

**A CROSS-CASE STUDY OF THE COMPETITIVE  
ADVANTAGE OF PRIVATE HIGHER  
EDUCATIONAL INSTITUTIONS IN KUCHING,  
SARAWAK**

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**UNIVERSITI SAINS MALAYSIA**

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## TABLE OF CONTENTS

	<b>Page</b>
<b>ACKNOWLEDGEMENTS</b>	ii
<b>TABLE OF CONTENTS</b>	iii
<b>LIST OF TABLES</b>	vi
<b>LIST OF FIGURES</b>	viii
<b>LIST OF ABBREVIATIONS AND ACRONYMS</b>	ix
<b>LIST OF APPENDICES</b>	xi
<b>ABSTRAK</b>	xii
<b>ABSTRACT</b>	xiv
<b>CHAPTER 1 - INTRODUCTION</b>	<b>1-29</b>
1.0 Introduction	1
1.1 Background of the problem	1
1.2 Statement of the problem	15
1.3 Purpose of the study	16
1.4 Research questions	17
1.5 Definition of terms	19
1.6 Scope and limitations of the study	23
1.7 Significance of the study	25
1.8 Chapter summary	29
<b>CHAPTER 2 - LITERATURE REVIEW</b>	<b>30-112</b>
2.0 Introduction	30
2.1 The changing landscape of higher education	30
2.2 The Malaysian private higher education landscape	37
2.3 Higher education as a marketable service	44
2.4 Competition and the higher education market	52
2.5 The external environment	60
2.6 The concept of strategy	65
2.7 Contesting theories on strategy and performance	74
2.7.1 The industry structure view	75
“Five forces” framework	78
Generic competitive strategies	85
Generic industry environments	87
2.7.2 The resource-based view	90
Firm strengths	94
Firm weaknesses	96
2.8 Competitive advantage	97
2.8.1 Sustainable competitive advantage	102
2.9 Conceptual framework	105
2.9.1 Market success	107
2.9.2 Environmental considerations	107
2.9.3 Strategic resource considerations	108
2.9.4 Positioning strategies	109
2.9.5 Distinctive competencies	110
Image and products	110
Coalition and integration	111
2.9.6 Sustainable competitive advantage	112
2.10 Chapter summary	112

<b>CHAPTER 3 - METHODOLOGY</b>	<b>113-145</b>	
3.0	Introduction	113
3.1	Research design	113
	3.1.1 The multi-case design	115
3.2	Case selection	119
	3.2.1 Pilot study	122
3.3	Gaining access	123
3.4	Data collection methods	126
	3.4.1 Types of data collected	127
	3.4.2 Sources of data	129
	3.4.2a Key informant interviews	129
	3.4.2b Documents	132
	3.4.2c Direct observations	133
	3.4.3 The fieldwork	133
3.5	Validity and reliability of data	135
3.6	Data analysis	136
	3.6.1 Analysis instruments	139
	3.6.1a External factors analysis summary (EFAS)	139
	3.6.1b Internal factors analysis summary (IFAS)	141
	3.6.1c Strategic factors analysis summary (SFAS) matrix	142
	3.6.1d The VRIO framework	143
3.7	Chapter summary	145
<b>CHAPTER 4 – FINDINGS</b>	<b>146-326</b>	
4.0	Introduction	146
4.1	Background of the cases	147
	4.1.1 City College	148
	4.1.2 Central College	157
	4.1.3 Metro College	166
	4.1.4 Urban College	173
	4.1.5 Section summary	180
4.2	Environmental considerations	181
	4.2.1 Environmental opportunities and threats	187
	4.2.1a City College	187
	4.2.1b Central College	192
	4.2.1c Metro College	197
	4.2.1d Urban College	201
	4.2.2 Internal strengths and weaknesses	206
	4.2.2a City College	206
	4.2.2b Central College	212
	4.2.2c Metro College	217
	4.2.2d Urban College	223
	4.2.3 Strategic factors analysis summary	229
	4.2.4 Section summary	232
4.3	Competitive forces in the higher education industry	233
	4.3.1 Intensity of rivalry among competitors	234
	4.3.2 The threat of new entrants	246
	4.3.3 The threat of substitute providers	249
	4.3.4 The bargaining power of suppliers	254
	4.3.5 The bargaining power of buyers	259
	4.3.6 Section summary	266
4.4	Strategic internal resources	266

4.4.1	Finance	267
4.4.2	Buildings and facilities	270
4.4.3	Programmes	274
4.4.4	Staff	277
4.4.5	Section summary	280
4.5	Positioning strategies of PHEIs	281
4.5.1	Focus	281
4.5.2	Differentiation	285
4.5.3	Section summary	289
4.6	Distinctive competencies of PHEIs	290
4.6.1	Image and products	291
4.6.2	Coalition and integration	294
4.6.3	Section summary	303
4.7	Sustainable competitive advantage	303
4.7.1	City College	304
4.7.2	Central College	307
4.7.3	Metro College	309
4.7.4	Urban College	311
4.7.5	Section summary	313
4.8	Market success	313
4.8.1	Definitions of market success	314
4.8.2	Factors for success	316
4.8.3	Market success indicators	318
4.8.3a	Growth in student enrollment	319
4.8.3b	Financial success	320
4.8.3c	Demand for places	322
4.8.3d	Optimism for enrollment growth	323
4.8.4	Section summary	325
4.9	Chapter summary	326
<b>CHAPTER 5 – SUMMARY, DISCUSSION, IMPLICATIONS AND RECOMMENDATIONS</b>		<b>327-358</b>
5.0	Introduction	327
5.1	Summary and discussion of major findings	328
5.1.1	Environmental considerations in strategy formulation	328
5.1.2	Competitive forces in the higher education industry	334
5.1.3	Exploitation of strategic internal resources	339
5.1.4	Positioning strategies of PHEIs	341
5.1.5	Exploitation of distinctive competencies	342
5.1.6	Sustainable competitive advantage	344
5.1.7	Market success	345
5.2	Implications	348
5.2.1	Implications for theory	348
5.2.2	Implications for practice	351
5.3	Recommendations	353
5.3.1	Recommendations for PHEIs	354
5.3.2	Recommendations for MoHE	355
5.3.3	Recommendations for future research	356
5.4	Conclusion	358
<b>BIBLIOGRAPHY</b>		<b>359-379</b>
<b>APPENDICES</b>		<b>380-408</b>

## LIST OF TABLES

		Page
Table 1.1	Summary of changes in higher educational institutions	5
Table 1.2	Private higher educational institutions 2000 & 2005	16
Table 2.1	Enrollments in PHEIs, 1985-2005	41
Table 2.2	Growth strategies and expansion: for-profit institutions	47
Table 2.3	Summary descriptions of types of strategies	73
Table 2.4	Barriers of entry into an industry	80
Table 2.5	Industry attributes that increase the threat of rivalry	83
Table 2.6	Requirements for generic competitive strategies	86
Table 2.7	Industry structure and opportunities	87
Table 2.8	Implications of the resource-based view	96
Table 3.1	Case institutions for the study	122
Table 3.2	Contact with case institutions	126
Table 3.3	Measures to ensure validity and reliability of data	135
Table 3.4	Types of data analysis	138
Table 3.5	External factors analysis summary (EFAS)	139
Table 3.6	Internal factors analysis summary (IFAS)	141
Table 3.7	Strategic factors analysis summary (SFAS) matrix	142
Table 3.8	The relationship between the VRIO framework and organizational strengths and distinctive competencies	144
Table 3.9	The VRIO framework and competitive implications	145
Table 4.1	Case study sites (2005-2006)	148
Table 4.2	Founder members of SETI (parent institution of Central College)	159
Table 4.3	Metro College: Programmes and courses	171
Table 4.4	Initially approved courses offered by Urban College	174
Table 4.5	Courses offered by Urban College (up to 2005)	178
Table 4.6	LAN accredited courses at Urban College	179
Table 4.7	Background summary of PHEIs	180
Table 4.8	External factors analysis summary (EFAS): City College	187
Table 4.9	External factors analysis summary (EFAS): Central College	192
Table 4.10	External factors analysis summary (EFAS): Metro College	198
Table 4.11	External factors analysis summary (EFAS): Urban College	202
Table 4.12	External factors and weighted score: A comparison	206
Table 4.13	Internal factors analysis summary (IFAS): City College	208
Table 4.14	Internal factors analysis summary (IFAS): Central College	213
Table 4.15	Internal factors analysis summary (IFAS): Metro College	218
Table 4.16	Internal factors analysis summary (IFAS): Urban College	224
Table 4.17	Internal factors and weighted score: A comparison	228
Table 4.18	Strategic factors analysis summary (SFAS) matrix: City College	230
Table 4.19	Strategic factors analysis summary (SFAS) matrix: Central College	230
Table 4.20	Strategic factors analysis summary (SFAS) matrix: Metro College	231
Table 4.21	Strategic factors analysis summary (SFAS) matrix: Urban College	231
Table 4.22	Summary of SWOT analysis	232
Table 4.23	Institutions in the higher education industry in Sarawak (2005)	235
Table 4.24	Number of forms 5 and 6 students (2003-2005)	236
Table 4.25	Number of qualified candidates for form 6 (2004-2006)	240
Table 4.26	Examples of substitute providers and their core function	250

Table 4.27	Utilization of unused space	272
Table 4.28	City College: Collaborations with local and foreign universities	294
Table 4.29	City College: Collaborations with non-academic bodies	296
Table 4.30	Central College: Collaborations with local and foreign institutions	297
Table 4.31	Central College: Collaborations with non-academic bodies	297
Table 4.32	Metro College: Collaborations with non-academic bodies	299
Table 4.33	Urban College: Collaborations with partner institutions (sample)	300
Table 4.34	The VRIO framework and competitive advantage: City College	305
Table 4.35	The VRIO framework and competitive implications: City College	306
Table 4.36	The VRIO framework and competitive advantage: Central College	307
Table 4.37	The VRIO framework and competitive implications: Central College	309
Table 4.38	The VRIO framework and competitive advantage: Metro College	310
Table 4.39	The VRIO framework and competitive implications: Metro College	310
Table 4.40	The VRIO framework and competitive advantage: Urban College	311
Table 4.41	The VRIO framework and competitive implications: Urban College	312
Table 4.42	Student enrollment: 2003-2005	319
Table 4.43	Financial statement (balance sheet): A comparison	320
Table 4.44	Profit and loss account: A comparison	321



## LIST OF FIGURES

		<b>Page</b>
Figure 2.1	The array of higher education benefits	32
Figure 2.2	Managerialism, economic rationalism and educational changes	33
Figure 2.3	Forces driving industry competition	79
Figure 2.4	Conceptual framework of the competitive advantage of private higher educational institutions	106
Figure 3.1	Case study method design	117
Figure 3.2	A brief profile of PHEIs in Kuching	120
Figure 3.3	List of informants and respondents	130
Figure 3.4	Sources of data and scope of data collection	132

## LIST OF ABBREVIATIONS AND SHORTENED FORMS

ACCA	Association of Certified Chartered Accountants
AIMST	Asian Institute of Medical Science and Technology
AZAM	Angkatan Zaman Mansang
BMI	British Malaysia Institute
BTEC	Business and Technology Educational Council
CADD	computer-aided design & drafting
CCM	Companies Commission of Malaysia
CEO	chief executive officer
Central	Central College
CERLCO	Central Resources Limited Company (pseudonym)
CIMA	Chartered Institute of Management Accountants
City	City College
Curtin	Curtin University of Technology, Sarawak
DBKU	Dewan Bandaraya Kuching Utara (Kuching North City Council)
DICA	Diploma in Culinary Arts
DIHM	Diploma in Hotel Management
DIT	Diploma in Information Technology
DoES	Department of Education, Sarawak
ED	executive director
EFAS	External factors analysis summary
EPF	Employers' Provident Fund
FELCRA	Federal Land Consolidation and Rehabilitation Authority
GTS	graduate training scheme
FFO	Federal Financial Office
HCS	Harina Consultancy Services
HND	Higher National Diploma
HR	human resource
ICUTT	International College University of Technology Twintech
IFAS	internal factors analysis summary
IKBN	Institut Kemahiran Belia Negara
IKM	Institut Kemahiran Mara
ILP	Institut Latihan Perindustrian
IPCIT	International Professional College of Information Technology (pseudonym)
IT	information technology
KPLI	Kursus Perguruan Lepas Ijazah (Postgraduate Teacher Training Course)
LAN	Lembaga Akreditasi Negara (National Accreditation Board)
LCCI	London Chamber of Commerce and Industry
LKIM	Lembaga Kemajuan Ikan Malaysia (Malaysian Fisheries Development Board)
MAPCU	Malaysia Association of Private Colleges and Universities
MARA	Majlis Amanah Rakyat
MHR	Ministry of Human Resources
MITI	Ministry of International Trade and Industry
MLVK	Majlis Latihan Vokasional Kebangsaan (National Vocational Training Council)
MD	managing director
Metro	Metro College
MMS	Marketing Management Services
MOE	Ministry of Education
MoHE	Ministry of Higher Education
OUM	Open University Malaysia

PHEI	Private Higher Educational Institution
PKIBM	Persatuan Kebangsaan IPTS Bumiputera, Malaysia
PLPB	Pusat Latihan Pembangunan Belia
PSMB	Pembangunan Sumber Manusia Berhad
PR	public relations
PTPTN	Perbadanan Tabung Pendidikan Tinggi Nasional (National Higher Education Fund Corporation)
PWD	Public Works Department
RBV	resource-based view
SCP	structure-conduct-performance
SEDC	Sarawak Economic Development Corporation
SESCO	Sarawak Electricity Supply Corporation (Berhad)
SETI	Sentosa Education and Training Institute (pseudonym)
SF	Sarawak Foundation
SFAS	strategic factors analysis summary
SHEFCT	Sarawak Higher Education Fund Charitable Trust
SIRIM	Standard and Industrial Research Institute of Malaysia
SMEs	small and medium enterprises
SMIDEC	Small and Medium Industries Development Corporation
SPM	Sijil Pelajaran Malaysia (Malaysian Certificate of Education)
STB	Sarawak Tourism Board
STPM	Sijil Tinggi Pelajaran Malaysia (Malaysia Higher Certificate of Education)
Swinburne	Swinburne University of Technology, Sarawak
SWOT	strengths, weaknesses, opportunities and threats
TAHAP	Tourism and Hospitality Awareness Programme
UCS	United College Sarawak
UiTM	Universiti Teknologi Mara
UK	United Kingdom
UNIMAS	Universiti Malaysia Sarawak
UNITAR	Universiti Tun Abdul Razak
Urban	Urban College
US	United States
UTM	Universiti Teknologi Malaysia
VRIO	value, rareness, imitability and organizational (orientation)

## LIST OF APPENDICES

	<b>Page</b>
Appendix A: Letter of introduction	381
Appendix B: Research pamphlet	382
Appendix C: Excerpt of sample interview	384
Appendix D: Interview records	390
Appendix E: Case study protocol	391
Appendix F: SWOT analysis: External factors analysis summary (1)	387
Appendix G: SWOT analysis: External factors analysis summary (2)	399
Appendix H: SWOT analysis: Internal factors analysis summary (1)	401
Appendix I: SWOT analysis: Internal factors analysis summary (2)	403
Appendix J: SWOT analysis: Strategic factors analysis summary matrix	405
Appendix K: VRIO analysis: The VRIO framework	407

**KAJIAN KES BERSILANG TENTANG KELEBIHAN DAYA SAINGAN DALAM  
KALANGAN INSTITUSI PENDIDIKAN TINGGI SWASTA  
DI KUCHING, SARAWAK**

**ABSTRAK**

Kajian ini meninjau kelebihan daya saingan (*competitive advantage*) dalam kalangan institusi pendidikan tinggi swasta (IPTS) di Kuching, Sarawak. Tumpuan utama kajian ini adalah untuk mengenal pasti bagaimana IPTS menganalisis dan mengurus persekitaran luaran dan dalaman dan mengeksploitasi sumber-sumber dalaman untuk menempatkan institusi mereka pada kedudukan strategik supaya mendapat kelebihan daya saingan. Kajian ini juga meninjau kecekapan tersendiri atau *distinctive competencies* IPTS dan bagaimana IPTS menggunakannya untuk mencapai dan mengekalkan kelebihan daya saingan supaya dapat mencapai kejayaan dalam industri pendidikan tinggi. Tujuh soalan kajian telah dikemukakan untuk dijadikan panduan bagi kajian ini. Kajian ini telah dijalankan melalui kajian kes melibatkan empat IPTS di bandar raya Kuching. Data yang kebanyakannya berbentuk kualitatif telah dikumpul melalui temu bual separa berstruktur, analisis dokumen dan pemerhatian. Antara dapatan kajian ini ialah: pihak pengurusan IPTS kurang menampakkan kesungguhan dan kurang bersistematik dalam pengurusan strategik; mereka membuat keputusan atau mengambil tindakan berdasarkan jangkaan atau lebih menjurus kepada perasaan. Namun demikian mereka ada juga mengambil kira faktor-faktor persekitaran luaran dan dalaman yang mungkin mempengaruhi institusi mereka. Lima jenis kuasa persaingan (*competitive forces*) yang dipelopori oleh Porter (1980) didapati sesuai diaplikasikan dalam konteks kajian ini. Kuasa persaingan ini mempengaruhi gaya persaingan di antara IPTS berkenaan tertakluk kepada kekuatan pengaruh kuasa persaingan tersebut. Selain itu, pihak pengurusan IPTS telah mencuba mengeksploitasikan sumber-sumber dalaman untuk memperlahankan pengaruh kuasa persaingan tersebut

supaya mereka lebih berdaya saing. Satu lagi dapatan kajian ini adalah, untuk menjadi lebih berdaya saing, IPTS menggunakan strategi pembezaan fokus (*differentiation focus*) pada peringkat awal operasi; selepas itu mereka beralih kepada pembezaan yang sebenarnya. Kajian ini juga mendapati kecekapan tersendiri IPTS memberikannya kelebihan daya saingan yang berupa sementara sahaja. Akhir sekali, kejayaan pasaran IPTS telah dikenal pasti dan diukur melalui beberapa indikator. Secara keseluruhannya didapati bahawa IPTS mengalami beberapa masalah dari segi daya saingan. Mengambil kira akan dapatan-dapatan tersebut, kajian ini telah membincangkan beberapa implikasi dan memberi cadangan kepada IPTS dan penggubal dasar di Kementerian Pengajian Tinggi untuk meningkatkan prestasi IPTS supaya mereka dapat menjadi pusat pengajian yang lebih berdaya saing. Cadangan juga telah dikemukakan tentang hala tuju kajian berkaitan pada masa akan datang.

# **A CROSS-CASE STUDY OF THE COMPETITIVE ADVANTAGE OF PRIVATE HIGHER EDUCATIONAL INSTITUTIONS IN KUCHING, SARAWAK**

## **ABSTRACT**

This study examined the competitive advantage of private higher educational institutions (PHEIs) in Kuching, Sarawak. The primary focus of the study was on how PHEIs analyze and manage their external and internal environments and exploit their internal resources in order to position their institution to gain competitive advantage. The study also examined the distinctive competencies of PHEIs. It examined how the PHEIs exploit their distinctive competencies to gain and sustain competitive advantage in order to achieve market success in the higher education industry. Seven research questions were formulated to guide the study. The research was carried out through a case study of four PHEIs in the city of Kuching. The mostly qualitative data were gathered through semi-structured interviews with key informants, documents analysis and observations. The research findings revealed that: the management of PHEIs are not deliberate and systematic in their strategic planning, basing their decision more on intuition, although they do take stock of the external and internal factors affecting their institution. The five competitive forces espoused by Porter (1980) were found to be applicable in the study and depending on their strength, these forces do influence the competitiveness of PHEIs. In addition, the PHEIs do try to exploit their internal resources to deal with the competitive forces and make their institutions more competitive. The study also discovered that in order to be more competitive, the PHEIs adopted the differentiation focus strategy in their early years of establishment, after which there were attempts to switch to the differentiation strategy. It was also revealed that the distinctive competencies of PHEIs which could confer on them competitive advantage were mostly temporary and hence, the competitive advantage accrued was not sustainable. Finally, the market success of PHEIs was defined and the success of each PHEI was measured

against a number of indicators. Overall, it was discovered that the PHEIs in the study were struggling to make ends meet. The implications of the findings are discussed and recommendations made to the PHEIs and higher education policy-makers to improve the competitiveness of PHEIs and to make them providers of quality higher education; and to researchers on the directions of related future research.



# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 Introduction**

The primary aim of this study was to examine and describe the competitive advantage of private higher educational institutions (PHEIs) operating in a geographically 'isolated' and comparatively limited market through a case study of four PHEIs in the city of Kuching, Sarawak. The study also sought to identify some of the key factors that enabled PHEIs to develop and attain competitive advantage in order to survive or prosper in a highly competitive higher education industry.

This introductory chapter outlines the background, purpose and objectives of the study, as well as the research questions the study sought to address. It also discusses the significance and implications of the study, both for theory and for practice on the part of PHEIs, for public policy-making, and recommendations for related future research.

### **1.1 Background of the problem**

The private sector is increasingly expected to play a more prominent role in developing the nation's human resource base, especially in education and training. The role the sector is expected to play in contributing towards Malaysia's human resource development efforts to create a strong human resource base is best reflected in the following statement:

... the participation of the private sector, particularly at the tertiary level will be intensified. The private sector will be encouraged to set up more new institutions and campuses, and conduct more twinning programmes with local public universities and foreign institutions of higher learning as well as to expand their distance learning programmes.

(Malaysia, 2001a, p. 15)

Malaysia envisions that a strong human resource base would be able to support the development of our country's knowledge-based economy and enhance its productivity and competitiveness (Malaysia, 2001a, p. 15; 2006a) in this increasingly competitive global market. Until the 1980s, the responsibility of providing higher education and technical training in our country has mainly been shouldered by the public sector (Lee, 2001a; Malaysia, 1991, p. 26). This is understandable, given that higher education is largely considered a public good that can benefit both society as a whole and individuals (Asian Development Bank, 2001; Institute for Higher Education Policy, 2005). However, in recent years, the contribution of the private sector in widening access to higher education has increasingly and tacitly been acknowledged and explicitly encouraged as shown in the statement above. As the country slowly immerses itself into the global market characterized by an extensive removal or relaxation of trade barriers, it has to increase significantly its competitiveness in the global market. Global competitiveness can only be achieved if the country's human resource is sufficiently educated, trained and equipped with highly relevant skills in key areas like science, information and communication technology, and various other cutting-edge technologies (Malaysia, 1991, 1996a, 1996b, 2001a, 2001b, 2006a).

Porter (1990) has argued that a nation's competitiveness is not a macroeconomic phenomenon underpinned by such factors of production as cheap and abundant labour, possession of bountiful natural resources, interventionist

government policy like protection, export promotion and subsidies, or efficient management practices. The only meaningful concept of a nation's competitiveness, Porter argues, is national productivity. Thus, high living standard of citizens in a nation is dependant upon that nation's economic firms to produce high levels of productivity and to increase that level of productivity over time. Any meaningful study of national competitiveness, according to Porter (1990), should not, however, focus on a nation's economy as a whole but on specific industries clustered in certain geographical regions of a nation, and industry segments in that nation. The role of economic firms or companies in achieving national competitiveness, according to Porter (1990, p. 10) cannot be overemphasized:

To achieve competitive success, firms from the nation must possess a competitive advantage in the form of either lower costs or differentiated products that command premium prices. To sustain advantage, firms must achieve more sophisticated competitive advantages over time, through providing high quality-products and services or producing more efficiently. This translates directly into productivity growth.

Hence, the purpose of this study was to examine and describe the competitive advantage of private higher educational institutions (PHEIs) in the higher education industry located within a specific geographical region.

Specifically, the study sought to examine how PHEIs operating in a geographically isolated and comparatively limited market work to gain and attain competitive advantage in order to survive or prosper in the highly competitive higher education industry and the key factors that enable them to do so. These are the PHEIs openly encouraged, but tightly regulated, by the government to complement<sup>1</sup>

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<sup>1</sup> In terms of student enrollment, it was true at the initial stage of the development of the private higher education industry that the private sector served to complement the government's effort in the provision of higher education. The last few years, however, have seen that this is arguably no longer the case as the private sector (PHEIs) accounts for more than half of enrollment in higher education (Fu, 2004; Malaysia, 2006a).

the public sector in developing and strengthening the nation's human resource base mentioned above through the provision of higher education and training. The study sought to examine, describe and analyze how PHEIs formulate their competitive strategies, position their business within the higher education industry and develop or exploit strategic internal resources and distinctive competencies to gain and sustain competitive advantage, and subsequently attain market success relative to that of their competitors.

In order to begin our study it is beneficial, firstly, to survey the global scenario of higher education development and change. In fact, higher education worldwide is experiencing an ideological and organizational shift, driven by pressures to demonstrate its contribution to a nation's wealth generation through the process of capital accumulation (Willmott, 2003, p. 129). Thus, the works of academics is expected to be more responsive to the economic and industrial priorities of a nation, in the process aligning higher education closer to utilitarian or industry concerns (Buchbinder, 1993; Jarvis, 2001; Meyer-Dohm, 1990; Wright, 1990). Hence, a premium is placed upon corporate managerialism and market discipline in higher educational institutions (Mok & Tan, 2004) to produce more knowledge workers to fulfill industry needs, leading to direct linkages between universities and industries (Buchbinder & Newson, 1990; Jones, 1990; Malaysia, 2006a; Willmott, 2003).

Several forces are driving the rapid development of higher education worldwide, including in Malaysia. These forces include the transition from manufacturing and service-based economies to knowledge-based economies, a phenomenal increase in the social demand of higher education that bloats enrollments in (particularly public) higher educational institutions, the emergence of new education providers, and the use of new technologies (Green & Hayward, 1997; Levin, 2003; The Futures Project, 2000, 2001). These changes in the higher

education landscape, in turn, have changed the way higher educational institutions go about their business. Nasseh (2000, p. 222) has summed up the changes that have taken place in higher educational institutions as shown in Table 1.1.

**TABLE 1.1 Summary of changes in higher educational institutions**

Traditional higher education institutions	Evolving higher education institutions
Default mode (campus, classes, lectures)	Preferred mode (campus classes, virtual classes)
Synchronous education	Asynchronous education
Process-oriented	Outcome-oriented
Teacher-centred	Student-centred
Geography monopoly	Global education
Limited audience	Global audience
Focus on teaching	Focus on learning
Euro-American style	Multiculturalism
Standard programmes	Adaptive programs
Local orientation	Global orientation
Traditional process	Business process
Degree programmes	Degree and open-ended programmes
Scheduled programmes	Learning-on demand
Centre for traditional learning	Centre of lifelong learning
Isolation	Partnership

As can be seen from the Table, the changes that have been experienced by higher educational institutions have mostly been brought about by the forces and process of globalization. Indeed, as Marginson and Considine (2000, p. 8) have observed, universities are “among the most ‘globalised’ of institutions”. Among the prominent consequences brought about by the process of globalization in this era of knowledge-based economies, are the great demands for high level of knowledge and professional skills, demands by social groups for status and prestige, and demands of the state for social order as well as legitimacy in the global order (Postiglione, 1997). In addition, as more parents have obtained better education in the previous generation, so there is a corresponding rise in the demand of young people for higher education (McPherson, 1991; Tapper & Palfreyman, 2005; Ziderman & Albrecht, 1995).

Karmokolias & Maas (1997, p. 1) have emphasized that historically, and until about a century ago, private organizations or individuals had provided for almost all education and that recipients had paid for the education they had received. State intervention in the provision of education was a much later phenomenon. The State had eventually come into the picture to provide education for its citizens

....partly because of growing beliefs regarding equal opportunity, with education promoting egalitarianism; partly because education was expected to improve a person's character; and, partly because there was a rising recognition of education's significant contribution to the nation that education was too important to be left to the private sector. It was thought that the private sector would cater primarily to the well-to-do, whereas education was viewed as a "right" of every citizen that only the government could provide adequately and equitably.

(Karmokolias & Maas, 1997, p. 1)

However, as Karmokolias and Maas (1997) have emphasized, there has been a rapid demand for education, including higher education that no country could afford to provide it to the degree that students and their families want. This increase in demand for higher education, coupled with its rising costs, has witnessed the public sector as either unwilling or unable to accommodate that demand, both in developed and developing countries (Asian Development Bank, 2001; Patrinos, 1990; Tilak, 1993; Tooley, 2001), resulting in a "crisis of affordability" (Morgan-Klein & Murphy, 2002, p. 64) for individual students and the State. This situation is further exacerbated by global financial forces that put pressure on the government of many developing countries to reduce public spending on education but at the same time, paradoxically, pushes for more and better education (Carnoy, 2002). Financial resources are always limited for the provision of higher education, yet educational opportunities for citizens of an open society cannot be limited (Donnorummo, 2000, p. 21). Thus, unmet demand and the inevitable expansion of higher education have compelled many countries to let market-based strategies take hold, creating opportunities for the private sector to fill the supply gap and resulting in the rapid

expansion of the private higher education sector (Psacharopoulos, 1991). Countries like the Philippines, Brazil (see Geiger, 1986) and Japan (see Amano, 1997; Geiger, 1986) provide good examples of the dominant role of the “mass private sector” in the provision of higher education. Subsequently, the rise of the private higher education sector has contributed significantly towards increasing and widening access to higher education (Altbach, 2002a; Hauptman, 2003; Morgan-Klein & Murphy, 2002). This means both larger numbers of student enrollment and larger proportion of groups from which they come, and a greater proportion of increment in the admission of students from under-represented groups (McPherson, 1991; Tapper & Palfreyman, 2005).

The rapid expansion of private higher education is evident in many countries by the increase in student enrollments, the number and types of institutions that have emerged, the various courses and programmes offered, the various modes through which these programmes are delivered, and the number of clientele they serve (Castro & Navarro, 1999; Hanna, 2000; Lee, 1999; Levin, 2003). This is especially true of Malaysia as many qualified students are unable to find a place in the public higher educational institutions because of limited places available and the imposition of ethnic quota (Lee, 1999; 2001b; Tan, 2002). These students would have no better alternatives but to study in private higher educational institutions, which are generally less selective in their student intake and which in most cases are able to offer students their chosen field or area of study. Hence, the participation of the private sector in the provision of higher education and training is openly encouraged by the government (Malaysia, 1996b, 2001a, 2001b, 2006a). In fact, there is a strong recommendation to recognize the private higher education sector as a sector that generates economic growth in addition to providing increased access and equity, thus justifying the government to provide it with a comprehensive incentive scheme as has been done for other sectors (Malaysia, 2006b).

The private higher education industry in Malaysia has been described as a “viable business endeavour, with consistently high demand and good cash flow”, and that it “rarely has bad debts and faces only limited stock obsolescence” (“*Investing in education*,” 2003). The nation’s unique competitive advantage in the private higher education industry is thought to be its ability to position itself as an affordable ‘stepping stone’ to ‘reputable’ universities overseas (“*Moving on up*,” 2003, p. 7). The other key competitive advantage of the local higher education industry, vis-à-vis the competitors in the region, are “its ability to deliver cost-effective and responsive education, conducted in English with a global outlook” (“*Racing ahead*,” 2002, p. 7). However, with 559 registered private higher educational institutions (“*All change*,” 2006) competing for the 26 percent of the age cohort currently entering higher education, this level of competition is “unsustainable” in the long term. There is a likelihood that a number of smaller institutions would fold or get absorbed or swallowed up by bigger and more established competitors through mergers and acquisitions.

The focus of this study is on the competitive advantage of PHEIs at the institutional or business level. This means the unit of analysis of the study is the individual PHEIs, or in the language of industrial organization economics and business management, the firm. In order to gain and sustain a competitive advantage and attain market success in the higher education industry, successful PHEIs, like other business establishments, have to “create markets” (Peters, 1987) for themselves. This means looking for, in addition to the traditional 17-23 age cohort of Malaysian students, foreign students or tapping the potential of the working adults or mature students market. The nature of this study would also inevitably mean that it would look at PHEIs as business enterprises. Besse (1973) in comparing the organization and operation of institutions of higher learning with business enterprises has pointed out that it is difficult to compare institutions of higher learning with



business enterprises because of the inherent structures of institutions of higher learning that were created for the production and dissemination of knowledge. It is important to note, however, that Besse (1973) was making a comparison between business corporations and public and non-profit private higher institutions, mostly universities. The comparison of PHEIs in the context of this study with business enterprises, on the other hand is most appropriate because they, PHEIs, are set up and run along corporate lines as required by the legislation of PHEIs Act 1996 (Malaysia, 1996c). The companies that manage these PHEIs are registered with the Companies Commission of Malaysia (CCM); indeed, they are arguably business enterprises dealing with education and training.

As far as the Malaysian market is concerned, some of the PHEIs seem to be doing relatively well, especially those backed by big corporations and government-linked companies. For example, the Open University Malaysia (OUM) has successfully carved out a niche market for itself as demonstrated by the fact that 95 percent of its total intake of 26, 000 active students are working adults (*"Blending in,"* 2006, p. 28) comprising mostly those in the teaching profession (17, 000) studying for first their degree via distance learning. The university's competitive advantages include courses tailored for local conditions and the delivery of lectures in both English and Bahasa Malaysia. Of course, the country's 200,000 non-graduate teachers remains its target market (*"Universiti Terbuka,"* 2002).

The success of OUM and other similar success stories, however, seem to involve only the big private universities, university colleges or private colleges run by huge corporations or consortia. Not much is known about the smaller, non-university PHEIs beyond press reports that quite a number have closed down or are facing imminent closure. Moreover, the success of a few PHEIs in capturing the local market has not been paralleled with a success in capturing the regional market. This

is in spite of the above-mentioned competitive advantages that we possess. Part of the reasons for our country's hitherto unsuccessful effort in capturing the regional market is explained by one prominent local educational entrepreneur or "edupreneur" who maintains that our country "never had a concerted policy or strategy for overseas promotion because our private colleges evolved in response to local needs" (*Building brands,* 2003, p. 30). It was perhaps this realization that prompted the Ministry of Higher Education (MoHE) to establish a new section in its organizational set-up called Department of Marketing and Commercialization of Higher Education. To this end, the Ministry has set up promotional offices in four countries namely the United Arab Emirates, China, Vietnam and Indonesia.

In terms of competition, business organizations or firms have been able to gain competitive advantage over their rivals through either competing on established positions (Ansoff, 1965; Porter, 1980, 1985) or skillful exploitation of their valuable internal resources (Barney, 1986, 1991; Wernerfelt, 1984) or a combination of both (Barney, 2002; Porter, 1991). The question is, are such approaches or strategies to gain competitive advantage applicable in the higher education sector and if yes, how and to what extent? In the case of higher educational institutions in the United States whose customers are traditionally 18 year-old freshmen seeking a good education, the sources of competitive advantages are thought to be the reputation of the institution, the curriculum and educational standards, cost, location and student activities (Blustain, Goldstein & Lozier, 1999, pp. 55-57). In respect of adult learners and employees of corporations, Blustain, Goldstein and Lozier (1999) say that the sources of competitive advantage for higher learning institutions are easy access, partnerships with corporations, customized curriculum, flexible delivery, and use of technology. On the other hand, a study on the competitiveness of PHEIs in Penang found that secondary school students placed the following criteria (sources of competitive advantage) as of utmost importance in their selection of colleges: job

opportunity after graduation, college facilities, the courses offered, the competitiveness of fees and the availability of scholarships (Kerajaan Negeri Pulau Pinang, 2006). It was one of the intentions of this study to find out if these sources of competitive advantage are applicable to the PHEIs in this study.

The research site for the study was Kuching, the capital city of Sarawak. However, the students who study in PHEIs in Kuching come not only from the city but also from all over Sarawak so it is sensible to include some basic data on education in the State which are relevant to this study. Data obtained from the Department of Education, Sarawak (DoES) indicates that as of January 2006, there were 176 secondary schools in Sarawak including seven technical and eight religious secondary schools (Jabatan Pelajaran Sarawak, 2006a<sup>2</sup>). In addition to students whom they source from this potential 'local' student market, PHEIs in Sarawak are able to attract a small number of students from the neighbouring State of Sabah as well as from Kalimantan, Indonesia, Brunei and China, making up a total number of 488 (Jabatan Pendidikan Sarawak, 2003a). Thus, one can say that Sarawak is a limited market in the sense that it has yet able to attract a significant number of students from outside the State. Nevertheless, Kuching being the administrative centre of the State and equipped with fairly adequate infrastructure and facilities, is able to attract a considerable number of 'local' students from the other major towns like Sibul, Bintulu and Miri, as well as from other smaller towns like Sri Aman, Sarikei, Kapit and Limbang.

There were some compelling reasons for opting to carry out this particular study at this site. As far as currently known, the few studies on private higher education in Malaysia have not included this site. Sarawak, principally because of its

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<sup>2</sup> The Ministry of Education from 2004 onwards used the term 'pelajaran', including in documents cited in this thesis. Prior to that, the term 'pendidikan' was used.

geographical location vis-à-vis the other states in the country, with the exception of Sabah, can be considered an education industry of its own. In this context also, it was only appropriate that only non-university PHEIs were chosen for the study, as in Sarawak there are only two private universities (foreign university branch campuses) and hence, there would have been no other institutions with which to make meaningful comparisons on the variables studied.

To cater for the postsecondary school student market<sup>3</sup> there are 31 registered PHEIs in Sarawak, of which the distribution according to the major towns are as follows: Kuching 18; Sibu 5; Bintulu 1; and Miri 7 (Jabatan Pelajaran Sarawak, 2005c). Apart from these mainly small colleges and institutes, there are two university-status private institutions: Curtin University of Technology Sarawak (Curtin) located in Miri, which is an offshore branch campus of the main campus in Australia and Swinburne University of Technology Sarawak (Swinburne) in Kuching, also an offshore branch campus of an Australian university. Additionally, there is one full-fledged public university (Universiti Malaysia Sarawak – UNIMAS), two branch campuses of Universiti Teknologi Mara (UiTM) and one branch campus of Universiti Putra Malaysia in Bintulu. Other institutions that compete for the market share of post-secondary students include four teachers' training institutes (of which two are located in Kuching); two polytechnics; and a few government-run skills-training centres, either under the management of Majlis Amanah Rakyat (MARA), the Ministry of Human Resources (MHR) or the State government. In addition, there were 65 government and government aided secondary schools offering form six classes to qualified students in 2005 (personal communication, Senior Assistant Director [Secondary Education], DoES, June 15, 2005).

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<sup>3</sup> The term refers to students who have sat for their SPM examinations.

The number of upper secondary school students in Sarawak, who form a significant segment of the PHEI market, is comparatively small despite automatic promotion to higher secondary education (see Tables 4.22 and 4.23). Moreover, these students would inevitably choose to enter public tertiary institutions if their applications were successful because of the heavily subsidized tuition fee and the perceived recognition of the qualifications obtained from these public institutions. Thus, it is expected that the competing PHEIs have to create a new market for themselves in addition to the existing, limited one.

There seems to be three sources for this new potential market: the first source is the group of semi-skilled or skilled working adults who normally study for a diploma or a degree to upgrade their qualifications. The second source is another group of fresh school leavers who achieved poor results in their SPM examination and cannot enter or withhold entering the job market, while the third group is unskilled adult students. The students who make up the latter market segment usually take up the National Council for Vocational Training (MLVK) courses under the MHR and Pembangunan Sumber Manusia Berhad (PSMB). The latter is especially an attractive market, albeit a short term one because of the short-cycle nature of the courses the students take up. The attractiveness of the market lies in the ability of the majority of the students to 'finance' the cost of their study principally through study loans obtained from the National Higher Education Fund Corporation (PTPTN). Since there is a great demand for the various skills enhancement courses, and since there are not enough places at public postsecondary educational institutions (mainly training and skill centres) to accommodate these students, the training is sourced out to approved training providers, the majority of which come in the form of PHEIs.

The implementation of the PHEI Act 1996 and subsequent related pieces of legislative enactments have witnessed a phenomenal growth of private higher education in Malaysia and turned it into a service industry with a heavy commercial thrust. Because there are now many higher educational institutions, public or private, in the higher education industry jockeying for positions and fighting for a share of the student market, it is inevitable that stiff competition and rivalry prevail among them. No doubt the very stiff competition in a relatively limited market such as Sarawak, has directly or indirectly caused some of the PHEIs to wind down operations, for example, Kolej Damansara Utama, Sarawak Branch in Sibul, in September 2003 (*Closure of KDU*, 2003) and Informatics, Kuching Branch in May 2006 (*“Alternatives for Informatics’ students,”* 2006). Some have relocated to a different geographical market, for example, Sedaya International College, Sarawak from Sibul to Kuching; and a few have been bought over by bigger institutions or more accurately, companies managing them. An example of this is King Business Institute – subsequently renamed Systematic Kuching, IBMS College and Prime College in Miri, all of which were acquired by the Systematic Education Group International (SEGi) in 2002. However, as part of the education group’s rebranding and consolidation exercise in early 2006 Systematic Kuching and Prime College were re-disposed of and acquired by I-Systems Group of Colleges (*“Open day,”* 2006). Systematic Kuching was renamed I-Systems College Kuching while Prime College was renamed I-Systems College Miri. Yet according to an Assistant Registrar of PHEIs at the DoES, other potential entrants are always scanning the environment and preparing to make a market entry (personal communication, November 6, 2004).

In view of the fact that the higher education industry is still growing in the country (not in the number of institutions but in student enrollment), it is timely now to study the competitive strategies and the competitive advantage of the institutions in the private higher education industry. Against this growth trend in the industry,

however, there are several PHEIs struggling to the point of closing down, notably Bumiputera-owned institutions, largely because of their mismanagement and financial dependency on the PTPTN and MARA loans as well as from state governments. Out of the 225 bumiputra-owned PHEIs, 32 institutions or 14 percent were in deep financial quagmire and faced impending closure (*"IPTS bumiputra,"* 2005).

## **1.2 Statement of the problem**

Many of the PHEIs in the country in general, and in Sarawak in particular, were established in the wake of the implementation of the PHEI Act 1996 to meet the rising market demand for higher education (Lee, 1999; Tan, 2002). Although there was initially great demand among students for places to pursue higher education, the mushrooming of PHEIs means that there were many options from which students can choose to study. Hence, there is keen competition for the student market, bearing in mind that competitors come in many different types and forms, including public higher institutions of learning. From the government's standpoint, the purpose of PHEIs was to complement and supplement its efforts to provide higher education. However, this purpose can only be meaningfully realized if the PHEIs can compete well, survive and ultimately prosper.

Data from 2000 to 2005, however, shows that there has been a decline in the number of registered PHEIs in the country, especially private colleges (the subject of this study) as shown in Table 1.2. In 2000, there were 632 private colleges registered in the country but by 2005, the number had significantly declined to 532. In 2006, the number has dwindled further to 522 (Malaysia, 2006c). Some of the PHEIs have folded because of poor business, others have been forced to close down for flaunting the relevant laws, yet others have been swallowed up by mergers and acquisitions.

In view of the failure of some PHEIs to sustain their existence, it is important to study the competitive advantage of PHEIs. Yet Yap (1998) has noted that PHEI managers have not been devoting enough attention to the need for strategic market planning, preferring to operate “through superficial exploitation of new market opportunities” (p. 51) which can imperil their business in the long term. If PHEIs were able to chart their own strategic direction, develop their own competitive strategies and gain competitive advantage, they would be able, theoretically at least, to survive and possibly attain market success. It is only when PHEIs do well, especially financially, that they can contribute meaningfully in providing quality higher education to students and towards the country’s human resources development.

**TABLE 1.2 Private higher educational institutions 2000 & 2005**  
Source: Malaysia (2006a, p. 244)

Types of institution	2000	2005
University	5	11
University college	0	11
Foreign university branch campus	3	5
College	632	532
<b>TOTAL</b>	<b>640</b>	<b>559</b>

### 1.3 Purpose of the study

The purpose of this study was primarily to examine how PHEIs operating in a geographically isolated and comparatively limited market work to gain and attain competitive advantage in order to survive or prosper in the highly competitive higher education industry and the key factors that enable them to do so. The study examined how PHEIs formulate their competitive strategies by taking into account the influence of the external environment, exploit their internal resources, position



their business in the higher education industry and use their distinctive competencies to gain and sustain competitive advantage and achieve market success.

The objectives of the study are outlined as follow:

1.3.1 To describe how PHEIs analyze and manage their external and internal environments and exploit their strategic internal resources in order to position their institution to gain competitive advantage.

1.3.2 To determine the distinctive competencies of PHEIs and how they use these distinctive competencies to gain competitive advantage.

1.3.3 To identify what PHEIs perceive as market success in the higher education industry, the key factors that bring about such success, and to determine how relatively successful these PHEIs are in the higher education industry in terms of student enrollment growth, financial benefit, demand for places and optimism over future growth.

#### **1.4 Research questions**

The following general research question was formulated as a very general guide to the study:

What is the nature of the competitive advantage of PHEIs in Kuching, Sarawak? How do PHEIs formulate strategies in order to gain and sustain that competitive advantage and achieve market success?

Taking into consideration the foregoing research objectives and general research question, the following specific research questions were formulated to guide the study:

1.4.1 How do private higher educational institutions (PHEIs) in Kuching take into account environmental factors and internal resources when formulating strategies to gain competitive advantage? What are the opportunities and threats found in the external environment? What are the strengths and weaknesses of these PHEIs?

1.4.2 What are the competitive forces in the higher education industry that influence competition and affect the degree of profitability among PHEIs in Kuching? How do these competitive forces influence competition and affect the degree of profitability among PHEIs?

1.4.3 What are the strategic internal resources that PHEIs in Kuching possess? What considerations do they make regarding the use of these strategic internal resources in the management of their institutions?

1.4.4 How do PHEIs in Kuching position themselves in the higher education industry? What generic positioning strategies do they adopt, and what benefits accrue to them in adopting these strategies?

1.4.5 What distinctive competencies do PHEIs in Kuching possess? How do the PHEIs exploit their distinctive competencies to gain competitive advantage?

1.4.6 Is the competitive advantage of PHEIs in Kuching sustainable? If so, what are the factors that contribute to the sustainability of their competitive advantage? If not, why is their competitive advantage not sustainable?

1.4.7 How do PHEIs in Kuching define market success in the higher education industry? What are the key factors that bring about market success to these institutions? How successful are PHEIs in terms of student enrollment growth, financial benefits, demand for places, and optimism over student enrollment growth?

## 1.5 Definition of terms

The following terms used in the study are conceptually and operationally defined as follow:

**Coalition:** An alliance or any other cooperative collaboration between a PHEI and another higher educational institution, usually a bigger and more established one, local or overseas, public or private. A PHEI may also cultivate a coalition with a non-educational institution, for example, a company in an industry.

**Competitive advantage:** A superior market position a PHEI is able to attain in the higher education industry that brings long-term *market success* (see definition below). A PHEI experiences competitive advantage when its actions in the higher education industry create economic value and when only few competitors engage in similar actions.

**Competitive disadvantage:** An inferior market position a PHEI experiences when its actions fail to create economic value in the higher education industry.

**Competitive forces:** The specific forces found in the external environment that continuously work to drive competition in the higher education industry. The forces consist of rivalry among existing institutions, the threat of entry of new institutions, the threat of substitute educational providers, the bargaining power of student clientele

and their parents (buyers), and the bargaining power of partner institutions (suppliers) (adapted from Porter, 1980).

**Competitive parity:** A competitive position experienced by a PHEI when its actions in the higher education industry create economic value but when several other PHEIs are engaging in similar actions. This means there is no clear competitive advantage among the competitors.

**Competitive strategy:** This means the search for a favourable competitive position by a PHEI in the higher education industry. Its aim is to establish a profitable and sustainable position (Porter, 1985) for the PHEI against the forces that determine competition in the higher industry. Competitive strategy not only responds to the industry environment but also tries to shape that environment in a PHEI's favour.

**Cost leadership:** A generic positioning strategy (see definition below) whereby a PHEI works hard to achieve the lowest production and offering costs of their service. Low tuition fees, for example, could mean that the institution is able to attract larger number of students than competitors.

**Differentiation:** A type of generic positioning strategy whereby a PHEI seeks to be unique in the higher education industry through some dimensions valued by students, for example, academic pathways, staggered fee payment, unique features of a course, and study incentives.

**Differentiation focus:** A strategy adopted by a PHEI whereby it seeks to serve only a segment of the student market (for example working adults) through differentiation.

**Distinctive competencies:** The intangible assets in the form of unique capabilities, knowledge and behavioural routines as well as practices, that a PHEI possesses that are superior to those of competitors and can potentially be the source of the PHEI's competitive advantage. In this study, the distinctive competencies operationalized are image, products, coalition and forward integration (Mazzarol & Soutar, 2001).

**Environmental determinism:** A view which holds that the management of, and adaptation to, the influence of the external environment (or market) is considered more influential than the internal resources that a PHEI possesses in determining its competitive strategy. In this study, the term is used interchangeably with 'market-based view'.

**External environment:** Refers to the surrounding or industry environment in which a PHEI operates and which can have a profound influence on its performance. This includes rival institutions, government regulations, the higher education market and technological changes.

**Focus:** This refers to a generic positioning strategy where a PHEI focuses its efforts on serving a few market segments well rather than going after the whole market.

**Forward integration:** This is a form of distinctive competence where a PHEI brings the education business closer to the target student market by establishing a branch campus, a recruitment office or even a service centre.

**Generic positioning strategy:** This is a general strategy chosen by a PHEI to position itself in the higher education industry. Porter (1980) argues that the three kinds of generic strategies that an enterprise can adopt are *cost leadership*, *differentiation* and *focus*.

**Higher education industry:** Refers to the group of higher educational institutions in Sarawak, both public and private, providing higher education services through offering academic courses and training programmes.

**Image:** This means how well or not well a PHEI is known, or how well reputed it is based on its own brand name or the brand name of another PHEI with which it has a coalition.

**Industry:** This refers to a “set of competing organizations that utilize similar resources or attract similar clients, and that produce similar products and services” (Peterson & Dill, 1997). In this study, the organizations are higher educational institutions, both public and private.

**Market success:** Market success for a PHEI means the overall growth in student enrollments, favourable financial benefits from student recruitment, excess demand for places of study, and a level of optimism for growth in student enrollment for the next three to six years (Mazzarol & Soutar, 2001).

**Private higher educational institutions (PHEIs):** This refers to private colleges and institutes that are allowed to confer only diploma and certificate-level qualifications. However, through “twinning programmes” and other types of academic collaborations with partner universities, some of these institutions are given approval to run degree courses in which the qualifications are awarded by the partner universities.

**Product:** The term refers to: the qualification students get that enables them to get a career (*core product*); the approved academic courses and training programmes that a PHEI offers to students (*actual product*); and the reputation and perceived quality

of the PHEI or its overseas partner institution (*augmented product*) (Kotler & Armstrong, 2004, p. 279; Mazzarol & Soutar, 2001, pp. 86-88).

**Resources:** This refers to the facilities, assets, knowledge, information, capabilities, characteristics and organizational procedures of a PHEI.

**Resource-based view:** A view that holds that the internal resources of a PHEI are more influential in determining the competitive strategy for that PHEI than an understanding and management of its external environment. These resources are competitively important if they are valuable, rare and difficult to imitate (Barney, 1991).

**Strategic internal resources:** This means the all-important resources belonging to a PHEI that can make a difference in its performance. For the purpose of this study, strategic internal resources comprise staff, buildings and facilities, programmes and finance.

**Sustainable competitive advantage:** The unique position that a PHEI develops in relation to its rivals that enables it to outperform them on a consistent basis. A PHEI is considered as having a sustainable competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by present or potential rivals and when this strategy is unable to be duplicated (Barney, 1991) by the other PHEIs.

## **1.6 Scope and limitations of the study**

This study aimed to describe and analyze the competitive advantage of PHEIs in Kuching. It did not purport to test directly the effectiveness of established

theories regarding competitive strategy but rather to see how these theories might have been adapted by the selected PHEIs in study. If they had, to what extent had the theories been adapted; and if not, to what extent had other or new theories or competitive strategies been adapted or discovered? The study also sought to find out how applicable are theories of competitive strategy, strategic management and marketing applies to a service and social sector like higher education in the geographical context of this study. The study, however, was not about an in-depth description and how-to of strategic management and planning. It was more on examining, describing and analyzing how the PHEIs came up with their competitive strategies and positioned their business in the higher education industry. It was also on identifying the key factors for gaining competitive advantage, and on how PHEIs defined market success and worked towards achieving it.

One of the limitations of the study was that during the two years between the initial data collection and the completion of this thesis, the PHEIs under study and the higher industry experienced substantial changes. Thus, while conducting the case studies, the researcher found himself doing something rather inevitable and unavoidable, which was capturing several snapshots of a motion picture, or more correctly, trying to freeze-frame a moving picture. Thus, even though only four institutions were chosen as the cases for the study, the conclusions drawn at the end of the study would hold up better and would be more lasting at the general level than they would be in relation to the individual institutions. Hence, the conclusions need to be constantly tested against the latest development in the field.

The second limitation was the reliance on the educational institutions as the unit of analysis, and not specific units or departments within each institution. For the bigger institutions, it would be much better if the units or departments had been the units of analysis. In addition, the concept of the value-chain espoused by Porter