A Strategic Paradigm: Linking Marketing and TQM in Higher Educational Institutions

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Chapter V: Theoretical Framework and Development I - Organization External Issues

There is a close relationship between the way we think and the way we act. Our images or metaphors are theories or conceptual frameworks. Practice is never theory-free, for it is always guided by an image of what one is trying to do. The real issue is whether or not we are aware of the theory guiding our action.

G. Morgan

I. Orientation

I.1. The Model Provides Logical Thinking & Helps to Overcome Emotional Barriers

Argyris (1994), a Harvard management professor, and Martin (1993), a HR consultant, assert that problems in organizations are often hidden because in attempting to preserve their status and a sense of security, management and employees tend to engage in individual defensive reasoning that eventually develops into organizational defensive routines. For example, educational administrators and in time, the entire institution may convince themselves that students are more concerned about the facilities and student life than the quality of their education. The walls of emotional defense tend to rise along with the level of problem difficulty. The more difficult it is, the more likely the problem-evaders (pose as the problem-solvers) will adopt the blaming tactics. At times, even complicated devices are constructed to avoid a direct confrontation with their problems. Argyris (1994) calls this, "culture of blame" (P. 83). The consequence is that "lots of energy is expended with little lasting progress" (ibid.). Argyris and Martin suggest that managers and employees make a fundamental change in the organization's psyche by adopting the process of self-examination. They theorized that self-examination leads to the development of genuine learning. It is this learning mentality that prompts fundamental changes. At the same time, the authors admitted that change requires courage. Martin states (1993):

You cannot change an organization without courage, and you cannot induce courage from above, not even by example. What you can do, though, is make
goals and methods transparent enough that your employees will be willing to take some calculated risks. You want hundreds of people making informed choices and taking timely action. You do not want them all second-guessing each other or wondering if the boss really means what he or she says (P. 94).

Martin's suggestion makes sense. In fact, it is the intention of this thesis. The proposed Strategic Paradigm Model (Figure I.8) eliminates the problems for education administrators of not knowing which model to use and what the logical sequence is in dealing with the major education and business issues. By providing the guidelines systematically so that all of the essential internal and external issues can be thought through and defined openly, management will be able to provide an environment where changes are seen in a more positive light, where decisions are derived from an informed choice, and where resistance to change will diminish.

1.2. The Model Establishes A Set of Theoretical Guidelines

Figure V.1. Strategic Paradigm Model, External Issues

Figure V.1. is a part of the Strategic Paradigm Model (reference Figure I.8). It shows the institution external issues -- which are the content of this chapter. Figure V.2. below breaks down the main topics in Figure V.1 into sub-topics. Even though student and industry needs are also a part of the external issues depicted in the model, there will be no additional discussion on these topics. Both subjects have already been covered extensively in Chapter II and IV, respectively. For a marketing-driven organization, the external topics shape the internal organization, hence, the second half of the Strategic Paradigm Model (Chapter VI and VII) deals with the internal subjects.

It must be emphasized that the purpose of this and the following chapters is not to offer a precise solution for each issue -- the usefulness of such an approach would be extremely limited because each institution faces a unique set of circumstances and potentials. Instead, under each main topic, the model attempts to first identify those issues that are universal, i.e., issues faced
Chapter VII: Theoretical Framework and Development III- Organization Internal Issues

Figure V.2. Organization External Issues Chart

II. Macro Environment

III. Market Environment

III.1. Clients

Students: Chapter IV

Industry: Chapter II

III.2. Competition

III.2.1. Levels of Competition

III.2.2. Assessing Comptetition

III.3. The Institution As A Competitor

III.3.1. Elements of Competitive Advantage

IV. Targeting & Positioning Strategy

by most organizations. Take ‘organization culture’, for instance (reference Chapter VI, Section II.2), national culture, student subculture, and how organization culture is developed, are universal issues related to organization culture and are discussed in Sections II.2.1 - II.2.3. This is followed by a set of solution guidelines to improve organization culture (Section II.2.5.). On the other hand, even though there are several macro environmental issues faced by all educational institutions (Section II), the political environment bears the most direct impact on the future of the higher educational institution. Hence, an exception is made and specific analysis and solution guidelines are given under the subtitle “political environment” (Section II.2). Following the identification of macro environmental issues and the discussion of the political environment, a general set of guidelines under the name of ‘environmental audit’ (Section II.3) are provided. This allows the users to perform their own analysis on each trend issue identified.

II. Macro Environment

Macro environment includes demographic, economic, technological, political and legal, social and cultural trends. The changes in trends represent the levels of uncertainty because they are beyond the institution’s control. The purpose of identifying and analyzing the macro environment is to map out
the general trends and their impact on the organization in terms of opportunities and threats. A market opportunity is "an attractive area of relevant marketing action in which a particular institution is likely to enjoy a competitive advantage" (Kotler & Fox 1985, P. 101). Thus, a desirable market opportunity is the one that has a great potential to enhance the institution's reputation, and/or to make a substantial financial contribution to the institution. At the same time, the odds for the institution to succeed - if it were to seize the opportunity - is favorable. A threat is an unfavorable trend that could cause considerable damage to the institution's ability to function and at the same time, has a high chance of occurring in the near future.

II. Megatrends in Education

In addition to the trend of decreasing government subsidy, Hubbard (1994) testifies that the faculty of Northwest Missouri State University in the US studied 15 major research reports and extrapolated five megatrends for the coming decade that will bear considerable influence on the future of university education:

• Not only will the nature of business become more global characterized by increased communications across national borders, but also education, entertainment, science, and the arts will show a similar trend.

• Technology will affect consumer daily life to an ever greater extent in the coming decade.

• Information will become the capital or the raw material of economic activity. Thus, the ability to receive and analyze information and communicate the outcome in oral, written, and quantitative form will be essential for future employees.

• The need for specialists will increase because nearly every successful company operates within a well defined market niche.

• The rate of change will certainly accelerate. Consequently, those individuals who have learned how to learn have the best ability to capitalize on such an environment.

Argument may be made that these trends do not necessarily apply to other universities. Common sense dictates that the more general the description of a trend, the wider the application. The above trends are global and relevant to most of the education communities in the Western nations. The greatest
differences from school to school are not in the trends themselves but the implications for each school. Thus, while environmental trends could be extrapolated from research reports, education administrators themselves must ponder over the specific opportunities and threats faced by their institution.

II.2. Political Environment: Demand & Restrictions

Even though all of the above mentioned environmental factors impact the higher education community, the most direct one comes from the government. Thus, the main topic in the following section deals with the analysis of government influences, how the current system presents higher educational institutions one of the biggest threats to the market competitiveness and finally, what can be done to increase organization efficiency and effectiveness.

In 1984, there were 4.3 million people under the age of nineteen in The Netherlands. This number is expected to drop by 35% to 2.8 million in the year 2030 (Bamossy 1992). Hence, the demand for higher education will decrease substantially in the coming decades. During the same period, the sixty-fives or older will increase from 11 to 20% (ibid.). Thus, while the personal income tax base will continue to shrink, the total old age pension will grow proportionally. Inevitably, this will put more pressure on the government to further reduce public expenditure in order to resolve the budget squeeze. This could affect higher educational institutions and their ability to survive in the new era.

Unlike the private sector, the public sector is not responsible for generating revenue to sustain itself. According to Bamossy’s study (1992), 90% of the respondents claimed the main source of income for their organization is government subsidy. Because subsidized organizations tend to cater to the government’s instead of their clients’ needs, government budgetary trends not only affect organization decision-making process, it also influences organization structure and behavior (Stewart 1980). While a profit organization measures its performance according to the number of customers satisfied and the amount of profit generated, a nonprofit organization measures its performance by the size of its budgets (Drucker 1973). If the trend of budgetary growth continues, a nonprofit organization tends to generate additional demand so that an incremental budget may be requested. Consequently, management decision-making is often based on those issues that will bring about an additional budget. Whether the existing budget is justifiable or even effectively utilized is seldom questioned. This has two major drawbacks:
1. The management responsible for generating revenue knows that it has to earn revenue before it can spend it, thus, its performance must be attuned to the market demand. The ability of the management is constantly reflected to a large extent by the amount of revenue and profit the organization generates --- not by the amount of money it spends. On the other hand, there is no profit measurement for a nonprofit organization. When the performance is down, a nonprofit organization does not necessarily suffer an immediate financial consequence, nor will its management and employees face any penalty --- as long as the subsidy keeps coming (Drucker 1990, Shapiro 1973). Consequently, the concept of individual responsibility in a nonprofit organization is fundamentally different from that of a profit organization.

2. Because nonprofit organizations are paid for their promises and not for their performance results, many nonprofit executives have acquired the vision of utopia. They tend to confuse economic from moral causes (Drucker 1990). They squander organization resources and make decisions based on moral issues, such as saving jobs for the qualified and unqualified, doing good deed indiscriminately --- even if such decisions are highly inefficient and ineffective in resources utilization. Hence, the concept of ‘equality’, that is, making people equal or uniform is very much at play.

Since inefficiency is built into the system, everyone is perceived the same. Thus, external service provision is aimed at the mass (a more costly and less effective approach) instead of targeting individuals who will benefit the most (a more cost-conscious approach). At the same time, because management performance cannot be easily measured by quantifiable data, a nonprofit organization often lacks a sense of urgency required for an unwavering desire of focusing its priority on client care (Bendell, Boulter, & Kelly 1994, Brady 1984, Drucker 1990).

Internally, the concept of ‘equality’ ensures that superior performance does not lead to meaningful reward or recognition since it is perceived that rewarding some employees necessitates penalizing others, nor will substandard performance result in negative consequence. To do either tends to lead to ‘inequality’ among employees. Consequently, instead of encouraging employees to strive for a higher level performance with some employees leading the way, the organization strives to match its performance level that is well within everyone’s reach and thus, making everyone equal. This approach demotivates top performers. As for the laggards, since the work standard is dropped to their level, they have
even less reason to play the catching up game. Winston Churchill (Fisk & Barron, 1984) once commented on the ideology of Communism --- which, of course, is based on the concept of ‘equality’:

The inherent vice of socialism is the equal sharing of miseries, and the inherent vice of capitalism is the unequal sharing of blessings (P. 42).

Churchill’s comment on the ideology of Communism speaks volumes for an idea that goes against the very core of human nature of desiring recognition and reward. “Human beings will behave as they are rewarded - whether the reward is money or promotion, a medal, an autographed picture of the boss, or a pat on the back” (Drucker 1974, P. 140). Failure to grasp this does not lead to ‘equality’. Instead, it ensures employee frustration and indifference in work attitude (Keller 1983). Amazingly, even though the concepts of recognition and reward were developed and advocated by academics, it is the business community that practices them. “The last places they are going to be applied are the universities themselves” (Doyle & Newbould 1980, P. 266).

Education administrators must realize that the obvious weaknesses of the current system and its long-term effects on the educational institutions’ performance is an imminent threat to the future competitiveness of the education community. Education administrators need to build a different kind of institution based on a different concept. Lawton and Rose (1994) suggest that the concept of ‘equality’ be substituted by the concept of ‘equity’. Instead of making people, both employees and clients, uniform - after all, people can no more be made uniform than they can be made all the same height - nonprofit executives should make sure that there is a fairness in the application of rules. Thus, externally, the decision of utilization of resources is based on where it will bring the best tangible results or equity. Internally, employees are rewarded and recognized according to their ability and the quality of their performance. In this approach, management decisions are determined by the economic instead of moral causes. Such an approach will have far reaching organizational consequences. For one thing, the current practice of job security, promotion, and pay raises, which are based on the length of employment instead of employee qualifications and performance, will have to be abolished. Externally, the target marketing concept, which requires that the organization be more selective in its service offer must be adopted.
II.3. Environmental Audit

How are the environmental factors evaluated and their opportunities and threats defined? There are three questions in making an environmental audit (Kotler and Murphy 1981):

1. What are the major trends in the environment?
2. What are the implications of these trends for the organization?
3. What are the most significant opportunities and threats?

<table>
<thead>
<tr>
<th>Macro Environmental Elements</th>
<th>What are the major trends in the environment?</th>
<th>What are the implications of these trends for the organization?</th>
<th>What are the most significant opportunities and threats?</th>
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<tbody>
<tr>
<td>Demographic</td>
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<td>Political &amp; Legal</td>
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<td>Social &amp; Cultural</td>
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To evaluate marketing opportunities, two additional questions should be addressed:

1. What is the probability of the given event occurrence during the next X number of months or years?
2. If this event were to occur as predicted, how strong an impact will it have on the organization's reputation and/or potential financial reward?

The same questions used to evaluate marketing opportunities could also be used to evaluate environmental issues. Ultimately, an analysis on macro environmental issues should yield a table similar to the one given above. Opportunities and threats with high probability to occur and with strong impact may be used to determine whether the organization should device strategies to take the market opportunities and/or to reduce the extent of or eliminate the threats.
III. Market Environment

Market environment includes potential buyers or sellers such as clients, competitors, and the educational institution itself. The educational institution is included because the meaning of 'competitor' alters when the perspective changes, i.e., if one works for Company B, Company A is the competitor and visa versa. The roles Companies A and B play are the mirror images of each other. The purpose of analyzing the market environment is to gain an in depth understanding of the institution's market demands, the ratings of the competitors' strengths, and the organization's own competitive advantage. The insight gained from this analysis will affect the institution's selection of the target markets as well as the designing of the marketing strategy.

III.1. Clients

Both industry and students are the clients of an educational institution. However, students take priority because they are the reason for the existence of an educational institution. Client needs must be determined through research and the results should be utilized to provide guidance for the educational institution in achieving market competitiveness. As mentioned above, both student and industry needs have been discussed in Chapters IV and II respectively, thus, they will not be repeated here.

III.2. Competition

Not all competitors are easily identifiable (Kotler 1994). A new or a repackaged product often changes the picture of competition. For example, a university that offers executive management seminars no longer competes with other universities. Instead, it competes with those who specialize in providing executive seminars. Hence, an organization may not be a competitor today but it could be one tomorrow. In order to gain a better insight on potential competitors, it is therefore necessary to examine the levels of competition.

III.2.1. Levels of Competition

Competition may be divided into several levels according to the degree of substitution. This implies that the broader the definition of competition, the more possibilities there are for customers to choose from a wide range of substitutes offered by competitors that can fulfill the same consumer needs, and also the greater the number of competitors. Conversely, the narrower the
definition of competition, the fewer the substitutes and the fewer the number of competitors there are. Competition in the higher educational community may be divided into four levels:

1. Generic Competitor

A generic competitor refers to any organizations/individuals within a geographical region who offers to provide knowledge and skills designed to enhance consumers' intellectual ability and/or technical skills. This includes any organizations or individuals who provide education courses, seminars, tutoring, and self-taught programs. Examples include: colleges and universities, consulting firms, training organizations, private tutors, self-help manuals, and audio/video tapes offered by distant-learning organizations.

2. Subject/Program Competitor

A subject/program competitor refers to any educational institution within a specified region that offers long-term education subject(s) or program(s) that promise to enhance students' intellectual abilities and/or technical skills. Subject/program competitors include colleges and universities that offer a variety of subjects/programs with various types of academic degrees catered to different market segments.

3. Institution Competitor

An institution competitor refers to any institution within a geographically specified region that offers the same type of subject(s)/program(s) with various types of academic degrees, e.g., a two- versus four-year degree in management studies.

4. Direct Competitor

A direct competitor is an educational institution that offers similar subjects/programs with a similar degree that also aims for the same target market. Consequently, those institutions that belong to the same choice set from which students make their final decision are most likely to be the direct competitors (Kotler, & Fox 1985).

Each level of competition should correlate with a stage of the proposed Student Decision Model (Figure V.3) because student decision-making and competition are two sides of the same coin. By comparing the levels of
competition and the steps in the student decision process, it becomes clear that ‘competition’ is at the very essence of the consumer decision process. Without it, that is, without the opportunities for consumers to make a choice among the alternatives at each decision stage, decision-making would consist of only two alternatives — to purchase or not to purchase.

Figure V.3 demonstrates that at each stage of the Student Decision Model, the answer to the student decision-question lies in the competitors’ education offers. Each decision-answer leads to the next decision-question — assuming the given student continues down the pass of his/her decision process. Of course, it is possible that no decision-answer can be found among the alternatives in a given stage. Hence, it is likely that the decision process is terminated. Those students who withdraw from this decision process may start yet another that offers a different set of alternatives. For example, a student may decide that attending a university will not satisfy his/her needs. Instead, taking a long trip is a more appealing route. In this case, he/she may include questions such as: Where to go? How to get there? Where to stay? At each decision stage, there would be a set of products available — offered by various competitors.

Figure V.3 also provides the insight that at any given moment, an educational institution is actually competing at all four levels of competition. The broader the competition, the less direct the threat, and the narrower, the more direct the threat. Much of the marketing strategies are directed at the direct competition because it is the most obvious and the most intense. The remaining three levels of
competition, though less obvious, should be, nevertheless, evaluated from the market defensive and offensive perspectives.

From the defensive perspective, the first three levels of competition may present threats because it could be a source of potential direct competitors. From the offensive perspective, it offers an insight into potential market opportunities. Take the same example about a university offers of executive seminars. For a consulting firm, a university is not normally considered a direct competitor. In this case, the given university entered into a different level of competition. Thus, it presents a direct threat to those consulting firms that offer the same type of seminars and aim at the same target market.

III.2.2. Assessing Competitors

Walker, Boyd, and Larréché (1996) suggest a five-step competitor evaluation that includes competitor's objectives, strategy, success to date, strengths and weaknesses, and the future behavior. Kotler and Fox (1985), on the other hand, provide a list of questions that includes competitor's financial state, admissions criteria, enrollment trends, programs offered, competitive strategy, and SWOT. While these suggestions are quite useful, most of them take the 'competitor-centered' approach (Day and Wensley 1988):

Competitor-centered assessments are based on direct management comparisons with a few target competitors. . . . . The key question is, "How do our capabilities and offerings compare with those of competitors?" . . . . Managers keep a close watch on market share and contracts won or lost to detect changes in competitive position (ibid., P. 1).

This approach allows the evaluator to view its competitors from the very core of their management performance. The disadvantage is that ultimately, the outcome of the analysis is used to find ways to emulate the competitors by matching or surpassing their marketing initiatives and technological advancement. Thus, it helps to create the 'copy cat' effect. Porter (1995) claims that companies waste much time and effort trying to copy their competitors. Instead, they should create unique and sustainable competitive advantage based on their own strengths and market opportunities.

Another way to evaluate competitors is customer-focused assessments. The assessments "start with detailed analyses of customer benefits within end-use segments and work backward from the customer to the company to identify the actions needed to improve performance" (Day and Wensley 1988, P. 1). Thus, the perceived discrepancies on the important product/service attributes
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between the needs of the marketplace and the competitors' offer provide the organization market opportunities to improve its performance. While customer-focused assessments enjoy the advantage of evaluating a wide range of competitive choices in light of the customers' needs, this approach lacks insight on those issues controlled by the competitors' management. That is, competitive advantage could be the direct result of superior production processes, advanced technology, or innovative ways in handling customer services --- all are the outcome of management decisions and cannot be made obvious with customer-focused assessments.

Hence, in evaluating market competition for quality students, it makes sense that both approaches are utilized. Thus, the proposed model (reference Table V.2.) includes variables that reflect customer-focused as well as competitor-centered approaches.

For customer-focused assessments, there are two types of evaluation:

1. Market Assets Evaluation includes SEN attributes discussed in Chapter IV that are valued by students. They are considered a part of market assets because they are the reasons why students choose to attend the given educational institution.

2. Student Performance and Satisfaction Evaluation includes:
   - Measurement of current student performance (to detect the quality of current student performance);
   - Alumni achievement evaluation (to detect the education process long-term result);
   - Student satisfaction evaluation (to detect the quality of management and faculty performance).

For competitor-centered assessments, there are four types of evaluation:

1. People and Management Assets Evaluation:
   - Is the management student orientated?
   - Is the management quality conscious?
   - Is the overall leadership quality satisfactory?
   - Do workers possess superior knowledge and skills in their field?
   - Is the attitude of continuous quest for self-improvement a widely accepted norm?
2. Financial Assets Evaluation assesses whether the institution is financially well-endowed.

3. Physical Assets Evaluation determines the quality of the institution's physical assets in terms of the location of the buildings, and whether the institution is adequately equipped, and whether the building and equipment are modern.

4. Market Planning and Strategy Evaluation assess the institution's internal and external strategic planning issues:

Table V.2. Resource & Strategy Rating of Major Competitors

<table>
<thead>
<tr>
<th>Customer-Focused Assessments</th>
<th>Rating (1-5)</th>
<th>Competitor-Centered Assessments</th>
<th>Rating (1-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Assets Evaluation</td>
<td></td>
<td>People &amp; Management Assets Evaluation</td>
<td></td>
</tr>
<tr>
<td>1. Quality of education</td>
<td>1</td>
<td>2. Student-oriented?</td>
<td>1</td>
</tr>
<tr>
<td>4. Opportunity for traineeship</td>
<td>4</td>
<td>5. Well-skilled personnel?</td>
<td>4</td>
</tr>
<tr>
<td>5. Faculty qualifications</td>
<td>5</td>
<td>6. Continuous quest for self-improvement?</td>
<td>5</td>
</tr>
<tr>
<td>6. Academic standards</td>
<td></td>
<td>7. Open to change?</td>
<td></td>
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<tr>
<td>7. Modern facilities</td>
<td></td>
<td>8. Competitive advantage?</td>
<td></td>
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<tr>
<td>9. International student body</td>
<td></td>
<td>10. Student satisfaction evaluation?</td>
<td></td>
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<tr>
<td>10. International faculty</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Financial Assets Evaluation</td>
<td></td>
</tr>
<tr>
<td>1. Market Assets Evaluation</td>
<td></td>
<td>1. Well endowed?</td>
<td></td>
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<tr>
<td>2. Physical Assets Evaluation</td>
<td></td>
<td>2. Location?</td>
<td></td>
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<tr>
<td>3. Student Performance &amp; Satisfaction Evaluation</td>
<td></td>
<td>3. Adequate?</td>
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<tr>
<td>4. Student Performance &amp; Satisfaction Evaluation</td>
<td></td>
<td>5. Modern?</td>
<td></td>
</tr>
<tr>
<td>5. Market Planning and Strategy Evaluation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Student satisfaction evaluation?</td>
<td></td>
<td>3. Student recruitment strategy?</td>
<td></td>
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<tr>
<td>4. Student retention strategy?</td>
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</table>
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• What is the institution's competitive advantage?
• What is the institution's marketing position?
• What is the student recruitment strategy?
• What is the student retention strategy?

Overall, the competitor-centered assessments provide a global picture of the competitor's resources, strengths, and weaknesses, and its market readiness. The customer-focused assessments afford an insight into what makes a competitor successful in the marketplace. Thus, it takes both assessments to form a complete picture of the competitor(s).

III.3. Competitive Advantage --- The Higher Educational Institution As A Competitor in the Student Market

As mentioned previously, every organization is a competitor at the marketplace. This view allows the organization to make an objective self-evaluation of its competitive advantage. Leading researchers such as: Bharadwaj, Varadarajan, and Fahy (1993), Day and Wensley (1988), Day and Nedungadi (1994), and Porter (1980, 1985, 1990), claim that a well-developed competitive advantage keeps an organization ahead of the game. Ultimately, competitive advantage is what the seller does differently and better than its competitors in the value it creates for its customers. The concept of competitive advantage is a dynamic process --- it is a moving target that requires management to devote a portion of its resources to sustain and improve the advantage constantly. To define competitive advantage, an organization must evaluate its strengths and weaknesses. However, it is the market demand that determines how the organization strengths are to be utilized. In evaluating organization strengths, Ewing (1968) cautions, "Perhaps most important in organizational appraisal is focusing on abilities rather than aspirations, on strengths rather than status, on aptitudes and values rather than verbalizations" (P. 78). Secondly, only activities with a great impact on differentiation or lowering the delivery cost, thus, ensuring superior value to the customer should be considered.

III.3.1. Elements of Competitive Advantage

There are three elements in competitive advantage (Day and Wensley 1988):

1. Sources advantage, that is, superior skills or resources;
2. Positional advantages, that is, superior customer value, or lower relative costs;
3. **Performance outcomes**, that is, increasing customer satisfaction, customer loyalty, increasing market share, and profitability.

Competitive advantage is obtained because sources of advantage lead to positional advantages, and they, in turn, lead to a superior performance outcome. Table V.3. shows the competitive advantage elements of an educational institution. The most important source of advantage is the quality of students and faculty. Superior sources of advantage lead to positional advantage. This may include higher education quality and faculty achievement. The relationship between the positional advantages and performance outcome of an educational institution is not as clear-cut as is in a profit organization because 'profit' and 'market share' must be interpreted differently. In a higher educational institution, performance outcome involves leadership in three competitive environments: market, industry, and the academic community. When students show a definite preference for a particular educational institution, the given institution enjoys the market leadership. Industry leadership is detected when the industry not only prefers graduates from a particular institution (reflected in its hiring and promotion), it also seeks opinions and advice from the same school. Advancement in research and publications that are widely recognized by those who are in the same field indicates academic leadership. All superior performance outcomes enhance the educational institution’s overall image, therefore, its market competitiveness. In fact, researchers who tested the relationship between 'academic reputation' and

<table>
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<tr>
<th>Elements of Competitive Advantage</th>
<th>Sources Advantages</th>
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<tr>
<td></td>
<td>e.g., superior quality of student recruitment, superior quality of faculty, progressive management, superior quality of facilities, sources of income, etc.</td>
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<td><strong>Positional Advantages</strong></td>
</tr>
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<td></td>
<td>e.g., quality of education, reputation and achievement of faculty, degree of success in spin-off operations, such as consulting services, market research services, etc., and degree of success in market extension.</td>
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<td></td>
<td><strong>Performance Outcome</strong></td>
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<td></td>
<td>Market leadership, industry leadership, academic and research leadership</td>
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'student decision in college selection' (Cook, & Zallocco 1983, Maguire and Lay 1980, Sevier 1987) have consistently shown that even though the evaluation of an educational institution's image and the appraisal leading to college selection are two separate mental processes; nevertheless, they probably have a mutually causal relationship. That is, one decision influences that of the other.

IV. Targeting and Positioning Strategy

Competitive advantage indicates the educational institution's ability to compete but it says nothing about the market itself; i.e., how it is divided, and which segment(s) should be targeted. The concept of targeting and positioning discussed in Chapter I (reference Figure I.1) that involves three steps: segmentation, targeting, and positioning, or STP answers to this issue.

![Figure V.4. Segmentation & Targeting Process](image)

Market segmentation is based on the idea that consumers who show similar preferences could be identified and their profile described. Hence, a company may tailor its offer to the preferences of a particular segment or segments. Further, the organization may develop a market position that is perceived by its customers as being superior to and/or different from that of the offers of its competitors. Based on this, a set of marketing mix is designed and offered to the targeted segment(s). In the event that there is more than one target market, a tailored marketing mix should be offered to each market. Figure V.4 indicates the steps involved in STP.

IV.1. Segmentation and Targeting

Table V.4 is a list of segmentation variables that may be used to segment the student market. For example, the student market may be segmented by 'type of students'. Three types of students may emerge:
- Full-time adult students who want to further their education or improve their career perspective.

- Regular students who are college age and whose primary aim is to finish their education.

- Part-time students who work part- or full-time. These students may discontinue their education from time to time.

**Table V.4. Suggested Segmentation Variables for Student Markets**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Variable Breakdown Suggestions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic</td>
<td>Region, country, city, density</td>
</tr>
<tr>
<td>Demographic</td>
<td>• Age 18 - 22, 23 - 27, 28 - 35, etc.</td>
</tr>
<tr>
<td></td>
<td>• Sex Female, male</td>
</tr>
<tr>
<td></td>
<td>• Income Under $20,000/year, $20,000 - $40,000, $40,000 - $60,000, etc.</td>
</tr>
<tr>
<td></td>
<td>• Occupation Student, professional and technical, managers, housewives, unemployed, etc.</td>
</tr>
<tr>
<td></td>
<td>• Nationality</td>
</tr>
<tr>
<td></td>
<td>• Family size 1 - 2 members, 3 - 4, 5+</td>
</tr>
<tr>
<td></td>
<td>• Family life cycle Young single, young married, no children, etc.</td>
</tr>
<tr>
<td></td>
<td>• Type of student Adults, regular, part-timers, etc.</td>
</tr>
<tr>
<td>Psychographic</td>
<td>• Social class Lower lowers, upper lowers, lower middles, upper middles, lower uppers, and upper uppers.</td>
</tr>
<tr>
<td></td>
<td>• Life style Conservatives, adventurers, swingers, etc.</td>
</tr>
<tr>
<td></td>
<td>• Personality Extroverts, compulsives, gregarious, etc.</td>
</tr>
<tr>
<td>Behavioral</td>
<td>• Benefit sought e.g., academic quality, job skills, social life, internationalization, low costs, etc.</td>
</tr>
<tr>
<td></td>
<td>• Readiness stage Unaware, aware, informed, interested, desirous, intending to matriculate.</td>
</tr>
<tr>
<td></td>
<td>• Attitude Towards Positive, indifferent, negative, hostile institution</td>
</tr>
</tbody>
</table>

In addition, student needs research may also provide some segmentation variables. For example, the BEN research data, "benefit sought for attending higher education study", could be used as the segmentation variable in which several segments might be identified, e.g., those who seek to have a well-rounded education; those who seek to enjoy student life; and those seek for occupational training. Nevertheless, because this research was not designed for segmentation purpose, the
research outcome may not yield statistically significant answers. If it were designed for such a purpose, some of the research questions and the questionnaire used for the research would have to be re-phrased or changed, and the student population in which samples were drawn might need to be redefined.

A higher educational institution must assess its own ability (competitive advantage) as well as its mission and goals in order to determine which segment to target. Using the above given example, the adult student segment may require more experienced lecturers and a more sophisticated teaching approach. The part-time student segment dictates that the institution must be more flexible in its course credit policy.

### IV.2. Positioning

Kotler (1994) defined positioning as “the act of designing the company’s offer and image so that it occupies a distinct and valued place in the target customers’ minds” (P. 307). Central to the formulation of an academic strategy is the knowledge of where the organization stands in comparison with its competitors in the consumers’ mind, and whether this position offers the organization a distinct advantage. Ries and Trout (1986), who originated the concept of positioning caution: “You don’t find the answer to the problem of positioning the bank by studying the bank. You find it by studying the competition ....” (P. 168). They further state (ibid.):

The easy way to get into a person’s mind is to be first. You can demonstrate the validity of this principle by asking yourself a few simple questions.

What’s the name of the first person to walk on the moon? Neil Armstrong, of course. What’s the name of the second? .... What’s the name of the highest mountain in the world? Mount Everest in the Himalayas, right? What’s the name of the second highest mountain in the world?

.... The hard way to get into a person’s mind is second. Second is nowhere (P. 19-21).

Consequently, positioning and differentiation often go hand in hand. To differentiate a product means it is the first to occupy a window of the consumer’s mind. Avis Rental Car was a classic marketing success in differentiation. Avis was unable to position itself as the market leader in the car rental business — Hertz Rental Car was the market leader. It found an ingenious way to set itself apart from Hertz and the rest of the car rental
companies. It positioned itself as the second — the first of such positioning. Its slogan was: "Avis is only No. 2 in rent-a-cars, so why go with us? We try harder.” This slogan along with good management turned the company around from the brink of bankruptcy to a profitable enterprise. More than two decades later since its first advertising campaign, most consumers still remember the slogan and expect Avis to try harder.

One way to discover an educational institution’s market position is to use a perceptual map. A perceptual map indicates the competitors’ as well as the institution’s own market positions. The variables used in the perceptual map are product features or benefits valued by the target market. In the case of higher education, the research findings in BEN and SEN are ideal variables to be included in the perceptual map.

Figure V.5. Perceptual Map of an Educational Institution’s Market Position

A perceptual map normally includes two variables, with polarized positions at the north and south, and east and west ends of the two crossing axes. Figure V.5. proposes four attributes, two from the research findings of BEN and two, SEN. Imaginary competitors are scattered around the map indicating their market positions in the students’ minds.

According to the perceptual map, for example Institution E has a perceived market position of focusing on preparing students for a particular occupation, and emphasizing student social life. Based on the student education needs research findings discussed in Chapter IV, this is not the best market position; hence, there is a need for Institution E to change its education philosophy and offer. As a consequence of such changes, Institution E needs to re-position itself at the marketplace so that an improved institution image is perceived.