THE EFFECT OF STUDENT CULTURE ON LOYALTY TO AND
PERCEIVED QUALITY OF A UNIVERSITY’S MASTER OF BUSINESS
PROGRAMS

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ABSTRACT

In this study the loyalty and perceived quality elements of Brand Equity were slightly modified from Netemeyer, Krishnan, Pullig, Wang, Yagci, Dean, Ricks and Wirth’s (2004) Brand Equity measures. The relationship between 548 Master of Business students’ cultural values and their level of loyalty to, and perceived quality of, their university is being examined within this paper. The sample was taken from a large regional university in Melbourne, Australia. Robertson and Hoffman’s (2000) Cultural Values Scale was used to measure students’ cultural values as this scale was derived from Hofstede’s (1980; 1991) Cultural Values Framework. Some of the major findings of this study were that high Collectivism, Uncertainty Avoidance and Power Distance ratings are the key determinants of student loyalty and perceived quality.

Keywords: Loyalty, Perceived Quality, Culture, Students, Universities

INTRODUCTION

The continued globalisation of Australia’s higher education sector is resulting in changes to student demographics. In the 2004 academic year there were 186,432 international student enrolments which accounted for over 22 percent of overall student enrolments (Australian Government, 2005). This signifies an increase of 18 percent or 29,136 international student enrolments in just two years (Australian Government, 2005; Roach, 2003). Roach (2003) has also made the prediction that there will be over one million international students enrolled in Australian universities by 2025 and will be worth in excess of $38 billion. There seems to be little research into the influences of student culture on their loyalty to, and perceived quality of, their university. This paper examines whether student cultural values affect their loyalty to, and perceived quality of, their university.

LITERATURE REVIEW

East, Sinclair and Gendall (2000) describe loyalty as different consumer behaviours towards either a brand, store or service. Ceuvorst (1994: 68) defines loyalty as …looking backward at what has happened. Hence, by keeping records on consumer commitment gives organisations the opportunity to anticipate market changes, form opinions and strategies as deemed appropriate. East et al. (2000)
had identified wide ranging definitions of loyalty and categorised these into two distinct areas: behavioural measures and attitude-behaviour combinations. Patterson (2000) also describes loyalty as attitudinal or behavioural, by specifically stating that loyalty consists of economising on search effort and reducing environmental uncertainty. Caldow, Patterson and Uncle (2000) found that friendship is correlated to loyalty and that the strength of this correlation varies according to industry.

Brand loyalty according to Aaker (1991) is the central hub of brand equity. Low brand equity is where consumers are indifferent to the brand. These consumers purchase goods or services with regards to features, price and convenience but have little interest or concern about the brand. Aaker (1991) speaks with admiration for products/services with high brand equity. If consumers continue to purchase goods even though competition, superior products and cheaper alternatives increase, then considerable value exists for the brand and therefore as brand loyalty increases, switching behaviour decreases.

Aaker (1991) also identifies that brand loyalty has a close relationship with customer usage experiences and therefore cannot exist without prior purchase and usage experiences. Maintaining brand loyalty of existing customers is a strategic asset for organisations. Some strategies outlined by Aaker (1991) to maintain customer loyalty include: treating the customer favourably, remaining close to customers, measure and manage customer satisfaction, and create switching costs and provide extras. He also highlights the value added to organisations as: reduced marketing costs, trade leverage and attracting new customers through brand awareness. Harris and Uncle (2000) found past experiences are positively associated to future intentions in the airline industry. They found that situational factors (word of mouth) affect future intentions. Future intentions were also found to be positively related to reuse (Harris et al., 2000). A similar relationship may also exist within the higher education sector where student past experiences affect their willingness to repurchase another course.

*Quality is an unusually slippery concept, easy to visualise yet exasperatingly difficult to define* (Garvin, 1988: ix). Llosa, Chandon and Orsingher (1998) state there are close relationships between
service quality and customer satisfaction, customer loyalty, market share and profitability. Through the creation and delivery of quality services it is hoped that businesses will improve their customer satisfaction levels and their competitive advantage (Lin, Durden, Imrie, & Cadogan, 2000). Perceived quality is derived from the consumer’s overall evaluation of a service experience (Aldridge & Rowley, 1998).

Perceived quality cannot be considered an objective means as it measures customer perceptions and judgements and thus perceived quality needs to be defined in accordance with an intended purpose and a set of alternatives (Aaker, 1991). Sharp, Page and Dawes (2000) agree with Aaker (1991) as service quality involves asking customers for subjective attitudinal evaluations. Aaker (1991) states that perceived quality provides value to organisations in five specific ways: reason to buy, product differentiation and position, creating a price premium, channel member interest and through brand extensions. Within an education context Martens and Prosser (1998: 30) outline two approaches to creating quality:

1. An approach based on ensuring that the subject as a whole, and not just the teachers, are contributing to the improvement of student learning over time. Good teaching is seen in terms of enhancing the relationship between the student and the subject not just in terms of how individual staff members are performing – the focus is on the continuous improving of student learning.

2. An approach based on ensuring that teaching staff fulfil their duties and identifying those who are not performing adequately, often relying on standardised student evaluation questionnaires to monitor staff performance – the focus is on managing individual staff performance.

Another approach to creating quality in the higher education sector is presented by Pennington and O’Neil (1994: 16-17):

1. Enhance Student’s General Capabilities and Work Related Skills
2. Use Student Experience as a Learning Resource
3. Encourage Active and Co-operative Learning
4. Promote Responsibility in Learning
5. Engage with Feelings, Values and Motives (the Affective Domain) as well as with Intellectual Development (the Cognitive Domain)
6. Foster Open, Flexible, Reflexive and Outcomes-based Assessment
7. Evaluate Teaching and Learning
8. Establishing Congruence between Learning and Teaching Activities and the Milieu in Which They Occur
Different cultural traditions produce different attitudes as identified by Hofstede (1980; 1991) and Hofstede and Hofstede (2005). Hofstede’s (1980; 1991) Cultural Values Framework is well respected and commonly used to measure societal differences (Robertson, 2000; Robertson et al., 2000). Hofstede’s framework (1980; 1991) initially consisted of four dimensions: Power Distance, Uncertainty Avoidance, Individualism/Collectivism, and Masculinity/Femininity, with a fifth added later: Short-Term/Long-Term Orientation (Hofstede & Bond, 1988; Hofstede et al., 2005). Power Distance describes how less powerful members within a society expect and accept power is distributed unequally (Hofstede et al., 2005). Countries with low Power Distance values are democratic in their approach to power distribution. Uncertainty Avoidance gauges the level of discomfort associated to ambiguous or unknown situations (Hofstede, 1991; Hofstede et al., 2005). The higher a country’s Uncertainty Avoidance rating the more uncomfortable they are with change and innovation. This may also be true in a classroom setting where students who hold high Uncertainty Avoidance scores are uncomfortable with educational innovations.

Individualism and Collectivism are opposites. Individualism signifies loose ties between individuals within a society (Hofstede, 1991; Hofstede et al., 2005). Collectivism stands for strong cohesive in-groups within society (Hofstede, 1991). Hofstede (1991) and Hofstede et al. (2005) found Anglo-Saxon countries to be highly individualist headed by the USA. Hofstede’s (1991) Masculinity value stands for gender roles where men are assertive, tough and focused on material success, where as women are concerned with quality of life issues. Femininity is opposite, where both genders are modest, tender and quality of life is important (Hofstede et al., 2005). Anglo-Saxon countries score low on Femininity and high on Masculinity where Asian countries except for Japan are opposite scoring high on Femininity and low on Masculinity (Hofstede, 1991; Hofstede et al., 2005). Short-Term Orientation describes the values related to the past and present: respect for tradition, preservation of face and fulfilling social obligations (Hofstede et al., 2005). Long-Term Orientation is opposite standing for fostering virtues: perseverance and thrift (Hofstede et al., 2005). Anglo-Saxon countries score low on Long-Term Orientation and high on Short-Term Orientation. China and other far eastern countries are opposite scoring low on Short-Term Orientation and high on Long-Term
Orientation (Hofstede, 1991; Hofstede et al., 2005). This highlights the importance and the implications of student cultural values and their course experience specifically their loyalty to and perceived quality of universities.

\[ P_1: \text{Student cultural values are significantly associated with and explain unique variation in their loyalty to, and perceived quality of, their university.} \]

**METHODOLOGY**

A total of 548 Master of Business students at a Melbourne City Campus, Graduate School of Business of a large Australian University were respondents to the survey used in this study. This was an opportunity sample. Robertson and Hoffman’s (2000) Cultural Values Scale derived from Hofstede’s (1980; 1991) framework was used to measure students’ cultural values. The Brand Equity elements: Loyalty and Perceived Quality were slightly modified from Netemeyer, Krishnan, Pullig, Wang, Yagci, Dean, Ricks and Wirth’s (2004) Brand Equity measures. The slight modifications were that the word “product” was changed to the word “course” and this “company” became this “University”. The Short-Term/Long-Term Orientation cultural value was not used within this study as it has been problematic within similar settings (see: Mitsis & Foley, 2003, 2004a, b, c, 2005a, b). The Cultural Value Scale items and the Brand Equity elements were coded: 1 = strongly disagree to 7 = strongly agree. SPSS v.11 was used to conduct statistical analyses. This study’s proposition was operationalised as four hypotheses:

\[ H_{1,2}: \text{Student Cultural Values: Collectivism, Uncertainty Avoidance, Masculinity and Power Distance are significantly correlated at the zero-order level with the Brand Equity elements: Loyalty and Perceived Quality.} \]

\[ H_{3,4}: \text{Student Cultural Values: Collectivism, Uncertainty Avoidance, Masculinity and Power Distance will each uniquely explain variation in the Brand Equity elements: Loyalty and Perceived Quality.} \]

**RESULTS**

The results are presented into two sections. Section one tests Hypotheses 1 and 2 by examining the correlations between the Cultural Values and the Brand Equity elements: Loyalty and Perceived Quality. Section two presents the two Ordinary Least Squares (OLS) Regressions conducted to test Hypotheses 3 and 4. Good Cronbach’s alpha reliabilities were found across the Cultural Values and
the Brand Equity elements, and the variable name in brackets highlights the positive scaling direction of the variable: Individualism/Collectivism (Collect) 0.80, Uncertainty Avoidance (Uncert_H) 0.85, Masculinity/Femininity (Masculin) 0.88, Power Distance (Power_H) 0.83, Loyalty 0.83 and Perceived Quality (Quality) 0.92. Loyalty and Perceived Quality though highly correlated ($r = 0.782 \ p < 0.000$, see Table 1) show discriminant validity as their Cronbach’s alphas, 0.83 and 0.92 were higher than the inter-scale correlation of 0.78.

The correlation coefficients for these variables are presented in Table 1 below and the following discussion is based upon this table. At the zero-order level there are a number of significant correlations between the four Cultural Values and the two Brand Equity elements. The Loyalty element of Brand Equity has significant positive zero-order correlations with the cultural values: Collectivism, Uncertainty Avoidance, Masculinity and Power Distance, their strength is weak, $r =$ 0.268, 0.211, 0.160 and 0.174 respectively. Hypothesis 1 was fully supported as all four cultural values: Collectivism, Uncertainty Avoidance, Masculinity and Power Distance were all correlated at the zero-order level with Loyalty. As their $r$ values suggest all four cultural values provided a low explanation of variation in Loyalty with Collectivism, Uncertainty Avoidance, Masculinity and Power Distance explaining 7.2%, 4.5%, 2.6% and 3% respectively.

Perceived Quality has significant positive correlations with the cultural values: Collectivism, Uncertainty Avoidance, Masculinity and Power Distance, their strength is weak, $r =$ 0.313, 0.188, 0.211 and 0.237 respectively. Hypothesis 2 was also fully supported as all the cultural values: Collectivism, Uncertainty Avoidance, Masculinity and Power Distance were all significantly correlated at the zero-order level with the Brand Equity element: Perceived Quality. As their $r$ values suggest there is only a small variation explained between the variables: Collectivism and Perceived Quality (9.8%), Uncertainty Avoidance and Perceived Quality (3.5%), Masculinity and Perceived Quality (4.5%), and Power Distance and Perceived Quality (5.6%).
Section two presents the results from the two OLS Regressions conducted to test Hypotheses 3 and 4. The cultural values: Collectivism, Uncertainty Avoidance, Masculinity and Power Distance are the independent variables and the dependent variables for Hypotheses 3 and 4 are the Brand Equity elements: Loyalty and Perceived Quality respectively.

A multiple regression analysis was conducted between the Loyalty element and the independent cultural values: Collectivism, Uncertainty Avoidance, Masculinity and Power Distance. The multiple $R$ (0.326) was significant, ($F(4,543) = 16.153, p<0.001$). In total 10.6% (10% adjusted) of variation in the Loyalty element was accounted for by the cultural values ($R^2 = 0.106$, adj. $R^2 = 0.100$). Tables 2 and 3 below indicate that the standardised regression coefficient (Beta) for three cultural values: Uncertainty Avoidance, Collectivism and Power Distance were significant. Of the 10.6% explained variance, the squared semi-partial correlations ($part r^2$) show that Uncertainty Avoidance explained 2%, Collectivism explained 1.9% and Power Distance explained 1.1% of the variance when all other variables in the equation were controlled for. The Masculinity cultural value was also highly correlated to Loyalty at the zero-order level but was not significant when controlled for. This was possibly due to its correlation with Collectivism ($r = 0.264, p<0.01$). Collectivism due to its high zero-order correlation with loyalty was entered into the regression equation first and once its unique variation was accounted for Masculinity did not add any additional explained variation at a significant level with Loyalty. Hypothesis 3 was partially supported as three of the cultural values were significant. High Uncertainty Avoidance, Collectivism and Power Distance cultural values are significant predictors of and explain unique variation in student Loyalty (see Table 3).

### TABLE 1: Correlations

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
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<tbody>
<tr>
<td>1. COLLECT</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
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<td>2. UNCERT_H</td>
<td>0.423 **</td>
<td>1.000</td>
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<td>3. MASCULIN</td>
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<td>-0.026</td>
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<td>4. POWER_H</td>
<td>0.212 **</td>
<td>-0.111 **</td>
<td>0.599 **</td>
<td>1.000</td>
<td></td>
<td></td>
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<tr>
<td>5. LOYALTY</td>
<td>0.268 **</td>
<td>0.211 **</td>
<td>0.160 **</td>
<td>0.174 **</td>
<td>1.000</td>
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<tr>
<td>6. QUALITY</td>
<td>0.313 **</td>
<td>0.188 **</td>
<td>0.211 **</td>
<td>0.237 **</td>
<td>0.782 **</td>
<td>1.000</td>
</tr>
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</table>

*Correlation is significant at the 0.01 level (2-tailed), N = 548*
Collectivism, Uncertainty Avoidance, Masculinity and Power Distance were regressed on Perceived Quality and the multiple $R$ (0.376) was significant ($F(4,543) = 22.291, p<0.001$). In total 14.1% (13.5% adjusted) of variation in Perceived Quality was accounted for by the cultural values ($R^2 = 0.141$, adj. $R^2 =0.135$). Three cultural values had significant Betas: Collectivism, Power Distance and Uncertainty Avoidance (see Tables 4 and 5 below). Of the 14.1% explained variance, the squared semi-partial correlations ($part r^2$) show that Collectivism explained 3.3%, Power Distance explained 1.8% and Uncertainty Avoidance explained 1.1% of the variance. The culturally anchored value Masculinity was also highly correlated to Perceived Quality at the zero-order level but was not significant when controlled for. This was possibly due to its correlation with Collectivism ($r = 0.264$ $p<0.01$), as in the previous OLS regression in Loyalty. Collectivism due to it high zero-order correlation with Perceived Quality was entered into the regression equation first and Masculinity did not add any more uniquely explained variation at a significant level with Perceived Quality. The three variables high Collectivism, Power Distance and Uncertainty Avoidance are significant predictors of
and explain unique variation in Perceived Quality (see Table 5). Hypothesis 4 was only partially supported.

**TABLE 4: Perceived Quality Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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<td>1</td>
<td>.376a</td>
<td>.141</td>
<td>.135</td>
<td>1.2008</td>
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</tbody>
</table>

a. Predictors: (Constant), POWER_H, UNCERT_H, COLLECT, MASculin

**TABLE 5: Perceived Quality OLS Regression**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Zero-order</th>
<th>Partial</th>
<th>Part</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
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<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.062</td>
<td>.346</td>
<td>3.067</td>
<td>.002</td>
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<tr>
<td></td>
<td>COLLECT</td>
<td>.266</td>
<td>.058</td>
<td>.213</td>
<td>.000</td>
<td>.313</td>
<td>.192</td>
</tr>
<tr>
<td></td>
<td>UNCERT_H</td>
<td>.161</td>
<td>.062</td>
<td>.118</td>
<td>.009</td>
<td>.188</td>
<td>.112</td>
</tr>
<tr>
<td></td>
<td>MASCULIN</td>
<td>4.605E-02</td>
<td>.042</td>
<td>.055</td>
<td>.104</td>
<td>.211</td>
<td>.046</td>
</tr>
<tr>
<td></td>
<td>POWER_H</td>
<td>.178</td>
<td>.052</td>
<td>.172</td>
<td>.001</td>
<td>.237</td>
<td>.145</td>
</tr>
</tbody>
</table>

a. Dependent Variable: QUALITY

**DISCUSSION**

This study found that student cultural values, particularly high Collectivism, Uncertainty Avoidance and Power Distance explained unique variation in students’ future willingness to make another purchase from the sample University. As Aaker (1991) has stated loyalty is the central hub of brand equity and as loyalty increases switching behaviour decreases. This is of great importance to Australian universities, in particular their full-fee paying international students who tend to have high Collectivism, Uncertainty Avoidance and Power Distance cultural values. Therefore if universities continue to increase their cultural sensitivity to this student sub-population, it is highly likely to increase student loyalty towards the university and willingness to both repurchase and recommend a University.
The same three cultural values of high Collectivism, Uncertainty Avoidance and Power Distance also explained unique variation in students’ perception of whether their university experience was a high quality one. This is based on their subjective attitudinal evaluations as suggested by Aaker (1991) and Sharp et al. (2000). As Harris et al. (2000) found past experiences are related to future intentions and therefore it is important for universities to have a fine grained understanding of these cultural value differences if they are to create targeted quality learning experiences for students. These targeted quality learning experiences will in turn also positively impact on student perceptions of quality creating a further reason to buy another course from the university, as well as creating switching costs for students as suggested by Aaker (1991). This will also create greater student loyalty to the university as perceived quality and loyalty are highly correlated.

These results are from an exploratory cross-sectional study and thus cannot measure any changes in students’ perceptions over time. The student sample was from on-shore students and thus both longitudinal and multiple campus studies are also needed. It is hoped that this study has identified some variables worthy of further examination.

Universities are increasingly interested in attracting, retaining and growing an ongoing relationship with students, especially international full-fee paying students, so the creation of customer value, satisfaction and loyalty are issues of increasing importance to Australian universities. High Collectivism, Uncertainty Avoidance and Power Distance culturally-anchored values, which are more common within Australian universities’ international student populations, help to explain differences in student Loyalty to, and Perceived Quality of, their university experiences. This study suggests that University staff responsible for managing the university experience of international students may need to examine the commonly held assumption about the homogeneity of international students as a customer segment.
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