

## **Strategic marketing of educational institutions**

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### **Abstract**

Strategy development in higher education (HE) institutions has not been investigated a great extent. To address this issue, this study reports on the first stage of a larger investigation of strategy development in HE. The theoretical background draws on two theories of strategy and competitive advantage, namely, industrial organisation (IO) and resource-based view (RBV). These are used to guide 32 in-depth interviews that explore the elements of external industry structure, internal resources and capabilities, and institutional performance with senior HE decision-makers. Factors of competitive advantage and the indicators of institutional performance identified in the study verify and further develop the limited understanding relating to strategic marketing of educational institutions.

Keywords: Marketing higher education, marketing strategy, qualitative research, competitive strategy

# **Strategic marketing of educational institutions**

## **Introduction**

Competition amongst higher education (HE) institutions is largely due to an oversupply of student places and slowing demand from suitably qualified students. As a result, managers in the HE sector are seeking to rethink their strategic positions. Theories and practices in business strategy development, as used in the for-profit business domain (Kotler and Murphy, 1981; Grunder, 1991; Bell, 2002; Richards, O'Shea and Connolly, 2004; Mashhadi, Mohajeri and Nayeri, 2008), provide a basis for innovative approaches, to strategy development however they do not address the comprehensive planning needs of the HE sector. The most accepted approaches to strategy development are industrial organisation (IO) (Bain, 1959; Porter 1981) and the resource-based view (RBV) (Wernerfelt, 1984; Barney, 1991). While sustainable competitive advantage was the buzzword of the 1980s, especially through the work of Porter (1980, 1985), there has been relatively little in-depth development of theory and practice related specifically to the strategic management of HE sector. Lynch and Baines (2004) have shown that it is appropriate to use RBV to guide strategy development for HE. They argued that the RBV approach can be applied to the national system of competitive UK, HE and given the international nature of HE suggest that further research is justified. This paper reports on work that addresses aspects of this issue in the Taiwanese HE sector. The intention is to advance theory and practice relating to business strategy development for HE institutions in Taiwan, which has been, since the 1970s, in a dynamic state with regard to profile and growth.

## **Background theory**

IO theory developed as a result of strategic marketing scholars continuing to emphasise the significant influence of sector structure on a firm's performance (Bain, 1959; Porter, 1981, 1985, 1990). Porter's five-force model (1980) is designed to assist in analysing the relative effect of each of the five industry-level competitive forces. All five competitive forces together contribute to the intensity of industry competition and profitability. More specifically, the stronger the force or forces affecting industry competition and profitability; the more important they are in strategy formulation (Porter, 1980).

The RBV seeks to identify the important 'bundles of resources' as these are the source of the firm's competitive advantage (Barney, 1991; Grant; 1991). It was Grant (1991) who further defined these as resources and capabilities of the firm. Amit and Schoemaker (1993) noted that resources are a bundle of assets. Capabilities, however, refer to the ability to exploit and combine existing resources. While there are differences between IO and RBV theories (Teece, Pisano and Shuen, 1997) there is also support for combining these two approaches to achieve a complementary approach to strategy development (Hitt, Ireland and Hoskisson, 2001; Spanos and Lioukas, 2001).

The aim of this stage is to identify the elements and indicators of competitive advantage as they apply specifically to HE institutions in Taiwan. Institutions of Higher Technical and Vocational Education (HTVE) in Taiwan are now faced with the pressures of student loss as well as with competition from many domestic and international institutions. The study uses two of the principal theories of strategy and competitive advantage, namely IO theory, and RBV theory, in exploring elements of external industry structure, internal resources and

capabilities, and institutional performance. Investigating these strategic development constructs, within the confines of the HE sector, represents an important next stage for the development of strategic management and marketing of these institutions. This paper reports on the first stage of a larger study on the topic of strategy in the Taiwanese higher education sector that is the particular group of institutions that are included in the HTVE (Higher, Technical and Vocational Education) sector.

### **Methodology**

The factors of competitive advantage and the indicators of institutional performance were explored via in-depth interviews with a sample of senior decision-makers and professionals in the Taiwan's HE sector. The interviews focused on three major domains: external industry structure, internal resources and capabilities, and institutional performance. Qualitative research was used to explore these elements and identify additional variables or dimensions associated with the competitive advantage of Taiwan's HTVE institutions.

Cavana, Delahaye, and Sekaran, (2001) state that there are three qualitative research methods commonly used in business research: interviewing, focus groups, and observation. Personal interviews were selected for use in this study for the value they provide in gathering in-depth and detailed information (Cooper and Emory, 1995). Participants were recruited from two separate sources, educational experts in the field of Taiwan's HTVE and senior decision makers of HTVE institutions in Taiwan. The researcher's personal connections were initially used to locate potential informants and, through a 'snowballing' technique, introductions to other potential participants. This resulted in 36 people being selected for the personal interviews, and a final sample size of 32 participants.

The interviews were conducted with a prepared guide, which included a list of topic headings and key questions in three categories:

- External industry structure: questions to identify the external industry factors that affect how HTVE institutions operate and perform in achieving competitive advantage;
- Internal resources and capabilities: questions to determine the organisational resources and capabilities that provide HTVE institutions with a foundation for achieving competitive advantage; and
- Institutional performance: questions on a range of performance indicators for evaluating the competitive advantage of HTVE institutions.

With the permission of interviewees all of the interviews were digitally recorded. The interview transcripts were analysed to identify meaningful themes (categories) in a series of sequential steps (Patton, 2002). Firstly, responses to each question from each interviewee were grouped to segment the data into manageable units (Minichiello, Aroni, Timewell, et al., 1995). Next, to gain insight into the emerging patterns, the transcripts were read several times to find core consistencies in the form of recurring concepts and words. Concepts were recorded and frequencies were examined for each question, and then for all the data. All concepts were recorded as phrases or sentences so as to preserve the original intent (Punch, 1998). Closure was brought to the process when the sources of information were exhausted and the categories reached saturation.

Each theme was then studied for concepts that were qualitatively linked, enabling them to be clustered into sub-themes to add meaning and depth to the main theme. Frequencies were used to check that the sub-themes were related (Miles and Huberman, 1994). Through the process of developing themes and sub-themes, labels were generated that encapsulated the meaning of the themes and sub-themes. Indicative quotes selected from the data served to illustrate each theme and sub-theme, and to provide rich and concrete descriptions that depicted the intended meaning of the interviewees (Patton, 2002; Rubin and Rubin, 1995). To evaluate for internal homogeneity and external heterogeneity, the researcher was required to work back and forth between the transcripts and the categories to verify the accuracy and meaningfulness of the categories and the material constituting each theme and sub-theme (Patton, 2002).

## **Findings**

The in-depth discussions provided comprehensive details of the elements and indicators that influence competitive advantage. The decided thematic findings rather than report on the findings with verbatim quotes are reported upon here. The thematic results are presented under three main categories. The three categories are External industry structure, Internal resources and capabilities, and Institutional performance. For each of these categories themes and a number of sub-themes were identified.

### **External industry structure**

With reference to the effects of external industry structure, the following five themes were identified as the strongest areas of concern: the intensity of competitive rivalry, the threats of entrants, the threats of substitutes, the bargaining power of suppliers and the bargaining power of buyers. These themes align with Porter's five-force model. For each theme, a number of sub-themes were identified. An overview of the themes and sub-themes is presented in Table

**Table 1 External industry structure: themes and sub-themes emerging from interview transcripts**

<b>Themes</b>	<b>Sub-themes</b>
Competitive rivalry	The increase in the number of HTVE institutions, the decrease in the number of HTVE students, the high intensity of competition between institutions
Threat of substitutes	Threat from domestic academic universities, threat from foreign institutions of higher education, threat from China-based institutions of higher education, threat from private business enterprises
Threat of entrants	The regulations and policies of government on the operation of an educational institution, the minimum number of students required for the operation of an educational institution, the minimum capital required for establishing a new educational institution
Bargaining power of buyers	The power of students, the power of parents, the power of employers
Bargaining power of suppliers	the power of the Taiwan Ministry of Education, the power of vocational high schools, the power of faculties

## Internal resources and capabilities

In terms of internal resources and capabilities, the comments received from the respondents were classified into the following themes that link to the six dimensions of internal resources and capabilities; organisational resources, marketing, human resources, physical resources, financial resources and products R&D. For each theme, a number of sub-themes were identified, as shown in Table 2.

**Table 2 Internal resources and capabilities: themes and sub-themes emerging from interview transcripts**

Themes	Sub-themes
Organisational resources	Organisational structure, organisational efficiency, integration of administrative resources
Marketing	Media promotion, scholarship and financial aids offered, participation in extracurricular activities, strategic alliances with vocational high schools, partnerships with other higher education institutions
Human resources	Faculty qualifications, teamwork building, leadership, personnel staffing, job loyalty
Physical resources	Campus location, campus facilities, teaching & research infrastructure
Financial resources	sufficient financial capital, financial planning budgeting, financial Implementation
Products R&D	Curriculum design, curriculum quality, range of majors & degree programs, Collaboration with private business enterprises, participation in government-funded research projects, integration of academic and research resources

## Institutional performance

The set of interviewees indicated that institutional performance is interrelated to the competitive advantage of HTVE institutions, and can be evaluated on three levels: student, staff and institution. According to the interviewees, the origin of the competitive advantage within the context of a certain HTVE institution may lie in its effective and efficient use of both tangible and intangible resources as needed to support teaching and learning processes.

**Table 3 Institutional performance indicators: themes and sub-themes emerging from interview transcripts**

Themes	Sub-themes
Student performance	employment rate of fresh graduates, percentage of graduates pursuing further studies, pass rate on certificate/licensure examinations, professional knowledge and capabilities of graduates
Staff performance	staff performance in teaching, staff performance in academic research, staff performance in applied research, practical experience and skills of teaching staff
Institution-level performance	institutional culture, graduate/alumni evaluations, institutional distinctiveness, community service, holistic education development, professional curriculum development, institutional reputation, facilities management, industry-academia collaboration, magazine ranking, industry's evaluation on the quality of graduates,

## **Discussion and conclusions**

This study explored the factors determining the competitive advantage of HTVE institutions, the types of strategy undertaken by these institutions, as well as the indicators measuring their overall performance. These factors of competitive advantage and the indicators of institutional performance have similarities between other published findings. The external factors in this HE sector align with the indicators that have been established by Porter (1980, 1985). The elements of internal capabilities and resources identified in this study provide a greater coverage than previous investigations (see, for example, Lynch and Baines, 2004). From this study, it can be concluded that the competitive strategy that will produce the best results is dependent on the match between the state of the environment facing HTVE institutions and their existing resources and capabilities. As this study was conducted from a supply-side perspective, these results have implications for government policy makers attempting to oversee the quality of HTVE in Taiwan, and for senior decision makers aiming to achieve a competitive advantage and long-term sustainability.

The major implications of these findings can be applied to strengthen the competitive advantage of HTVE institutions in Taiwan. Further investigation is required to verify a series of actions that could be taken, including establishing market-exit mechanisms, advocating strategic alliances and partnerships between institutions, co-operating with foreign institutions of higher education, advocating industry-academia collaborations, and ensuring curriculum design in compliance with industry requirements. While this study was undertaken within the context of Taiwan, and therefore has its limitations to that context, the findings provide insights as to how strategy can be developed using a two dimensional approach. The findings concerning competitive advantage for the HTVE institutions in Taiwan present opportunities for practitioners and scholars of strategic marketing particularly educational institutions, to undertake further research in relation to advance theory and practice. An important advancement would be to undertake scale development and/or modification of existing scales to quantitatively assess these indicators in a specific educational sector.

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