

ABSTRACT

The significant increases in number of tertiary educational institutions (TEIs) and deregulation in area of education render the competition level in educational industry get increased consistently. The TEIs must anticipate any effect resulting from the changing environment in order that they are able to perform their roles as the provider of intellectual asset. The objective of the research is to study some strategic factors influencing the service quality and TEIs' performance in Indonesia. The strategic factors are including the organization learning, market analysis capacity, technological leadership, empowerment, and employee satisfaction.

The sample of the research covers three groups, namely tertiary educational institutions, service provider, and service users. The tertiary educational institutions of 30 TEIs present in Jakarta, Bandung, Jogya, Surabaya, Malang, Denpasar, Makassar, Kendari, Palu, and Banjarmasin cities. The service providers are derived from the sample of 381 respondents consisting of administrators in Faculty of Economy/University-Level Economics Schools, Chairman of Accounting Departments, permanent lecturers in Faculty of Economy and their employees. The service users of 1004 students of the 30 TEIs. Data were gathered by distributing questionnaires and then collecting them which took place in April through December 2001. The data were then analyzed making use of the *Structural Equation Model* (SEM) aided by AMOS 4.0.

The research results showed that the service quality was direct influenced by some factors such as organizational learning, and employee satisfaction, and indirect effect by market analysis capacity, and empowerment, while technological leadership didn't significant to influence the service quality. The strategic factors which imposed significant effect on the TEIs' performance were learning organization, market analysis capacity and service quality, while other factors such as technological leadership, empowerment and employee satisfaction are proven not to have obvious effects.

From the results above, it can be concluded that to increase service quality and performance of the TEIs, the strategic measures are greatly needed to allow for the organizational learning and the improved capability of analyzing the market. The strategic measures in the learning activity are undertaken by instilling high motivation to the members of organization in order that they are already to increase their knowledge and skills accompanied by certain commitment, while to increase the market analysis capacity the members are consistently demanded to perform market analysis. This is expected to allow them being able to deliver appropriate service in accordance with needs and desires of market. The strategies in the empowerment and employee satisfaction are optimalization the police of the right man on the right place for lecturer and employee are consistently by their skills and education.

Leadership style, communication process and execution of education and training for front-line employees need to be investigated further in future research. In addition, in-depth research concerning the effect which empowerment and employee satisfaction have on employees' motivation and performance is other interesting topic to which we should pay our attention.

Key words: organization learning, market analysis capacity, technological leadership, empowerment, and employee satisfaction.