Competition in higher education: lessons from the corporate world

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ABSTRACT

Much has been written about the impact of globalisation in the corporate world. Most of those involved in the corporate world are aware of the impact of globalisation on their business activities and are taking required precautions. Actions followed include mergers, acquisitions and strategic alliances. These actions are aimed at ensuring their survival and profits in the face of increasing competition. In contrast, institutions of higher education in South Africa are lagging behind in this regard. The decline in student numbers and cut in government subsidy make it necessary for these institutions to examine the private sector for strategies aimed at protecting their survival and profits. This article touches on activities often encountered in the corporate world and suggests that institutions of higher learning can learn from these actions. The purpose of this article is to impress on the reader that globalisation has increased competition and that, in order to survive in a competitive market, higher education institutions must improve and sustain their competitiveness. Other public institutions and government departments are rising to the challenge and those involved in higher education should do likewise.

INTRODUCTION

The past six years has seen South Africa move from the stage of isolation to become part of the global village. The effects of globalisation are already visible although they are not always recognised as such. Indications such as the increasing use of technology to communicate swiftly and efficiently across borders and the expansion of business ventures in different countries suggest that globalisation is increasing at present. It has now become necessary for this phenomenon to be accepted as part of everyday life. In addition, it is essential for members of the higher education community to meet the new expectations of South African society as well as those of other members of the global village within the education sector.

This article examines the effects of globalisation on the following issues:

• competition and cooperation among stakeholders in education
• human resource development
• effects of globalisation on finance
• efficient usage of technology.

The impact of the above factors on higher education will be discussed. The purpose of this article is to impress on readers that effects of globalisation cannot be ignored and institutions should be ready to survive in an environment which is becoming increasingly global. In the corporate world, many organisations have been successfully running their corporations in the global village and some have been even more successful after becoming global.

There is evidence to suggest that globalisation is on the increase and there is no suggestion at present that the process will reverse to the pre globalisation era. Capital flows in South Africa fluctuate because of effects by market forces outside South Africa (Wesso 2001:http). These market forces often have a powerful effect on the economy despite good economic fundamentals in South Africa. The Quarterly Bulletin of the South African Reserve Bank published in June 2000 (Foreign direct investment in South Africa 2000:http) reports an increase in offshore investments by South African companies from the last quarter of 2000 to the first quarter of 2001. However, South Africa’s high commissioner to Britain, Carolus (2001:http) states that South Africa encourages foreign direct investment in the country and is willing to assist prospective investors if necessary.

While higher education has not specifically been approached to invest in South Africa, there are many overseas institutions which have begun to invest in South Africa since 1994, thus entering into competition with local institutions. In what appears to be a response to the battle to attract international students to South Africa, the International Education Associa
tion of South Africa (IEASA) in association with the South African Universities Vice chancellors Association (SAUVA), and the committee of Technikon Principals (CTP) published a guide to South African universities and technikons. This guide encourages international students to study at the traditional South African universities and technikons (IEASA 2001: http).

Effects of global forces on foreign direct investment in South Africa, the encouragement of foreign institutions by the South African government as well as the publication of the Study Abroad in South Africa guide suggest that there are many sectors of the economy which believe that globalisation is not only increasing, but that it should either be encouraged to carry on or adaptations should be made to survive in the global market.

DEFINING GLOBALISATION AND INTERNATIONALISATION

The terms “globalisation” and “internationalisation” are often used interchangeably in everyday life. The definitions given below range from the general as used in everyday life to the more technical as may be expected in a particular field of study.

Young (1999:1) states that “globalisation has become a term commonly used at all levels of society without an apparent universal interpretation”. He found that a common feature in these definitions was “that of a single interdependent world in which capital, technology, people, ideas, and cultural influences flow across borders and boundaries, rather than being contained within nations and boundaries”. Globalisation goes beyond movements across borders separating countries. As Ferreira (2000) notes, it becomes difficult to distinguish boundaries between industries and firms. He further observes that globalisation requires one to be very competitive indeed because one competes with local rivals as well as competitors across the globe.

Hill (1999) describes globalisation as a shift towards an integrated world economy which consists of the following components:

- globalisation of markets: this means the merging of historically different markets into a huge global market;
- globalisation of production: this means outsourcing all or parts of the activities in the value chain.

It would appear that the features identified by Hill include all of those mentioned by Young and Ferreira with the exception of globalisation of production.

Globalisation according to Hill (1999) is facilitated by the following factors:
- declining trade and investment barriers
- technological change.

As will become clearer, both the above factors, which are said to facilitate globalisation, exist in South Africa. As for technology, it is common knowledge that it is improving rapidly all the time.

Internationalisation refers to the tendency of firms to export their products or services to countries where indigenous competitors lack those products or skills to provide the services. Often little adjustments will have been done to the products to make them suitable to the host market (Hill 1999:391). On the other hand, firms pursuing a global strategy market the same product world wide. The activities of such firms will be spread across different countries in order to reap the benefits of location economies.

With these definitions in mind, we can look at globalisation and internationalisation in the context of higher education. In the business of education, it is unlikely to encounter institutions which make efforts to transfer their skills and products to local institutions. It can be seen that internationalisation, while existing in higher education, is hard to come across. In most cases the globalisation rather than the internationalisation strategy is used, i.e. standard products are simply marketed. It appears that the main motivation of these institutions is to increase their student enrolment and thus reap benefits of the economies of scale.

THE IMPACT OF GLOBALISATION ON THE SOUTH AFRICAN MARKET

At present South African higher education does not have a choice of going global or not; it has become part of the global village. This is because, even if an institution prefers to restrict its operations to local consumers, players from other countries are already in this country and competing with the local players in their own backyard. This will expose local consumers to a variety of products and services they had not expected before. If these are better than what they were comfortable with, either in cost or quality, consumers will start expecting more from their local institutions. This means competition due to globalisation will increase whether an institution intends going global or not. The implication is that for an institution to survive in a global village, it has to be good at everything. However, logistics do not always allow an institution to be good at everything. There fore each institution must decide on what strategies to pursue in order to ensure excellent service and products to the consumer so that the latter is satisfied with the product. They may outsource activities which do not form part of their core business and out partner activities which should form part of their
core business but which they do not have the capacity to perform efficiently.

The recruitment of foreign students to study in South Africa as well as the need to enable South African graduates wishing to work outside South Africa has implications for the curriculum as well as technology usage at different South African institutions. These will be discussed under globalisation at the micro level. This article will make a distinction between two levels of globalisation, namely, the macro and the micro level.

Globalisation at the macro level

This is the level of globalisation where the organisation as a whole is seen as a player in relation to other organisations in the landscape where they are competing. This is the level characterised by mergers, acquisitions and strategic alliances of partners.

The actions mentioned above are in line with decisions often taken in the business sector in the face of competition coming not only from local institutions but also from international institutions. These decisions are often taken for the following reasons (Ward 1999):

- In a merger the new company is expected to be more competitive because of the combined synergies of the individual companies.
- A company will incorporate a smaller company if it is felt that the smaller company is undervalued and that by incorporating it into the bigger company its true value will be realised and so make the bigger company more competitive.
- Unbundling takes place if it is felt that the true value of the constituents will be realised after the unbundling. Alternatively, a firm may decide to unbundle when it is felt that it is not focussing on its core business. It will then be able to focus on its core business after the unbundling and thus become more competitive.

The above decisions can be taken in higher education as well. When is a merger, an incorporation or an unbundling necessary in higher education? As in the corporate world these decisions are taken only if they are perceived to add value to the new organisation.

The need to add value in this way arises as a result of competition primarily due to globalisation.

In recent years we have seen drivers of globalisation emerging in South Africa. These came in the form of deregulation and encouragement of international companies to invest in South Africa. Institutions of learning from other parts of the world have also come to invest in South Africa. However, the market remains the same. This increase in institutions of higher learning has given South African students a wider choice of institutions where they can study. This means fewer students are available to register at each institution. This has resulted in more intense competition.

This kind of competition makes it necessary for institutions to look at themselves and ask themselves if they are still capable of pursuing their missions in their current forms. The main problem facing higher education institutions is how much power they have, what they can do and to what extent the government is able to inhibit or facilitate their programmes. The challenge to higher education institutions is the balancing act between what they can do with the powers at their disposal and what the government can do.

Based on the above factors which may facilitate globalisation in the corporate world, in higher education globalisation at the macro level may be facilitated by the following factors:

- Mergers if the synergies of the two parties will add value to each other. An example might be an institution which has excellent facilities but only a few students and an institution where the reverse is true.
- Incorporation may be an option if one institution brings in more value than the costs it brings along. An example might be an institution which owns printing facilities but does not have the buying power to command lower prices on the facilities, may have to outsource the printing facilities and place greater focus on its business of education.
- Unbundling may be considered to focus more on the institution’s business. An institution which has excellent facilities but only a few students and an institution where the reverse is true.

Some examples of macro level globalisation in higher education

Globalisation at the macro level in South African higher education consists of a situation where the institutions themselves volunteered to the process and the situation where it was imposed on them by the government. In recent years we have seen drivers of globalisation emerging in South Africa. These came in the form of deregulation and encouragement of international companies to invest in South Africa. However, new investments often come with new competition. As has been mentioned higher education has also become entangled in increasing competition which has provided South African students with a wider variety of institutions where they can study.

The question of whether all these overseas institu
tions operating in South Africa meet the academic requirements of the South African Qualifications Authority remains unanswered. “Not so” said a lecturer in International Business at a leading South African university in an interview with the author. “We have maintained our market share despite the presence of these institutions”. He suggested that the target market of these new institutions is perhaps different from theirs. Moreover, the motives of these overseas institutions also possibly differ from traditional institutions of higher learning in South Africa, namely, to “create and disseminate knowledge as well as to train successful global managers” (Business Times 2001:1). Some students appear to be only interested in the word “international” and certain overseas institutions put a great emphasis on this word and little on the content of their courses. In the opinion of some students, the word “international” means “better quality”. This emerged in an interview with a student (Business Times 2001:1), who mainly said that qualifications obtained from these institutions would be accredited anywhere in the world because they are “international” institutions. She was doubtful whether the same could be said about traditional South African institutions.

Not all institutions targeting the South African market are “fly by nights”. A director of a business school emphasised that the Open University situated in the United Kingdom is no “fly by night” (The Star 2000:4). A South African business school has recognised this and has consequently formed a strategic alliance with the Open University. Perhaps this particular business school within a large university whose core business is to train business leaders found it easier to emulate what is done in the business world. Faculties of Education should also examine this option and possibly other examples to explore what can be done to maintain and increase their market share.

This means that for traditional South African institutions of higher education to survive, they should realise that they are in competition and must act accordingly. This suggests that it is not only necessary to meet national demands of the product, but it has also become necessary to venture into previously untapped markets. Global strategies are therefore necessary in order to compete in global markets.

In this regard, the Faculty of Education at a large distance education university in South Africa has already initiated a global strategy by marketing their courses in other countries. There has been no change in content of courses offered or any benefit from location economies from some of these countries. But this is only a start, location economies or local responsiveness to content can be considered when economies of scale are realised.

Other examples of voluntary use of global strategies in higher education which have recently been seen in South Africa include:

- A technikon which has a contract to train students from Botswana (Interview with dean of students at Technikon Port Elizabeth)
- A university which developed its science bridging program in conjunction with an international player (interview with a lecturer from the University of the North).
- Another university which has negotiated with a university in a neighbouring country to assist with the registration of students who live in the neighbouring country (Comserve 2001:htp).

To be competitive we also need to identify our strengths, weaknesses, opportunities and threats. Strengths and weaknesses may appear in effective usage of technology, human resources, or infrastructure. Opportunities may appear in new markets while threats may come from competition. Strategic alliance is important to counter threats. It is therefore important to decide carefully with whom a strategic alliance is made. It is of no use to form a strategic alliance with an institution which shares the same strengths and weaknesses. The government in South Africa has encouraged or enforced strategic alliances, mergers and acquisitions in higher education. Presumably, this was done after a thorough analysis of the strengths, weaknesses, opportunities and threats within higher education was conducted.

The following decisions taken by the government show that government is keen to enhance the competitiveness of institutions of higher learning (Ministry of Education 2001:htp):

- The merger of Natal Technikon and ML Sultan Technikon.
- The incorporation of the Qwa Qwa branch of the University of the North into the University of the Free State.
- The unbundling of Vista University and the incorporation of its constituent parts into the appropriate institutions within each region.
- The establishment of National Institutes of Higher Education in Mpumalanga and the Northern Cape, on the basis of collaboration between the different institutions that currently offer higher education programmes in the two provinces.

As in the corporate world, there are important reasons underlying the above decisions. The main difference with what has happened in the case of higher education is that in business, decisions will normally be taken by the institutions involved and not by the government. Understandably, these are public institutions where the government can make decisions if it is felt that these are in the national interest even if these institutions are not ready for such decisions. It is,
however important that these decisions be acceptable to stakeholders to work effectively.

**Globalisation at the micro-level**

This is globalisation at the level where an organisation looks at itself and decides how it can change or improve its internal structure. This will include revisiting its mission statement, strategies and resources at its disposal. Decisions will be taken to see what strategies should be taken, what changes should be done to the structure and resources in order to make the implementation of the strategies possible.

As mentioned earlier, foreign students are being recruited so study in South Africa. This has implications for the curriculum. The curriculum, while serving the needs of South Africans, should be applicable to other countries for the benefits of those students and all South African graduates choosing to work abroad.

The campaign to recruit foreign students to study at South Africa will be more successful if even those who cannot come to South Africa are given the opportunity to study through South African institutions by means of electronic learning strategies. Efficient use of technology is thus important to make this possible. In this way students are able to register and interact with their lecturers through the Internet thus minimising one of the difficulties of being distant from the lecturers.

A skills audit at this level is necessary. An institution needs to know its strengths and weaknesses. Steps can then be taken to address areas of weakness. However, the attitudes of lecturers towards assessment in their teaching competence should not be ignored. Luby (1999) found that university lecturers were uncomfortable with being evaluated in terms of their teaching competence, particularly because the criterion was often laid down by administrators, who did not have to teach. Lecturers should therefore have an input into the system.

University lecturers should be competent in the use of technology. The Internet has made available a vast amount of knowledge to all parts of the world where the computer, electricity and telephone lines exist. This has begun to have an impact even on the type of projects given to primary school learners who are expected to access Internet and gather information relevant to their assignments. These kinds of projects have been observed at a primary school located in an area dominated by a middle income group in Johannesburg. Admittedly this is a privilege accessible to only a small minority at present, but will ultimately reach the majority of learners. This has implications for the training of educators. New graduates should be equipped with technological skills so that they can cope with new developments as educators. Their training should render them competent in accessing and managing information available on the Internet.

Furthermore, globalisation can be examined at both the macro and the micro levels with the help of Porter’s model (1990).

**Learning from Porter’s model of competitive advantage.**

Porter (1990) of the Harvard Business School has developed a model which outlines attributes in a nation which inhibit or promote its competitive advantage. The model (cf Figure 1) involves understanding the industries in which one operates. In this article it is argued that this model can be applied even at the level of a higher education institution.

**Figure 1**

*Determinants of national competitive advantage (Porter, 1990)*

Factor endowments refer to factors of production, such as skilled labour and infrastructure (for example technology and research facilities) necessary to compete in a given industry. The government has a role to play in upgrading the factor endowment. An example of its role will be investing in higher education. More recently in South Africa the “shake up” in higher education announced by the Minister of Education will either inhibit or promote the factor endowments.

The need of the government to support factor endowments can be seen from the mobility of human resources today. Top academics are being recruited to take positions in other institutions elsewhere in the world, thus adding to the brain drain being experi
enced in South Africa. The reasons often vary from higher salary to opportunities to face new challenges. Higher education institutions therefore need to help their employees acquire a variety of relevant skills so that these skills are not concentrated in only a few. Should skilled employees leave the institution, there should still be those who can carry on with the activities left behind. Peers need to help each other to develop the necessary skills.

Recently, in South Africa, in an attempt to enhance the factor endowments in higher education, the government launched the National Plan of Higher Education (Ministry of Education 2001:http). This plan involves unbundling and mergers of some higher education sectors. This plan will either impede or improve the factor endowments, depending on other factors such as how well it is received by other stakeholders and whether it will result in skills loss due to rationalisation. Whatever consequences follow, the government was motivated by the need to share resources and to attempt to give all students access to the best facilities as well as to experts in their fields. However, this article cannot judge whether the government followed proper procedures of consultation before making the decision.

Demand conditions refer to the nature of home demand for the industry’s product or service. Sophisticated local consumers help the industry to create better products which enable them to be competitive when they enter global markets. In the context of higher education, the sophisticated consumer, is the student. Porter (1990) points out that although the United States started the robotic industry before Japan, the latter became a world leader in this field because it had a greater demand from sophisticated consumers than the United States. Today’s student is far more sophisticated than the student of 15 years ago. The main challenge is whether institutions of higher learning are aware of this fact and whether they react appropriately to students’ level of sophistication. Channels of communications with students should be kept open and accessible to students.

Relating and supporting industries refer to the degree of presence in a nation of related industries that are internationally competitive. These industries will be involved in activities which enable the particular firm to be competitive. In this respect, Porter (1990) points out that the United States has excellent service industries because these service industries have world class relating and support industries. These support industries are computer companies as well as custom and packaged software vendors. Institutions of higher education need to identify their related industries and find out if these appropriately support or impede their competitive advantage. Higher education should turn to the schools which supply it with students and ask itself the following questions: How can we help these schools so that they can supply us with better products? Should we help the learners, or should we help with teacher in service training programmes? Can the government help us in this endeavour?

Firm strategy, structure and rivalry refer to the conditions in the country governing how firms are organised, managed and the degree of rivalry between them. Some firms may choose to be led by people with certain qualifications. Because of their expertise in these fields, these people ensure that the firms progress in the appropriate fields. This article cannot determine what the connection is between the skills of the management of higher education institutions and the effectiveness of the programmes run by the institutions. However, the skills of the managers and administrators of higher education should be known and in terms of Porter’s findings, care should be taken not to have areas important to these institutions neglected simply because those leaders do not have the appropriate skills.

Porter’s model is as relevant to the public sector as it is to the private sector, as well as to institutions of higher learning.

Looking at competition from a different perspective, but not in conflict with Porter, Fawcet, Birou and Tavory (1993) suggest that if firms are to attain and sustain the level of competitiveness, their strategy should be such that their decision making and resources are focussed along the dimensions of cost, quality, delivery dependability, flexibility and innovation. These dimensions in comparison to other firms in the same industry can be determined once Porter’s model has been applied.

In the context of higher education these dimensions can be interpreted as follows:

Cost may mean the fee paid by students to register for different modules. This cost depends on the costs incurred by the institutions in its value chain.

Quality means the degree to which the consumers (students) are satisfied with the quality of tuition and materials they receive.

Delivery dependability means the degree to which the product is delivered as expected and when it is expected.

Flexibility means the degree to which tuition relates to students’ everyday life, which is subject to change according to changing circumstances.

It is difficult to address all of the above dimensions and remain profitable. It is therefore important for institutions to know their market and see which dimensions should receive more emphasis.
THE SOUTH AFRICAN SITUATION

The definitions of globalisation suggest that higher education institutions can expect more competition at home. They can also increase their competition outside the South African borders. Porter’s model shows the importance of an infrastructure as well as human resources in achieving a competitive edge. This suggests that it is important to have competent people for institutions to be competitive. However, for the institutions to determine the level of competence of its human resources, there is a need for performance evaluation at different institutions where individuals can be encouraged to perform better and to make their institutions more competitive.

An unfortunate effect of globalisation is its effect on local currency. Variation in exchange rates and interest rates affect our budgets, negatively or positively.

Finance

An unstable currency is a cause of concern for those working on a tight budget. When the currency depreciates, one cannot afford even the few things that one could afford previously. This is particularly the case when equipment components are imported from countries with stronger currencies. It is often pointed out that the advantage lies in exports. In the education sector however, most of our customers are local. Thus South African institutions cannot benefit from the falling currency.

The only instance where we can benefit from the falling currency is to raise funds overseas for our projects. If the funds have been raised in dollars for example, we will then have more rands to spend as the dollar appreciates against the rand. Alternatively we can charge foreign students in dollars. However, this is a short term measure. In the long run we should not rely on international donor funds. This will also make it difficult for students from countries poorer than our own to afford fees required in this country.

This works against the principle of cost leadership. Efforts to turn the misfortune of the falling rand into a fortune will require a more rigorous analysis beyond the scope of this article.

The lower value of the rand compared to the currency of the country where an academic wishes to work, contributes to the skills loss. The declining value of the rand can also be linked to events outside South Africa over which the South African government and public have no control. The latter can be linked to the easy access of information globally (for example through the Internet) which leads people to realise that they can develop themselves by working in other countries.

CONCLUSION

It has become necessary for those holding management positions in institutions of higher learning to become financially and economically “literate”. This literacy will help them to understand how global forces affect their institutions directly and indirectly. It is clear that access to information while helping institutions to be competitive, also works against institutions when information obtained by investors elsewhere in the world is used in a manner which affects the country’s economy negatively. In some cases the information may not be directly related to the country of the higher education institution, but to a neighbouring country, or even a country in a different continent which is simply grouped together with the home country as an “emerging market”.

It is important for all involved in higher education to realise that the days of each institution working in isolation are over. One must start networking with colleagues where possible to render better services and products to our customers, the students. The South African government has accepted the challenges brought by globalisation by launching the National Plan for Higher Education on Monday, 5 March 2001.

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