

# Options for risk reduction in higher education

**The study seeks to identify the various risks participants of higher education face and how these risks can be reduced. The aim of the research is to shed light on the factors influencing students in their assessment of the success of a given training. The factors are analysed in a given educational process and how they change in the spectrum of life-long learning timeframe. As a result of the research the existing gaps between institutional and student approach, expectations and competencies, along with the fundamental communication to reduce these gaps are explored. Furthermore, the results aim to explain the options available to reduce risk felt by students on the social and individual level and the kinds of communication that lead to student satisfaction and their consensus with the institution.**

## INTRODUCTION

One of the challenges nowadays in higher education is to handle the uncertainty felt by students, parents and other participants of the society. What kinds of risks are expected by the participants of higher education and how can these risks be reduced? Do students get what they expected in the course of their education? What information is necessary for the participants of society to decide whether one institution is qualified or not (Lenington 1996)? These questions are yet to be answered, although as more and more satisfaction surveys carried out recently stated that the evaluation criteria can change during the course of the education. Education as a service for the participants of society contains a number of risks. Due to a demographic drop, the European educational institutions and higher educational institutions are facing a serious problem of handling these risks. Ideal education seems to be safe and risk free, however there is no such case. The student base comes from various backgrounds both socially and individually. They have different aims and expectations about the education service. To understand and channel the expectations of students into the institutional processes may not be enough to overcome the differences. To estimate the efficiency of education (or the estimate of perceived risk of efficiency) it is vital to take into account the deviation of competencies such as the expected institutional and educational competencies by students and presumed and experienced institutional and educational competencies. This “deviation” has a key importance in the evaluation of individual institutions as well as the system of institutions.

## THE SPECIAL FEATURES OF THE EDUCATION SERVICES

Services have four basic characteristics: intangibility, inseparability, variability and “perishability”. Out of the four characteristics, intangibility, inseparability and variability have a major influence on the evaluation of the education service. Services have no tangible aspects for our senses; they can only be tested through trial. The physical parameters have limited forecasting ability. Potential students can get informations

from the institution's communication, from its promises, and from experiences of others (word of mouth). In other words, in their decision tangible aspects have little effect, therefore the risk involved and felt at this stage is especially high. Services are usually consumed at the same time when they are produced, and consumers usually actively participate in the process (Zeithaml – Parasuraman – Berry 1985). Chase identifies low and high direct consumer relationship services based on the timespan of the relationship between the provider and the consumer. The more time the interaction involves, the more regulation the service process requires (Chase 1978). Education is such a service, where the time spent in the "system" by both parties is high; therefore the process has key importance for consumer perception of its quality. Because of human participation the performance of service providers may vary and so the perception of it. Uncertainty due to the human factor can lead to quality fluctuation. In the case of education this quality fluctuation is present even more since standardisation is not desirable. The parties' subjectivity and the complexity of the dimensions of services affect perceived quality. Managing the frontline is especially hard due to the personal relationship between lecturers and students. As a result student satisfaction requires frontline employees to perform "emotional work" in many cases (Constanti – Gibbs 2004).

## **SUBJECTS OF EDUCATION SERVICES**

Numerous persons, parties have an interest in the service of education. Future employers are interested, their requirements are to have graduated students able to solve the problems they are given. Students also have stake, which is to balance their investment into the education with the outcome and to enjoy themselves during period of the process. This is the students' investor and consumer dilemma (Veres – Mihály 2007). Close interest can be identified in the case of the educating institution, to measure up to the expectations with its professional training programmes, economic operation and validation of its institutional values. Finally, society can be a stakeholder (with its lobbyist and executive organisations) in terms of its expectations of economic operation and widely interpreted social aims (Veress 1999).

In observing the process of education and its participants, the special needs of the service provider

and the consumer side has to be explored. The process is influenced on the provider side by the educating institution, lecturers, professors, and other employees working in it. From the educational side the main role is played by the lecturers. They are directly responsible for generating and transmitting the knowledge. The institution takes part in the process by supervising, controlling, developing and providing infrastructure (building, learning materials, information systems, IT etc.). The latter activities are carried out by managers and employees directly influencing the process. These persons and organisational departments are called non-educators (Veress 1999). These educational institutions' set up is characterised by a hierarchy; their organisational culture rests on traditions. The roots of these traditions go back centuries (departmental set-up, attachment to faculties and regulations) and are very resistant to changes, therefore all market expectations towards students are secondary (Sirvanci 2004).

Looking at the consumer side of education services, identification of participants of this side is more complex. The final user is generally the consumer. However, in the case of education services numerous other participants judging the quality of the service can be found. Those who pay for the service can be categorized as consumers (state, parents, students), those who use the service and participate in the process (student), perhaps those as well who buy the ready product (employer) and society in a wider aspect.

Due to literature differentiating student status, even if students were considered the final user of the service, it would not provide us the solution. In higher education institutions, students can appear under four roles:

1. products of the process – in this case applying the production process-model, the students, "process-product" are considered as raw materials from the point of view of the institution and are ready products when graduated from the institution.
2. inside consumers – of the institution's non-academic services (book-store, library, sport facilities, dormitories, restaurants), which indirectly influence the basic service perception.
3. "workers" of the learning process – this role was first identified by Sirvanci (1996) but Glasser (Harmon 1993) also pointed out, that technically the student can not be specified as an employee,

but is very much similar to one on a lower level of the organisation in the sense that in order to master the knowledge given, one must perform on a certain level according to the instruction provided. Thus the success of the service not only depends on the provider but rather on the final user<sup>1</sup>.

4. inside consumers of the materials of courses: the students are consumers of course materials just as consumers of products. Generally this role of the students is considered to be the prime role of students (Sirvanci 1996).

In order to solve these problems, it is necessary to declassify the term final user. If the final user is not termed consumer, customer, or client, but rather a subject of the transformative process of education, through which they consume, work, as a result value is created and students can be identified as final users (Veress 1999).

## **UNCERTAINTY AND RISK IN THE EDUCATION PROCESS**

To define uncertainty and risk from the aspect of the final user of services is somewhat of an "evergreen" problem. Various approaches can be found from aspects of decision theory, psychology, or economics (Málovics et al 2005; Kolos 1997; Szabó-Farkas 2000; Kolos-Berács 2000). Risk can be assessed in terms of the probability of the unexpected or not desired outcome. The notion has two components. First it is the probability of the unexpected or not desired outcome, which makes this notion uncertain. Uncertainty is a situation, in which we are not certain as to the outcome of our decisions, but are aware of the possibilities (Szabó-Farkas 2000). In other words, the possibility that our decisions will result in an unexpected outcome exists, and can lead to a loss (Kolos-Berács 2000). The other component of risk is its probability. If we know the possible probability of our actions, then it is called risk, without knowing it is uncertainty (Szabó-Farkas 2000).

To simplify the notion of risk: it is the probability of inconvenience for the customer (Kolos-Berács 2000). It can be stated from a consumer behavioural aspect, that it is often the limited information at hand that leads the customer to make certain decisions. In other words, these decisions are subjective (based

on limited observations) and are based on one or a few observations or suspicions (Kolos 1997). In this case the risks are not objective, but subjective (Szabó-Farkas 2000). It is especially important to mention in the case of such services as education, where customization is high compare to physical products – where the quality fluctuation depends on the human factor – where no matter how much the intent is to standardize. The final user primarily relies on word-of-mouth, experiences of friends and public opinion to make a decision. From a service technological perspective, in this case the result related risk is a competency source risk. The competency perception of the service provider (experienced during the service) and the expectations of the final user clash. These expectations come from the picture the final user has about the service provider (in other words from the aims the final user has with the service, preparedness, in other words from their competency). The question in this case is along what efficiency criteria does risk appear? To put in other words, when will the student be satisfied, and what criteria changes lead to perceived risk?

## **DEFINING AND MEASURING STUDENT SATISFACTION**

The mission of higher education is not just the transfer of knowledge, but to insure the development of students as well (Astin, 1993 in Beltyukova 2002). Measuring student satisfaction can be a tool to enhance quality, shows the institutions sensitivity to students needs and insitutional efficiency and success. It can serve as an important tool in keeping admission rates, or even increasing them. It can also help to decrease the number of those leaving school without a degree. Furthermore, it helps student needs to better infiltrate the organisation's decision making processes (Beltyukova 2002).

According to Hom (2002) consumer satisfaction has many competing definitions, just as the definition of student satisfaction is not universally accepted. The researchers use the definition most suitable and tailor them to their research areas. Hom also highlights that student satisfaction can be interpreted as consumer satisfaction rather than customer satisfaction, since students consume products/services in

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<sup>1</sup> In service marketing this is called client activity.

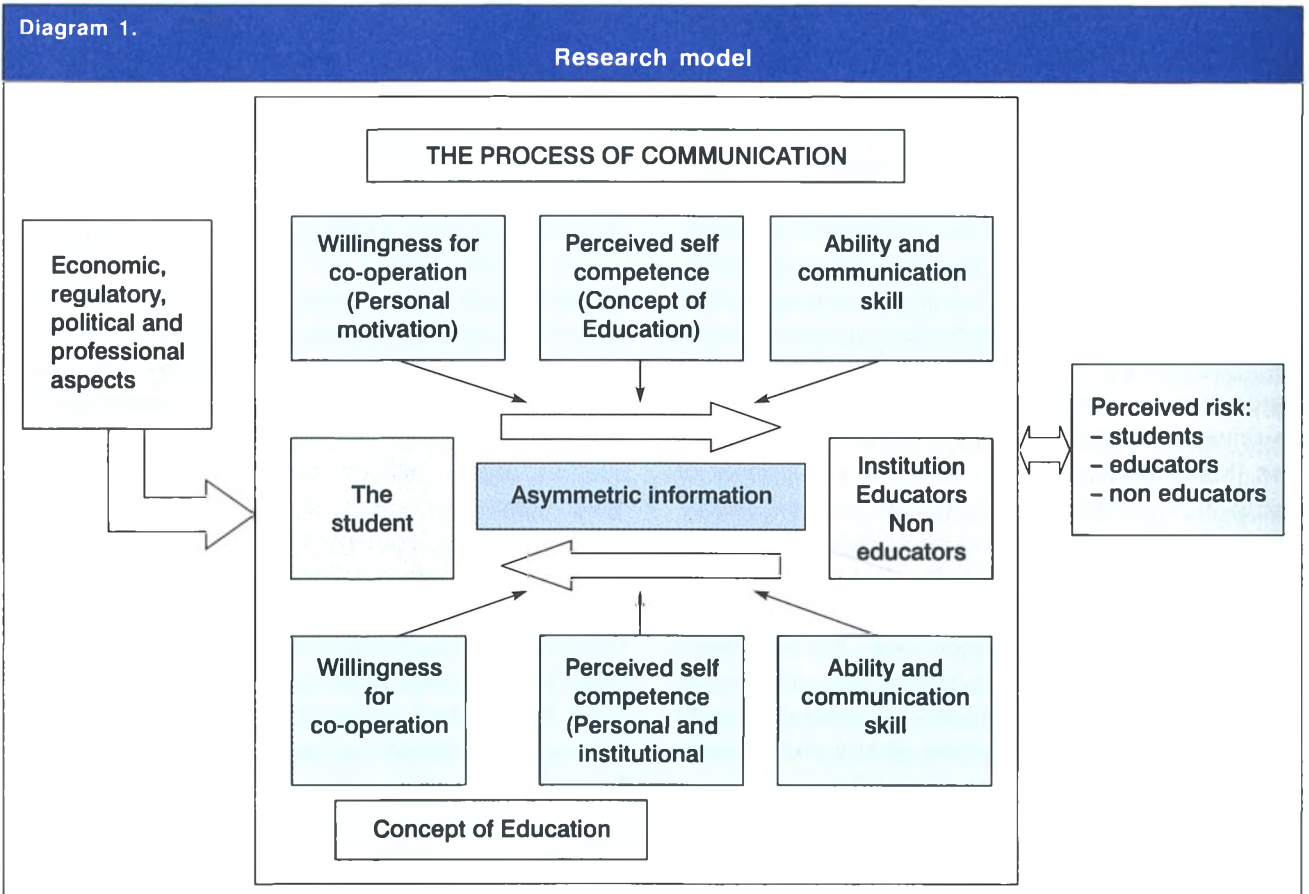
many cases when they are not the ones paying for them. Further specialties of the student satisfaction concept are the temporality and continuity aspects. Education and related service require a long process. Student satisfaction can be viewed as a continuous attitude, whereby the students acquire new experiences, events, through which they can reevaluate their satisfaction levels. In this process the students develop also, their expectations change without even gathering new experiences of the service. But due to the nature of this process it is possible that one significant event can become blur due to the newer and newer experiences, meaning that the level of actual student satisfaction can be diverse (Hom 2002).

## RESEARCH CONCEPT

The starting point of the research model is based on a previous judgement, which says that the perceived risk associated with educational services is a competency based risk. The independent variable of the research is the perceived competency, which means

firstly the evaluation of the service provider's competence and secondly of the final user's competence.. The efficiency risk emerges in the final user in association with the the competence of the providers; however this cannot be considered as a linear correlation. The provider directly or indirectly during and previous to the service sends a message to the final user, which is interpreted by the final user based on their expertise. Due to the messages the picture of the expertise of the provider can change just as well as the picture of the final user's expertise in the eyes of the service provider. The communication between the two parties therefore can and does influence perceived risk.

The research seeks answers to the question of how perceived competency influences perceived risk. This question is best captured in the process of communication, where both professional and social competencies play an important role in bridging the significant information asymmetry between students and lecturers, students and non-lecturers, and students and institution. In this communication process the most important factor is the willingness





of both parties to co-operate, their perception of the education, the education process, the result of education and how well they can make each other understood throughout their relationship. The research model illustrated in diagram 1. shows the above communication process in a changing professional, legal, economic, and (education) policy environment. Interactivity of communication and the asymmetry of information have undergone a spectacular change in the last one and a half decades. The motivation of the research was to understand these changes and the new situation.

In constructing the research concept, the factor of time had to be taken into account, because previous satisfaction surveys have pointed to the fact that the final user's expectation and perceived self competence change in the course of time. It is different at the point of choosing the provider, during the course using the service and after the service has been used<sup>1,2</sup>.

The findings of the study can be used in practice, because they point to risk minimizing communication that can relieve perceived risk of students at the time of choosing an institution, during their studies, and after their studies (effecting re-selection of institution). Besides the above the findings can be used to answer the following questions as well:

- a) What knowledge do the user groups of society have of the essence of educational service (what picture do they carry) as users of the service, and at what point is there a conflict between this knowledge and the institutions' education philosophy and educational policy?
- b) What factors lead to risk in the process of education from the point of view of the final user, and which factors need to be influenced to decrease perceived risk of users in the domestic education?
- c) What kind of development is needed for higher education to fit the requirements of society and to be able to perform as such?
- d) How can perceived risk be decreased by communication in the case of trainings for scarce profes-

sions (therefore, the number of the participants as well as the willingness to choose fields, such as technical and natural sciences, can grow)?

## RESEARCH METHODS AND FINDINGS

The empirical research uses qualitative methods, which will serve as a basis for a future quantitative re-

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search of a larger sample. To study the asymmetric information, 7 student focus groups were used and on the educator side 3 deep interviews were conducted. The preliminary research findings were used to test the model, and to refine the factors influencing the asymmetric information.

In the present stage of the research the individual dimensions are being explored through deep interviews with educators and students. In this part of the study extracts from the focus group discussions with students are introduced.

What is necessary for a high quality education?

The word competence for students usually means some sort of ability or knowledge in a certain field. *"If we say someone is competent, that means the person is good at something, able to perform a certain activity very well, or simply just capable for the task."* The competent (able) people are good at using their knowledge, abilities, personalities and values in order to perform well in their tasks.

In the course of the focus groups one of the aims was to get an understanding of what students thought of the education, the service in general, and how education should be according to them. High level of education according to the student is mainly

1 For empirical findings on the time factor see the studies of: Haller (1995) or Veres and Mihály (2007).

2 Due to the nature of education being a process, it emphasizes the importance of performance monitoring Harvey and Asking (2003).

related to the educators, and materials. Furthermore, for a high quality it is important for the course materials to be practical rather than theoretical. Besides the course materials, students are eager to gain general knowledge and a wide perspective of the various processes that will surround them upon leaving the university. *"Knowledge should not last for just a while, it should last for the remainder of their lives, ready for them to use when necessary."* Technical equipments are also vital, but not even half as important as the educating person and their competence<sup>1</sup>.

It is interesting that the definition of high level of education varies from faculty to faculty. Law students said the following: *"We can only talk about high level of education if the educators try to teach various cases using examples. Besides the lecturing they use projectors to illustrate the class materials."* *"It is vital to have the necessary equipment. Although for us law students, it is the microfon which is the most important and often fails to work."*

### **What events lead students to think an educator is not competent?**

These factors usually surface during lectures and seminars. *"If for example the educator is planning on using the projector to aid the lecture and for some reason the technical equipment fails to work, creating a situation in which the educator is unable to properly perform as expected, usually leads to students categorising that educator as incompetent in that subject."*

The most important measure of competence for the educator is to bring up examples in the particular subject from real life, which can be confirmed from other independent sources.

The students feel that the educator is incompetent if he or she is unable to answer a question in the subject of the course. *"If an educator is unable to answer a question in the given field of expertise, and promises to find the answer later, faith is yet to be lost, however if this is repeated, the consensus is that the person is incompetent in the given subject, or even in the field of the module which he or she teaches."*

Students can signal in various ways to their educators when they feel they are no longer competent. *"Our educators most definitely realise if we lost our*

*faith in them. From the complaints, the morale and from the increasing number of students missing classes and losing interest in the subject, it can be an obvious sign for them."*

But there can be other signs of losing faith in one's competence, more direct signs: *"For example, if a educator gets positive feedback about the lectures from a given year (group) and these signs dissappear, that can be interpreted as a negative change."*

### **What should educators do if they feel they lost the students' faith?**

They need to change their lecturing style, find out what students really want and try to reach a "common benefit" together with the students. According to the students, the younger enthusiastic educators often ask students for their advice, even if they meet outside the university. *"They try to change and have more interesting lectures, which is appreciated by students; they often give them a second chance in this case."* For the older educators, students's opinion is not as important anymore, as they have already achieved a status in their professional careers.

### **WHAT ARE THE RISKS FOR STUDENTS IN THE EDUCATION PROCESS?**

*"Choosing a university is much a pig in a poke. After the entrance examination, the risk is whether the person has been accepted or not. Since education is like a limited availability stock, not all who apply can be accepted and the majority has to be excluded from the "consumption". The risk goes away once the exam results are out."* This is followed by the dilemma *"of whether we really made a good choice, this goes along until the person's first working day."*

Before the start of the first semester, there are those who are afraid of fitting in, what the community where he or she is about to belong will be. Will they have friends, or will they be left alone without help from others? It is probable that those having problems fitting in feel a greater deal of risk before using the service, than others. The next question they ask themselves is how prepared others will be and *"and if they would be the stupid among the clever ones."*

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<sup>1</sup> The respondents including under technical requirements the following: computer systems, overhead projectors, projectors, furniture, the number of chairs and tables in the room, and their level of comfort.

Throughout using the service the risk elements are the exams, since all students want to meet the requirements, because if they do not, their time spent at the university can be prolonged. Before starting the university the students were mostly afraid of the exam period. *“One of them was told that it would be as if they had to graduate in the highschool every half year. This person was petrified. Today this person understands that there is a degree of truth to that and can handle this period well. It is possible to get used to the fact of not having Christmasses and New Year eves, perhaps later on in life it will be just the same.”*

The biggest source of danger is the modules that are built on each other. This means that if the basic module is not passed, students can not proceed. Perhaps the credit system can ease this problem.

### ***Does cooperation with the educators decrease risk?***

The general consensus is that cooperating with educators means a better grade. It is therefore crucial to accept any task (for example: presentations) because even if the educator will not remember the names, the faces will register more likely. The majority of educators like it if students cooperate and take active part in their lectures. This will benefit the students if later in life they can benefit from what is learnt. Thus a more personal note and relationship means that the student can turn with confidence towards their educators for professional help.

### ***The role of communication in decreasing risk***

According to the findings of the study, the student-educator communication does influence perceived risk, the level of education as judged by students and determines student-educator relationship along with how each lecture and educator is evaluated by students. Students require help from their educators and want to turn to them if they have problems. *“For them it is reassuring if the educator can answer their questions, tells them what to expect on the exam and what materials they need to study. Communication not only can decrease the perceived risk, but it can do just the opposite as well. There are certain educators, whose classes students do not attend out of fear.”*

Basically it comes down to the personality of the educator, whether communication is necessary. If the educator who has an introverted personality, someone who is generally not a communicative type, offers the option to communicate, often judged by student as a sign of courtesy and so they do not willingly accept. *“Rank and position can be an obstacle of communication. Many would more likely to ask*

*“Among the students, communication has a special meaning, which can be a significant factor in minimizing perceived risk. The preliminary research points to the fact that competence asymmetry decreases the efficiency of risk-communication.”*

*an assistant professor for help than a professor. The higher the rank, the more scary they seem, meaning a greater distance in competence.”*

## **ROLE OF PREVIOUS HISTORY IN THE RELATIONSHIP TO DECREASE PERCEIVED RISK**

If the relationship had positive history, it generally is a decreasing factor of perceived risk. “Education is such a complex system, that any previous relationship can only be an advantage in rare cases. During their years spent at university, students meet numerous educators, and it would be impossible to have positive history with all of them, so from this sense it is not possible to decrease perceived risk.” However, in the course of choosing a university, this can be an important factor to decrease risk, if a family member or a friend can provide information about the university.

## **SUMMARY, CONCLUSIONS**

The study aims to contribute to the understanding of bilateral mechanism of perceived risk in a non-business sector such as higher education services. In the field of services there are numerous mechanisms for decreasing perceived risk. This study focuses on the relationship of competence, perceived risk, communication and satisfaction. It explores the options that can decrease perceived risk in the field of services, the factors that influence risk and how communication can contribute to easing uncertainty and whether that leads to satisfaction? The research concept and model test-



ing is currently under a qualitative research phase. It seems that based on findings of the student surveys the model needs refinement. The small group discussions with students about perceived risk in the service of education are very much pragmatic, but also caution that the used categories (competence, risk, communication) need to be defined clearly. However, during the qualitative research, a few relationships were discovered, which were missing from the model. It was made clear that in the course of operationalising the dimension, that it is necessary to include a few items, such as the differences in socio-demographic willingness to cooperate (age, status), different modes of communication and heterogeneity in the question of competence when constructing the research project. Among the students, communication has a special meaning, which can be a significant factor in minimising perceived risk. The preliminary research points to the fact that competence asymmetry decreases the efficiency of risk-communication. In the present stage the model can be applied to measure the risk elements in the field of education services and the hypothetical dimension clearly define the options to minimise service's two sided perceived risk.

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