



**UNIVERSITI PUTRA MALAYSIA**

**REGENT SCHOOL OF ECONONUCS  
A CASE STUDY**

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REGENT SCHOOL OF ECONOMICS

A CASE STUDY

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(MATRIC: 45165)

MASTER OF BUSINESS ADMINISTRATION

MALAYSIAN GRADUATE SCHOOL OF MANAGEMENT

UNIVERSITI PUTRA MALAYSIA

SERDANG, SELANGOR

JANUARY 1999



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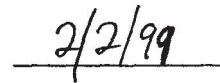


## Pengesahan Keaslian Laporan

Dengan ini, saya K. Don Ranjith Padmasiri, Nombor Matrik 45165, pelajar program MBA mengaku bahawa kajian kes untuk kursus ini adalah hasil asal saya sendiri.



Tanda tangan



Tarikh

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## **Dedication**

This work is lovingly dedicated to my late mother, Madam Beatrice Serelatha, for her kind support and encouragement during the first crucial stages of the MBA program. I would also like to thank my family members for their understanding and support throughout this course of study.

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# PART ONE



REGENT SCHOOL OF ECONOMICS -  
A CASE STUDY



## **1.0 THE TREND OF PRIVATE EDUCATION IN MALAYSIA**

Private education is the education provided to pupils by private educational institutions. They are non-government aided institutions and are fully funded by the private sector. Private colleges fall under one of the categories of private education, the others being - private universities, private kindergartens and private schools.

The establishment, management and operation of private educational institutions in Malaysia are governed by the following Acts:

- Education Act 1996
- Private Higher Educational Institutions Act 1996
- The National Council on Higher Education Act 1996
- The National Accreditation Board Act 1996

Private education in Malaysia started in 1950s, mainly as a gateway for students who cannot enter Government schools to obtain their basic certificates. Only in 1970s was there a shift of roles and functions of private education system, where more emphasis was placed on pre-university courses.

The 1980s saw another significant change, whereby private colleges provided tertiary education, particularly, in conducting courses leading to foreign qualifications at certificate, diploma and professional levels. During this period, private colleges provided an alternative access to university education for those who were unable to gain entry into Government's higher education institutions.

It should be noted that until 1998, no private college was allowed to fully conduct degree courses in Malaysia. Most colleges were allowed only to conduct twinning or

"2 + 1" degree programs. In these instance the students need to pursue their final year at the foreign universities to complete their degrees. Other alternatives were credit transfer programme, advanced standing programme, external degree programme, distance learning programme and joint programme.

To fully conduct foreign and local degree courses at private colleges here in Malaysia, a "3 + 0" program was introduced. In this instance, a student need not go overseas to the foreign university (or local university) to complete their degree, but rather it can be completed right here in Malaysia at the private college itself. It must be noted that the degree offered is that of the foreign or local university, not the private college itself. In these instances, strict moderation is conducted by the corresponding university so as to ensure that the participating private college meets all its requirements.

As of November 1998, ten private colleges have been approved by the Education Ministry to conduct the "3 + 0" programs.

The late 1990s also witnessed a growth in the number of foreign students enrolling in Malaysian private colleges. <sup>1</sup>In 1997, this figure stood at about 2,400 foreign students at private colleges; 1,400 at public universities.

The publication further states that, the current economic crisis has undoubtedly had a direct effect on local private colleges. It was further reported that in the beginning of 1998 that enrolment in private colleges was down by one-third. The explanation given was that students were deferring their applications until after the SPM results, in order to "wait and see" what happened to the economy before making any costly decisions.

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<sup>1</sup> Education Quaterly, Issue No.1 Aug/Oct 1998



Nevertheless, other private colleges claimed that, far from being slow, enquiries and enrolment were on the increase compared to previous years. Families are looking for more cost-effective options that can be completed locally. It also mentioned that those colleges with niche markets or particular strengths however, will continue to thrive.

Stamford College (SC) is one of the more prominent private colleges here in Malaysia, being established in the 1950's to cater for the growing number of students seeking private education.

## **2.0 STAMFORD COLLEGE BERHAD**

### **2.1 BRIEF HISTORY OF STAMFORD COLLEGE**

Stamford College (SC) is one of the oldest and largest private colleges in Malaysia. Over the 45 years of its existence, the college has provided opportunities in secondary and tertiary education to tens of thousands of students.

<sup>2</sup>The principal activities of SC Berhad are that of an investment holding and management company. The principal activities of SC subsidiary companies are provision of academic, tertiary, professional courses, sale and maintenance of educational databases and high level executive training.

<sup>3</sup>Today more than fifty (50) courses are offered by SC through seventeen (17) campuses and centers (branches) located in Kuala Lumpur, Petaling Jaya, Ampang, Penang, Melaka, Kuching and Kota Kinabalu. Among the more prominent centers are Stamford College (PJ) Sdn Bhd, **Regent School of Economics Sdn Bhd**, Stamford Management Centre (KL) Sdn Bhd, Stamford College (Malacca) Sdn Bhd and Stamford College (Ampang) Sdn Bhd.

SC has thirteen (13) schools (units). Each school offers a number of courses. Each center has a limited number of schools, offering a number of courses and no one centers offer all courses.

**(Note to reader: School in SC is synonym to faculty in universities).**

The total student enrolment of SC Berhad today exceeds 12,000 a year.

In a recent interview with Mr. Devaraj Arul, Communication Manager of SC he said, *"Right from the beginning, the aim of SC has been to provide education to the*

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<sup>2</sup> Stamford College Berhad 1998 Annual Report



*masses. This is why SC is not a specialist college, unlike Binary Business School, whose target market is students looking for Business and Computing courses only; APIIT whose market niche is Information Technology courses. Thus, SC is a private college that offers a wide range of educational opportunities to several market segments, with each product (course) satisfying a specific market segment."*

*"In fact, SC is still in existence today, during the current economic crisis due to the wide range of courses it offers - a differentiated market selection strategy. In a way, the more profitable courses subsidise the lesser profitable courses.*

*"Whereas colleges, like Metropolitan whose concentrated market selection strategy, that satisfied the student segment that was interested in A-levels and foreign programs only have been badly hit. According to reliable sources, student enrolment in Metropolitan has dropped significantly. Also, look at Brickfields college, its been so badly affected, because its only target market is for the Law related studies student market segment, that they have had to close down one of their centers. This is also due to the fact that, law programs currently attract a small market share of the private tertiary student market. It used to attract a huge market share in the 1990's, but no more!"*

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<sup>3</sup> Malaysian Education Guide 1998

### 2.1.1 "3 + 0" Degree Programs

As of November 1998, SC obtained the approval to conduct "3 + 0 " degree programs from the Education Ministry. This approval is for the BA (Hons) International Business Administration, the BA (Hons) Marketing Administration and Bachelor of Engineering (Electrical & Electronic). The degrees are awarded by the University of Northumbria at Newcastle, England.

The Business and Marketing degrees are currently being offered at Stamford College (PJ) and **Regent School of Economics**. The Engineering degree is only offered in Stamford (PJ).

As a corporate organisation, SC has its own mission statement and objectives, which is presented in the next section.

## **2.1.2 MISSION STATEMENT**

The following is the mission statement of Stamford College:

Stamford College is dedicated to providing the appropriate environment, facilities, courses and guidance for the educational development of the individual, taking into account the manpower needs of the nation and the expectations of the shareholders of the College. In accordance with this commitment Stamford College will;

- Develop programs that will be recognised nationally and internationally for their excellence;
- Provide a high quality of teaching, taking into account the needs of the individual students;
- Provide adequate educational and recreational resources for the development of the College's objectives;
- Adopt uniform guidelines for the monitoring quality in the delivery of courses and the provision of other educational services; and
- Conform to accrediting standards of partner universities whenever applicable.

### **2.1.3 Objectives of Stamford College**

The following is the list of objectives set out by Stamford College:

1. To provide the best education possible for each individual student;
2. To provide progressive levels of study for each individual student;

**(Note to reader: This means a student with SPM qualification can pursue a certificate course, then pursue a diploma and later finish up with a degree, all at one Stamford College branch, without having to change college).**

3. To provide an array of courses for students to choose from;
4. To adhere to all rules and regulations pertaining to the operations of a private college.

## **2.1.4 Marketing Administration of Stamford College**

The Managing Director, Mr. Alex Abraham, holds the post of Marketing Director SC. He has many years' experience in both product and service related industries. He is in-charge of the daily running of the marketing department.

**(Please refer to Exhibit 1: Organisational Chart of Stamford College Berhad)**

The Communication Manager, Mr. Devaraj Arul, is in-charge of Advertising. An advertising executive assists him. Both of them are in-charge of the day-to-day advertising of SC. They look into the advertising requirements of the Head of School, Head of Department and SC branches. They also are responsible to ensure that SC branches follow the advertising objectives of SC and no deviation occurs.

The advertising objective is to create awareness among the target audience in the courses offered by SC.

This is due to the fact that each branch is **also** allowed to come up with their own advertisements (eg. Newspaper advertisements), but has to go through Mr. Devaraj for verification purpose.

Mr. Devaraj reports to directly to Mr. Alex.

There is also a Public Relations Specialist, Ms. Cindy Woo who takes care of the public relations for SC. She writes articles on SC, for local press releases, entertains the media when there are queries and prepares press kits. Ms. Cindy is also involved in both internal and external Public Relations of SC.

## 2.1.5 ECONOMIC CRISIS

<sup>4</sup>The recent economic crisis, which started in the second half of 1997, has affected all industries in Malaysia, with the exception of the plantation sector, which is reaping good returns. The education sector of Malaysia, which was thought to be recession proof, too has not been spared. The sharp depreciation of the ringgit and the collapse of the Kuala Lumpur Stock Exchange (KLSE) have left Malaysia poorer in a very short period of time.

Furthermore, according to the National Economic Recovery Plan - Agenda for Action, the cost of education in USA has increased by 53.8 percent and 65 percent for UK. This has caused many twinning programs with foreign universities by private colleges to take a price hike.

Stamford College Berhad, which is listed on the Second Board of KLSE has not been spared from the downtrend of stock prices. The share price of Stamford College as listed on KLSE on 23<sup>rd</sup> December 1998 has dropped to be RM1.70 per share. Prior to the stock market crash, it was traded in the range of RM9.50 to RM 11.30 per share.

According to the Communication Manager of SC, "*Since the economic crisis, there has been a drop in student enrolment across the board of all SC branches.*" Furthermore, according to him, "*the overall drop in student intake for SC is 20 percent.*" He further adds, "*this is a significant drop in both turnover and profitability of the SC group.*"

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<sup>4</sup> National Economic Recovery Plan - Agenda for Action



Mr. Devaraj further adds, *"Regent School of Economics (RSE) has always been on of the "golden eggs" of SC, as its existence has helped the SC group "stay a float", even though other subsidiaries are operating at losses."*

Nevertheless, a bad time are catching up with RSE, as its profits begin a drastic decline in recent years, and is unable to sustain the groups losses.



### **3.0 REGENT SCHOOL OF ECONOMICS - A BRIEF OVERVIEW**

Regent School of Economics Sdn Bhd (RSE) was established in 1977, as a branch of SC group of colleges. It is situated on the 10<sup>th</sup> -16<sup>th</sup> Floor, Bangunan Cahaya Suria, Jalan Silang, 50050 Kuala Lumpur, which is just opposite the famous "PuduRaya Bus Station".

The principal activities of RSE, as listed in Stamford College Berhad 1998 Annual Report is for the provision of academic, tertiary and professional courses. (Note to reader: nothing is mentioned about RSE providing corporate training.)

As a subsidiary of SC, RSE adheres to the mission statement and objectives of Stamford College.

(Please refer to Exhibit 2: Organisational Chart of Regent School of Economics Sdn. Bhd.)

#### **DISSAPPOINTING STAFF MEETING**

It was Saturday, 7<sup>th</sup> November, 1998 at the weekly staff meeting that the following conversation transpired between the Principal of RSE, Mr. Tankaraju and his academic staff.

*"I'm afraid there will be no bonus this year for RSE. Even though we made a small profit in the sum of RM338,000 at our level, our parent company, Stamford College Berhad made a loss of RM5.3 million. This is the biggest loss in SC history and represents a substantial loss, and as a result the board of directors (BOD) have decided that no subsidiary will receive any bonus. According to them it is not fair to give bonus to one subsidiary, when another is suffering from heavy losses. The BOD*



*also further hoped that this decision of theirs would be taken as final and not be disputed."*

*"The BOD also has decided that there will be no increment in salaries next year. This is the second year we staff are going home without an increment."*

*"All 13 branches of SC, except RSE and Stamford (Malacca) Sdn Bhd made substantial losses. (Note to reader: SC has 17 subsidiaries, of which only 13 are active and in operation). The situation is quite bad, that the BOD had decided to close down one of our centers, Stamford (Ampang) Sdn. Bhd. (SCA) All the money invested to develop SCA has gone to waste."*

*"SC made a mistake of setting up SCA two years ago. The place is isolated and there is no public transportation available within its vicinity, which makes it difficult for our target market to access."*

*"Furthermore, our competitor Pusat Teknologi dan Pengurusan Lanjutan (PTPL), located a few blocks away, which provides similar courses as SCA, has eaten into our market share due to more affordable prices as compared to SCA. "*

*"With the closure of SCA, nearly two-thirds of its students who were supposed to continue their studies either at SC (PJ) or RSE did not turn up for registration. We've learned that these students were very disappointed with the closure and have since registered with our competitors namely APIIT, PTPL and Nilai College."*

*"To a certain extent, the closure has give SC a bad reputation because it was not handled in a proper manner. The should have at least used good PR skills in handling the closure."*

The principal stops talking for a moment, he then flips through his organizer, glancing through the pages, looking for more points to be raised at the meeting.