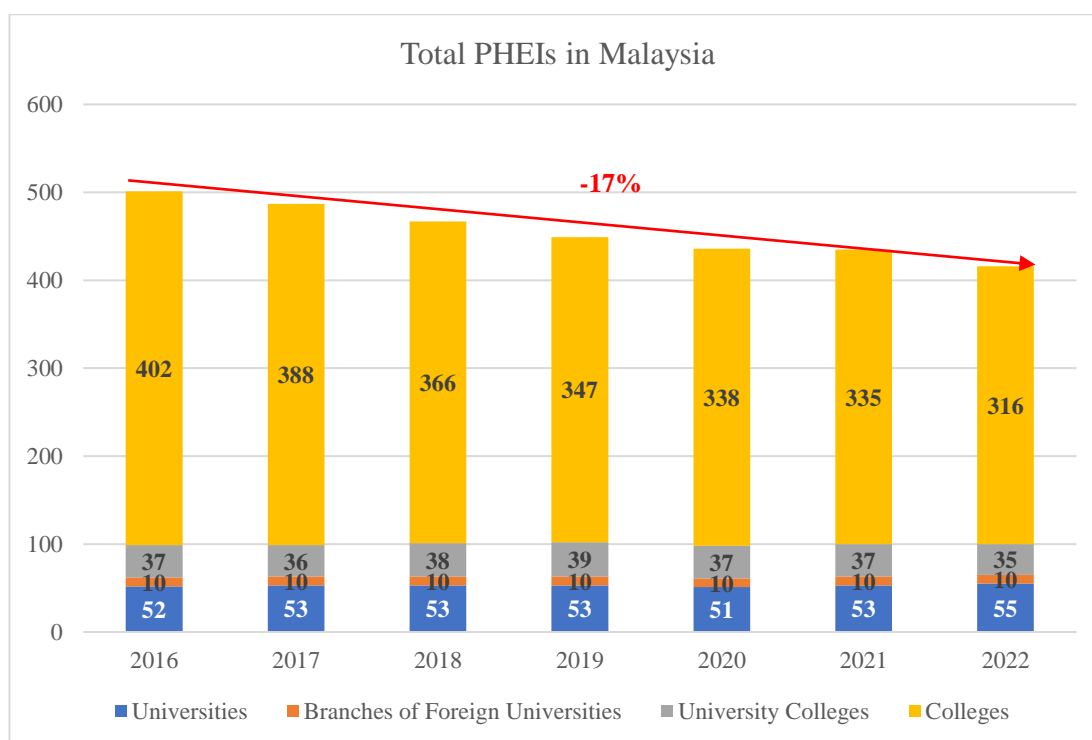


Table 1.3: Total student enrolment in PHEIs (Years 2016 to 2022)

Types of PHEI	Total Student Enrolment						
	2016	2017	2018	2019	2020	2021	2022
Universities	395,433	310,036	332,843	328,978	271,854	269,305	301,957
Branches of Foreign Universities	74,527	29,987	27,566	28,103	29,207	27,814	28,187
University Colleges	25,819	97,453	89,512	88,530	77,660	73,338	49,797
Colleges	199,247	229,141	218,768	187,733	158,713	147,123	133,582
TOTAL	695,026	666,617	668,689	633,344	537,434	517,580	513,523

Source: Ministry of Higher Education Malaysia 2016-2022 Statistics of Higher Education

The National Educational Blueprint 2013-2025 (Higher Education) underscores Malaysia's ambition to become an excellent international higher education hub and attract 250,000 international students by 2025. In 2022, PHEIs accounted for approximately 58% of the international student population in Malaysia, emphasizing their significance in the global education market.

Figure 1.2: The downward trend of student enrolment in PHEIs

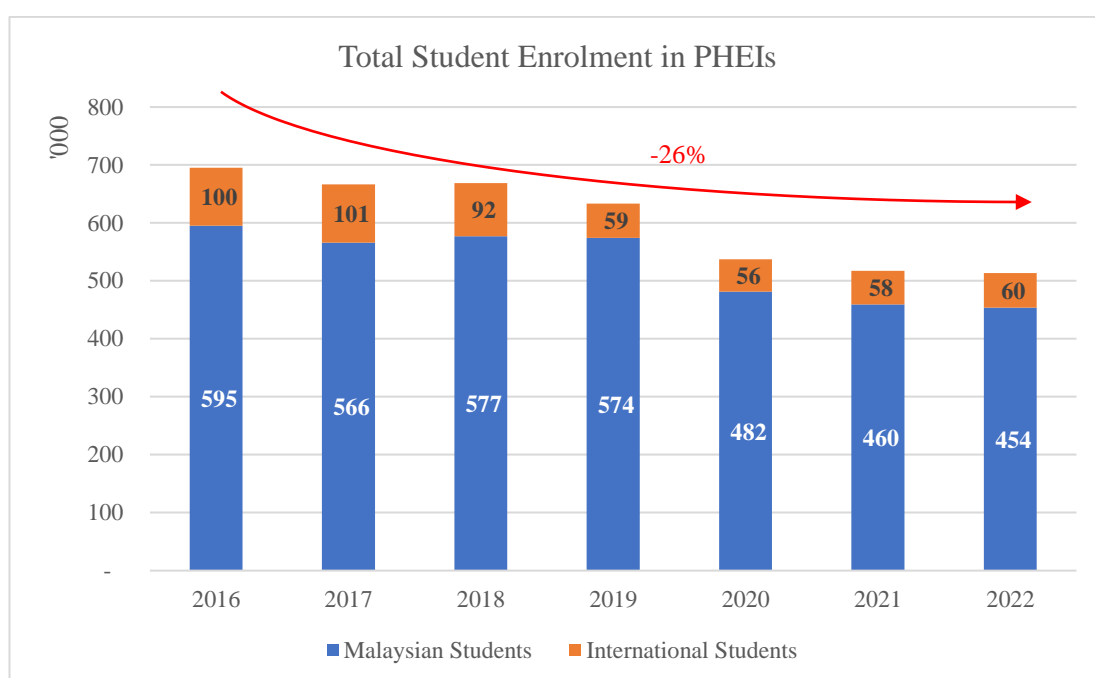


Table 1.4: Total international student enrolment in PHEIs (Years 2016 – 2022)

PHEIs	Total International Student Enrollment						
	2016	2017	2018	2019	2020	2021	2022
Total	99,679	100,765	91,707	59,013	55,749	58,063	59,906

Source: Ministry of Higher Education Malaysia 2016-2022 Statistics of Higher Education

Table 1.4 reveals a fluctuating trend in total international student enrolment in Private Higher Education Institutions (PHEIs) from 2016 to 2022. Enrolment experienced a significant decline of approximately 35% in 2019, attributed to intense

competition and changes in national policies and regulations affecting international students. The global COVID-19 pandemic worsened this downward trend in 2020 and 2021. However, data indicate a slight recovery in international student enrolment in PHEIs for the year 2022.

The fluctuating trend in international student enrolment underscores the need for PHEIs to be adaptable and responsive to changing global circumstances and domestic policy changes. As the world recovers from the pandemic and international travel resumes, PHEIs in Malaysia should prioritize revitalizing their international student recruitment efforts. Consequently, there is a pressing need to refine recruitment strategies and bolster student retention and support services, aiming to sustain and expand the international student base in the coming years.

1.1.3 Economic Contribution

According to a recent report by SME Bank Economic Research, which synthesizes data from CEIC, the Department of Statistics Malaysia (DOSM), the Ministry of Education Malaysia (MOE), and the Ministry of Higher Education (MOHE), the private education sector experienced consistent annual growth of approximately 7.7% from 2015 to 2019. The sector not only contributes to GDP but also generates employment and foreign currency earnings. The value nearly reached RM 12 billion in 2019, prior to the disruption caused by the global pandemic. As of 2022, the sector's GDP contribution remains around 3% below its pre-pandemic levels in 2019, indicating a steady but incomplete economic recovery.

The Malaysian government views the private education sector as a critical driver of economic growth and development. With Malaysia's growing popularity as a destination for international students, the sector is poised for further growth in the coming years, as the country aims to become a regional hub for education and

training. To this end, various government initiatives have been implemented to sustain the sector's quality and contributions to the economy. These initiatives are designed to ensure the continued provision of high-quality education and skills training, further enhancing the sector's role in national economic development.

The quality of private education in Malaysia has improved significantly in recent years. The nation has implemented rating systems to ensure the overall quality of education. The SETARA (Rating System for Higher Education Institutions in Malaysia), introduced in 2009, and the MyQUEST (Malaysian Quality Evaluation System for Private Colleges), established in 2011, serve as reliable references for students and parents when selecting institutions and programs of study offered by various private higher education institutions (PHEIs).

1.1.4 Rationale for the Study

In light of the challenges and intense competition, private higher education institutions (PHEIs) urgently need to reassess their recruitment and retention strategies. As PHEIs compete for the same student market, the success of each institution's enrolment largely hinges on the effectiveness of their competitive marketing strategies (Sánchez-Gutiérrez et al., 2019; Tubulingane & Baporikar, 2020). Beyond student recruitment, sustainable success requires the implementation of strategies that can nurture long-lasting relationships with students, thereby enhancing satisfaction, retention, and overall institutional performance.

Building long-lasting relationships with students heavily relies on their day-to-day experiences in interactions with various institutional touchpoints. Favourable experiences elevate student satisfaction, while negative encounters detract from it. Therefore, the significance of student satisfaction in shaping the success of higher education institutions is undeniable. As the primary consumers of educational

services, students influence an institution's reputation, financial stability, and overall performance. By prioritizing student satisfaction, institutions can foster loyalty, encourage positive word-of-mouth, and enhance their competitive advantage.

The intensifying competition within the higher education landscape necessitates innovative strategies to not only attract but also retain students. Customer Relationship Management (CRM) has emerged as a critical strategy for institutions seeking to build strong relationships with students. However, successful CRM implementation requires a holistic approach that integrates strategies to enhance student satisfaction. Effective CRM strategies should not merely focus on student acquisition but should comprehensively nurture lasting relationships between the institution and students throughout their entire learning journey and experience. Satisfied students are more likely to continue their studies at the institution and promote it positively. Therefore, it is important to identify strategies that PHEIs can apply to enhance student satisfaction, strengthen institution-student relationships, and thereby improve overall institutional performance.

1.2 Problem Statement

Intense Competition

Private Higher Education Institutions (PHEIs) in Malaysia are facing significant challenges in student enrolment, as evidenced by data from the Ministry of Higher Education (MOHE). Since 2016, there has been a noticeable decline in new student intake, a situation worsened by the COVID-19 pandemic (Table 1.5). Total new student enrolment has sharply decreased by 32%, with colleges experiencing the most significant declines, as illustrated in Figure 1.4. This downturn is causing financial strain for many institutions, potentially leading to unsustainable losses and risking the closure of some institutions. Moreover, this decline poses a critical threat

to the contribution of higher education to national growth. These circumstances highlight the urgent need for PHEIs to develop and implement effective strategies for student recruitment and retention. Given the dynamic and competitive market, the future success of PHEIs in Malaysia hinges on building meaningful relationships with both existing and potential students, who are the customers of these institutions.

Table 1.5: Total new student intake in PHEIs (Years 2016 to 2022)

Types of PHEI	New Student Intake						
	2016	2017	2018	2019	2020	2021	2022
Universities	108,349	102,194	92,025	78,861	74,955	78,264	93,334
Branch Campuses of Foreign Universities	33,070	13,476	10,497	12,427	10,818	10,124	10,183
University Colleges	9,358	37,571	29,909	28,869	27,219	27,675	17,715
Colleges	100,710	85,648	70,518	62,695	52,166	48,697	50,757
TOTAL	251,487	238,889	202,949	182,852	165,158	164,760	171,889

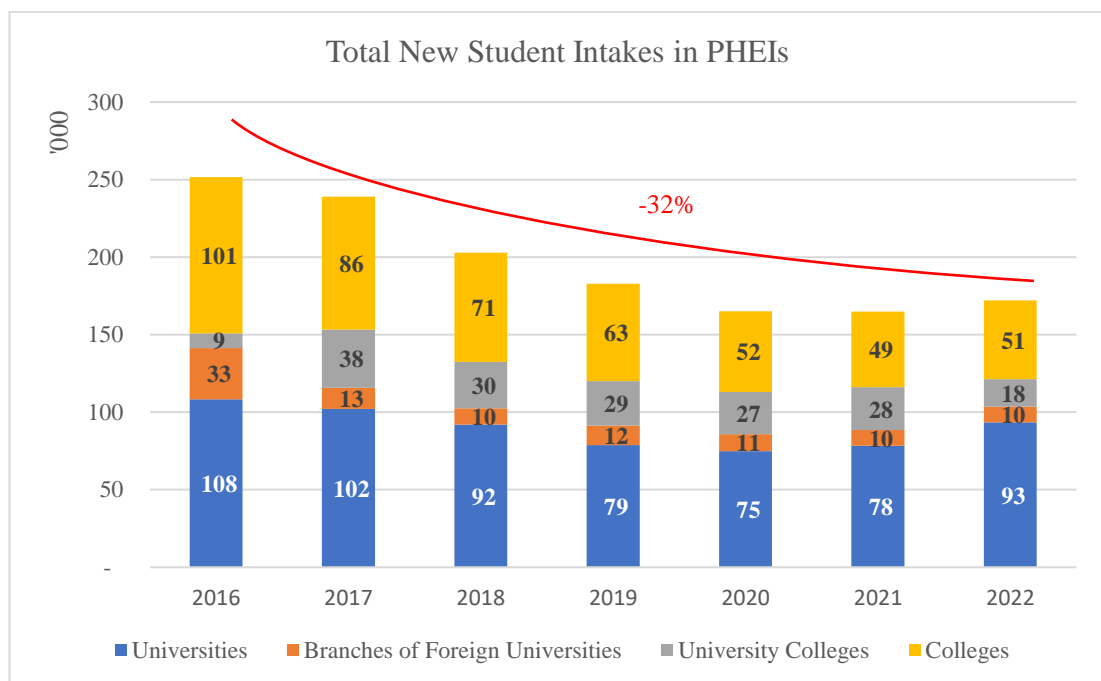
Source: Ministry of Higher Education Malaysia 2016-2022 Statistics of Higher Education

Customer Relationship Management (CRM)

Customer Relationship Management (CRM) aims to provide exceptional service by managing interactions with customers across multiple functional units and departments within organizations (Peppers & Rogers, 2016; Homburg et al., 2017). Its goal is to offer an outstanding customer experience at various touchpoints (Dirsehan, 2020). In private higher education institutions, these touchpoints extend beyond traditional customer service channels to include enrolment services, registrar and bursary services, career guidance, student life, and academic support services (Fernández, 2008; John & De Villiers, 2022). As illustrated by Dirsehan (2020), a

comprehensive university customer experience encompasses three phases: student acquisition, the learning experience post-enrolment, and the transition to alumni status. Effective CRM strategies are vital for maintaining high-quality, student-centric interactions and services throughout the educational journey, thereby enhancing student satisfaction and retention.

Figure 1.3: The downward trend of new student intakes in PHEIs



Fragmented Customer Experience Journey

Various PHEIs in Malaysia have implemented Customer Relationship Management (CRM) strategies to enhance the customer experience, with a primary focus on improving student satisfaction. Despite the multi-faceted journey, many of these institutions primarily concentrate on the acquisition phase. A significant challenge faced by PHEIs is the decline in service quality that students experience after enrolment. The implementation of CRM in PHEIs appears to be fragmented. This limited approach often restricts CRM efforts to marketing and student recruitment, overlooking its broader potential (Ariffin et al., 2010; Manogharan, 2018; Fong et al.,