Leadership and Innovation on Performance of Private Higher Education Institutions in Malaysia

Nor Aishah Hashim, Hasnah Haron, and Daing Mohd Nasir bin Ibrahim

Faculty of Industrial Management, Universiti Malaysia Pahang, Lebuhraya Tun Razak, 26300 Gambang, Pahang, Malaysia

Abstract

The contribution of private higher education institutions (PHEIs) in Malaysia is important to the higher education industry. Among the roles of PHEIs are providing a pathway to local and international students to the tertiary level of education, contributing towards making Malaysia an international and highly reputable hub for higher education as well as limiting the flow of our intellects to foreign countries. However, there has been a major concern over the performance of PHEIs. Due to the volatility of the higher education landscape, many local PHEIs are facing with serious issues and challenges which affect their organizational self-sustainability. If the issues and challenges are not seriously addressed, it could impede the growth of PHEIs as well as become the barriers to PHEIs to serve their roles in Malaysia higher education sector. This conceptual paper provides some insights into the issues and challenges of PHEIs in Malaysia. It also identified leadership and innovation as the critical success factors for PHEIs organizational self-sustainability and proposed that these two independent variables are tested in future research.

Keywords: higher education self-sustainability, higher education performance, leadership, innovation.

1. Introduction

Higher Education Institutions’ performance has been a major concern by many countries, as it will ensure the sustainability of the institutions in the long run. In the USA, as reported by Dretler & Jeff (2012) from Sterling Partners, Bain and Company, more than thirty percent of its higher learning institutions have shown discouraging financial position with increased in liabilities, high debt service (interest), escalating expenses as well as poor liquidity position and inadequate revenue reserve to support the increase in financial obligations. The economic recession has added to this financial issue whereby the amount of endowment fund channeled to support the colleges and universities operation is stagnant.
In Europe, it was observed that the continuous decrease in public funding to support the public universities, deregulation of higher education which led to new market entrant of private universities and globalization have put pressure to the public universities in expanding its promotional activities as part of the strategy to ensure their organizational self-sustainability (Pucciarelli & Kaplan, 2016).

The issues of PHEIs in Malaysia’s organizational self-sustainability, which is mainly due to the weak financial position is not new in the higher education sector. In 2005, it was reported that 123 Bumiputera owned PHEIs were closed down and another 30 were in critical stage. The contributing factor was due to poor number of students’ enrolment (Utusan Online, May 2005).

According to the Presiden Persatuan Kebangsaan IPTS Bumiputera Malaysia, Datuk Dr. Ismail Md. Salleh, the decrease in students’ number was the consequence relating to the limited amount of sponsorship provided by Perbadanan Tabung Pengajian Tinggi Negara (PTPTN) and Mara to PHEIs students. PHEIs which have an enrolment of more than 80% of sponsored students were financially affected due to their failure to obtain the targeted number of new students’ intake (Press release, 30th January 2005).

This study aims to determine the issues and challenges that PHEIs in Malaysia are facing, which could become the barriers to growth and organizational survival. Further, this study will also identify two critical success factors for PHEIs performance and self-sustainability. Based on the present highly competitive Malaysian higher education environment, it is vital to explore these important elements to assist management of PHEIs in their managerial and business strategy to enhance performance.

2. Literature Review

2.1. Roles and contribution of PHEIs in Malaysia

Bajunid & Wong (2016) highlighted that the roles and contribution of Malaysian PHEIs are relevant and important in the development of the national higher education system for the last thirty years. Among the contribution are helping our country to be recognized as highly reputable higher education international hub, offering more places for tertiary education to a local student, providing significant net savings in foreign exchange through enrolment of international students and reducing the brain drain of Malaysians intellects to foreign countries.

The contribution of PHEIs in Malaysia continues to be relevant such as increasing accessibility to tertiary education (Grapragasem, Krishnan, & Mansor, 2014). Due to the
limited place available at public universities and the stringent entry requirement, PHEIs can accept students who are not able to enter public universities. This justifies the numbers of PHEIs available in Malaysia. As of 31st December 2018, the total number of PHEIs in Malaysia are 53 full-fledged universities, ten foreign universities branches, 38 University colleges, and 351 colleges. PHEIs role is not only as a compliment but also a substitute for public universities in Malaysia (Da, 2007). PHEIs provide academic programs which are unavailable at the public universities such as foreign university programs offered through private colleges collaborative arrangements or offered by foreign university branches in Malaysia.

According to Tan Sri Dr. Noorul Ainur Mohd Nur, the Secretary-General at the Ministry of Higher Education, the number of students enrolled in PHEIs has exceeded the amount in public higher education institutions since 2015. In becoming an international hub, Malaysia expects to accept 200,000 international students in the year 2020 and 250,000 in 2025 (MOHE at Going Global Conference 2018).

Thus, the issue of PHEIs performance is important, and if it is not seriously addressed, it could affect Malaysia position as an international higher education hub and the number of students’ enrolment in the future.

Table 1 shows total students enrolment in higher education institutions (HEIs) in Malaysia from 2013 to 2017.

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>560,359</td>
<td>563,186</td>
<td>540,638</td>
<td>532,049</td>
<td>538,555</td>
</tr>
<tr>
<td>Private</td>
<td>484,963</td>
<td>493,725</td>
<td>580,928</td>
<td>695,026</td>
<td>666,617</td>
</tr>
<tr>
<td><strong>Source:</strong> Ministry of Education/ Ministry of Higher Education</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

2.2. Issues and challenges faced by PHEIs in Malaysia

Many local PHEIs are going through difficulties to remain to sustain in the industry. The decrease in revenue has affected their overall organizational performance (Basu, Jeyasingam, & Habib, 2016). It was reported that from 2012 to 2017, a total of 79 colleges had been shut down by the ministry. Several contributing factors to PHEIs casualties are in compliance with the specification required by Act 555 (Private Higher Educational Institutions Act 1996), an inadequate number of teaching staff, lack of students’ enrolment, failure to renew college license and discontinuation of operation (Minister of Higher Education, 2017).
Previous researchers have identified many challenges faced by the PHEIs in Malaysia, which affect their sustainability in the education sector. A research conducted by Anis, Islam & Abdullah (2015) on challenges of private HLIs in Malaysia discovered that the top three ranked challenges faced in providing quality higher education are i) managing financial capabilities ii) meeting the requirements of related regulatory and professional bodies and iii) rendering teaching and learning facilities for excellent education.

In another exploratory research conducted by Anis, Islam, & Abdullah (2018), various stakeholders of PHEIs identified eight dimensions of challenges which are teaching staff, facilities, students, programs and curriculum, a threat by other PHEIs, recognition of programs by quality assurance body, financial matters and research. Among the issues relating to these challenges are recruiting and keeping highly committed lecturers, meeting requirements of respective regulatory bodies, ability to outperform the competitors, improving the financial condition for their survival, providing programs that meet the industrial and national needs, encouraging lecturers’ involvement in research activities and educating below-average students with necessary soft skills. From the perspective of academic leaders, it was discovered that the top five work challenges faced by PHEIs academic leaders are employee management, time management, financial management, strategic alliances and achieving objectives, KPIs and standards (Ghasemy et al., 2018). This study also revealed that the first four challenges are similar in Malaysian public focus HEIs and Malaysian public research & comprehensive HEIs, which indicate that these challenges are common in Malaysian higher education sector.

In an earlier study focusing on academics of PHEIs, issues on academics career development have been highlighted such as career promotion, use of latest technologies, multi-tasking - performing research, teaching & social work, uncertain structure, funding, improper research facilities and remunerations which contributed to the challenges of PHEIs in the area of human resource development and management (Arokiasamy, Ismail, Ahmad, & Othman, 2009). The issues and challenges faced could affect PHEIs resources, the activities, outcomes, and impede the growth as well as become the barriers for PHEIs to serve their roles in Malaysia higher education sector. This will eventually influence their long term performance and organizational self-sustainability. Thus, the challenges need to be addressed adequately to control the damages as well as the adverse impact they could bring to respective PHEIs in the long run.
2.3. Higher education performance for organizational self-sustainability

Organizations, including those in the higher education sector, need to maintain their competitiveness and viability, by continuously adapting to changing circumstances; otherwise, they will face the risk of being out of the industry. Generally, the concept of self-sustainable higher education is understood as the ability of the higher education institutions to survive in the long run, which is related to its economic viability as well as to effectively implement strategies to progressively adapt in the current uncertain environment (Aleixo, Leal, & Azeiteiro, 2018). Performance of HEIs determines their ability to sustain in the higher education sector Volchik & Maslyukova (2017). There are many frameworks for organizational performance measurement, such as Balanced Scorecard (Kaplan & Norton, 1996) and The Baldridge Excellent Framework. Previous studies and research have also proposed the dimensions and measurement of organizational performance. Morin & Audebrand (2014) argued that organizational performance measurement should not be focusing on financial aspects only and proposed that other dimensions such as the people, the process, and the environment. Extending the organizational performance measurement shall enhance employee’s motivation and
effectiveness in other work areas other than financial. The Baldrige Excellence Framework is well known all over the world and use by many organizations. The framework is established to empower organizations to achieve stipulated goals, enhance results, and become more competitive. The Baldrige Education Criteria for Performance Excellence (ECPE) promotes a systems perspective, which means that all the components of an organization should be managed as a unified whole to achieve ongoing success. The criteria for performance measurement include (i) leadership, (ii) strategy, (iii) customers (iv) measurement analysis and knowledge management, (v) Workforce, (vi) Operations and (vii) Results. However, Asif, Raouf, & Searcy (2012) argued that ECPE Baldrige education criteria for performance excellence (ECPE) does not have theoretical underpinning and is too generic as it is based on the experience and knowledge of quality expert and practitioners. Thus, the study proposed on the enhancement of ECPE and suggest that performance measures for academic institutions should consist of related academic processes including strategic direction, program development, enrolment, faculties’ staff recruitment and management, learning and development, support service processes as well as financial portfolio. In the context of PHEIs sector in Malaysia, Ministry of Education (MOE) has established rating systems for higher education institutions to intensify the competition and accelerate the improvement of PHEIs performance. PHEIs which fall in the university, university colleges, and foreign university branch categories are rated under Rating for Higher Education Institutions in Malaysia (SETARA) whereas PHEIs in the college category are rated under the Malaysian Quality Evaluation System for Private Colleges (MyQuest).

2.4. Factors influencing PHEIs’ performance and self-sustainability

Areas of challenges discovered in previous research provide guidelines for PHEIs in Malaysia to identify the root cause of the challenges as well as to determine the catalyst and related strategy to improve their organizational performance.

The current higher education landscape is competitive and dynamic that PHEIs can be disrupted by the changes as well as affecting the PHEIs organisational performance and organisational sustainability. Previous research has identified many factors which could influence HEIs organizational performance, which then contributes towards their organizational self-sustainability.

Among the factors are leadership, direction and strategy, organisational culture (Kok & McDonald, 2017) (Barnard and Van der Merwe, 2016) (Pucciarelli & Kaplan, 2016), innovativeness (Al-harthy, 2017) (Barnard & Van der Merwe, 2016a), networking with
Table 3: Proposed Organisational and HEIs Performance Measurement Dimensions.

<table>
<thead>
<tr>
<th>Author/Source</th>
<th>Model / Framework</th>
<th>Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morin &amp; Audebrand (2014)</td>
<td>Organizational Effectiveness Model</td>
<td>Sustainability, Personnel worth, Process efficiency, Organizational legitimacy</td>
</tr>
<tr>
<td>MOE / MOHE (2017)</td>
<td>SETARA</td>
<td>HEIs General Profile, Teaching &amp; Learning, Research Capacity, Services and Income, Generation</td>
</tr>
<tr>
<td></td>
<td>MyQuest</td>
<td>Students, Quality Management System (QMS), Resources, Program Recognition, Graduate Recognition</td>
</tr>
</tbody>
</table>

external stakeholders (Abdullah, Razman, and Muslim 2018) (Pucciarelli & Kaplan, 2016), quality assurance practices (Tang & Hussin, 2013) and infrastructure & technology (Barnard & Van der Merwe, 2016a).

This study focuses on two success factors, which are leadership and PHEIs innovativeness.
2.4.1. Leadership

Previous researchers have identified that one of the most critical factors in HEIs performance and sustainability is governance and leadership. Abdullah, Razman, & Muslim (2017) provide evidence that effective and supportive university governance is crucial in ensuring the campus operation sustainability. Further, the research by Anis, Islam, & Abdullah (2015) identified that one of the solutions to address the top three ranked issues and challenges faced by PHEIs is top management support and commitment.

Radinger-Peer, Pfletsch, Radinger-Peer, & Pfletsch (2017) conducted a study to identify the roles of higher education providers to spur regional transition paths towards sustainability (RTPS) in Austria via three different channels; teaching, research contribution, and outreach activities. This study discovered that higher education providers as a whole entity did not contribute to RTPS, but the effect is dependent on committed employees and the leadership of the university.

Organizational success is highly contributed by an important variable that is leadership skills. Almatrooshi, Kumar Singh, & Farouk (2016) suggested a framework to enhance leadership traits through the application of cognitive, social, and emotional intelligence. These three elements serve as a guide to identify effective leaders.

An exploratory study conducted by Kok & McDonald (2017) to determine the leadership, governance and management behaviour which contribute towards the success of academic department revealed that the leaders were participative and highly involved in their work, showing the desired departmental and university objective, mission and vision, having high thrust on staff and democratic. These leadership behaviours have encouraged staff to feel empowered in exercising their roles and responsibilities.

HEIs leaders’ top priorities are achieving target and meeting requirements to achieve excellent quality, followed by teaching & learning activities and conducting research work as well as producing research outputs (Ghasemy et al., 2018). This finding explains that leaders in HEIs are concerned with the achievement of their HEIs.

Osseo-Asare, Longbottom, & Murphy (2005) conducted a gap analysis study on the importance and effectiveness of quality management practices on leadership and policy & strategy for teaching and research continual quality enhancement. The findings revealed that the policy & strategy practices showed a higher score (with higher importance and effectiveness score) as compared to the leadership practices. However, this study suggests that the implementation of strategy and policies for sustained improvements in higher education will show a better result if it is combined with the appropriate leadership style.
In examining the relationship of leadership to organizational performance in the hotel industry, Semuel, Siagian, & Octavia (2017) discovered that i) the hotels sales growth rate and return are influenced by the leadership both directly and indirectly via intervening variables which are innovation and differentiation ii) differentiation strategy is not influenced directly by leadership but indirectly through innovation.

Bakar & Mahmood (2014) conducted a quantitative study at public higher learning institutions (PHLIs) to identify the relationship between transformational leadership with the performance of academic leaders and the relationship of corporate entrepreneurship with the performance of academic leaders. The findings showed that (i) Transformational leadership and corporate entrepreneurship strongly influenced the performance of academic leaders. (ii) Corporate entrepreneurship mediated the effect of transformational leadership on performance in which corporate entrepreneurship act as a conduit to enhance the effect of the relationship between transformational leadership and performance. Further, this study suggests that Public HEIs should consider selecting and transformational leadership qualities among academic leaders for the potential of an increase in HEIs performance.

2.4.2. Innovation

Innovation is defined as introducing and producing new inventions or rejuvenating previous concepts into improved service or products. Innovation is regarded as one of the essential elements of organizational growth and development. Gupta & Barua (2018) discovered there are fourteen enablers for small and medium enterprises (SMEs) organizational innovativeness with four most important enablers which are entrepreneur attributes, knowledge management, organizational support resources for innovation, and strategic alliance initiatives.

Hussein, Mohamad, Noordin, & Ishak (2014) identified from previous empirical studies that learning organization has a positive relationship with organizational performance and organizational innovativeness. Thus, it was proposed that PHLIs need to adopt a learning organization culture to enhance organizational performance and promote organizational innovativeness for long term success.

Barnard & Van der Merwe (2016) revealed the strategies on innovative management implemented at the University of Johannesburg (UJ) in the effort for the university’s sustainability. It was proposed that the conditions to promote innovation among the staff in higher education are outcome oriented, and firm leaders on strategic direction, effective and staff involvement planning, regular culture climate surveys, continuous
progress follow up; and strategic flexibility. This study also highlighted the areas of innovativeness strategies implemented at UJ which include brand strategy, organizational culture transformation, new research work, facilities for technology transfer and students experience which have proven to be successful in transforming UJ to a state of progression and stability.

Previous empirical research has confirmed that different dimensions of firm innovativeness influenced performance. Hilmi & Ramayah (2011) studied the relationship of product, process, behavioural, and strategic innovativeness on Malaysian SMEs financial and non-financial performance. This study discovered that three independent variables, except for strategic innovativeness, have a significant relationship with SMEs performance.

Investigating the effect of innovation capabilities on the business performance of SMEs in Mexico, Maldonado-Guzmán, Garza-Reyes, Pinzón-Castro, & Kumar (2018) revealed that products, processes, marketing, and management innovativeness are positively and significantly correlated to the SMEs return. These findings proposed that the implementation and practices of innovation activities within SMEs will enhance their level of business performance.

In a research conducted by Dabić, Lažnjak, Smallbone, Švarc, & Smallbone (2018), important elements such as intellectual capital, innovation, and organizational culture are found to be crucial for a company’s achievements with positive and significantly correlated. Higher business performance has a positive relationship to higher levels of both intellectual capital and innovation culture, but high business performance does not rely solely on organizational culture.

A study on the relationship of strategic alliance, product life cycle and innovation (product development & design, process and services) revealed that (i) strategic alliance between firms has a positive and significant relationship with product life cycle and innovation, (ii) innovation in product development & design, process and services has a positive and significant relationship on organizational sustainability (Islam, Hossain, & Mia 2018). This finding explains that the strategic alliance between firms produce a more innovative product than a single firm. The significant and positive relationship that was found between innovation and organizational sustainability indicate that businesses need to introduce and upgrade new products, redesign the present ones and explore new opportunities through research and development to ensure the business long term success.
3. Conceptual Framework

The proposed conceptual framework of the study is visualized in Figure 1. The framework shows the relationship of the independent variables leadership and innovation with the dependent variable, the performance of PHEIs.

![Proposed Conceptual Framework of the Study](image)

This conceptual framework suggests that leadership and innovation are expected to be the explanatory variables which contribute to the performance of PHEIs. The framework shows the relationship of the independent variables (leadership and innovation) with the dependent variable (performance of PHEIs), indicating the existence of significant relationships between them.

4. Hypotheses Development

Anis, Islam, & Abdullah (2015) identified that one of the solutions to address the top three ranked issues and challenges faced by PHEIs is top management support and commitment. Kok & McDonald (2017) found that high performance in the academic department is due to leaders who were reported as being participative and highly involved in their work, showing the desired departmental and university objective, mission and vision, having high thrust on staff and democratic. These leadership behaviours have encouraged staff to feel empowered in exercising their roles and responsibilities.

Osseo-Asare, Longbottom, & Murphy (2005) suggests that the implementation of strategy and policies for sustained improvements in higher education will be more successful if closely coupled with the appropriate leadership style.

Semuel, Siagian, & Octavia (2017) discovered that leadership affect the performance of hotels growth rate and return on sales. Bakar & Mahmood (2014) found that there is a significant and positive relationship of transformational leadership and corporate entrepreneurship to the performance of academic leaders.

Based on the review of previous literature on leadership, the following hypothesis is developed.
H1: Leadership has a positive relationship to PHEIs performance

Hilmi & Ramayah (2011) studied the relationship of product, process, behavioural, and strategic innovativeness on Malaysian SMEs financial and non-financial performance. This study discovered that three independent variables, except for strategic innovativeness, have a significant relationship with SMEs performance.

Maldonado-Guzmán, Garza-Reyes, Pinzón-Castro, & Kumar (2018) revealed that innovation in products, processes, marketing, and management has a positive and significant effect on the business performance of Mexican SMEs. Dabić, Lažnjak, Smallbone, Švarc, & Smallbone (2018) found that higher business performance is positively related to higher levels of both intellectual capital and innovation culture.

Islam, Hossain, & Mia (2018) found that there is a significant and positive relationship between innovation and organizational sustainability, which indicate that firms need to innovate new products, redesign existing ones and invest in research and development in order to be successful over the long run.

Based on the review of previous literature on innovation, the following hypothesis is developed.

H2: Innovation has a positive relationship to PHEIs performance

5. Conclusion

This paper has highlighted some of the challenges faced by PHEIs in Malaysia which affect their resources and activities. Leadership and innovation have been identified as the influencing factors for organisational performance. Thus, PHEIs need to appoint credible leaders with relevant competencies who could manage and provide clear direction to ensure the institutions' long term success and achievements both in financial and non-financial aspects. PHEIs should also pay serious attention to organizational innovativeness for example, the programs offered and services provided must be continuously relevant to the current needs of this dynamic and competitive higher education sector as well as the demanding industrial requirements. Besides, PHEIs must consider providing relevant resources to encourage their staff to be innovative and able to contribute to the institutions long term sustainability.

References


