Chapter One

INTRODUCTION

With the advent of the Multimedia Super Corridor (MSC), the local Information Technology (IT) industry has become global in its outlook. The economic downturn notwithstanding, the MSC has already achieved 50% of its target of attracting 50 world-class companies as of September 1998 (*Cybernation: Crisis Management 1998 October*, p.18). As a preliminary step, the Malaysian government had set up the Multimedia Development Corporation (MDC) to oversee the development and implementation of MSC policies.

Earlier this year, the MDC had extended the Bill of Guarantees to the Institutions of Higher Learning (IHLs). This was done to encourage the human resource development for the MSC as the required number of knowledge workers is projected to be 28,000 by 2003 (*Cybernation: Crisis Management 1998 October*, p.20). As a result of these expectations, student intakes for technically oriented academic programs of private IHLs have grown by leaps and bounds owing to the heightened interest in IT. Further to these developments, the Akta Lembaga Akreditasi Negara (LAN) 1996, (Akta 556) requires that all private IHLs be accredited by LAN before the MSC status can be awarded to the particular IHL. The Ministry of Education (MOE) has also stated that academic programmes need to be accredited by LAN before any licenses can be issued for the said programmes (www.moe.gov.my).

On 1st July 1998, the Ministry of Education (MOE) approved 10 private IHLs to conduct foreign franchised tertiary education courses (i.e., "3+0" programmes) entirely in Malaysia (The Star, 1st July 1998, p.1). These IHLs had prior approvals from LAN for each of their programmes.

The organisation to be studied, Kolej Damansara Utama (KDU), has good reason to be concerned with these developments. It was **not** among the 10 approved IHLs and questions were raised by existing students and staff as to the reasons for its failure in securing the approval. "Late submission" was the answer given by its Chief Executive Officer, Dr. B. C. Tan (The Star, 1st July 1998, p.3).

1.1 Objectives

Despite its relative success and having been in existence for the past 15 years, KDU does not appear to be one of the market leaders in its industry. Therefore, it must identify the most appropriate measures by which to regain its standing among the industry leaders. With the national emphasis on technology being THE nation-building tool, it would therefore be foolish to ignore its business-building potential. The IT factor is present in all aspects of business and can only be ignored to the detriment of a firm's competitiveness. Therefore, IT must be considered the most prevalent influence in any company's business today.

As a consequence, KDU must study the impact of IT on its business and put in place pertinent technology policies to effect sustainable competitiveness. The reason is that the college does **NOT** have any IT policy. As such, the development of IT as a strategic initiative has lacked direction and focus. The thrust of utilizing IT as a business advantage, apart from cashing in on the IT-based academic programs, has thus far been largely untapped.

This research serves to fulfil this objective by studying the industry in which KDU is operating as well as its business operations. The industry analysis will be carried out using Michael Porter's Five Forces Model. The effects of the government's actions and global factors will also be considered. The attractiveness of the education industry will then be examined with respect to the external developments as perceived by KDU.

In addition, the study will consider firm-specific business processes from the financial, human resource and technological standpoint. It will then investigate certain issues impacting the business that include

- outsourcing
- leasing
- security
- privacy
- content management in distance learning
- disaster recovery planning
- maintenance of computing resources
- human resource

Each of these issues will be discussed by considering its particular advantages and disadvantages and their impact on the college business. This will be followed by a corresponding recommendation that will address the pertinent business aspects.

Finally, the discussion will culminate in an IT policy that will effect sustainable competitiveness for the college. Furthermore, the resulting IT policy will be proposed as a top-level strategy and it will not address the development and the implementation of the system issues.

1.2 Company Background

KDU was established in May 1983 with the main campus in Petaling Jaya. Its two branch campuses in Penang and Sibu were set up in 1991 and 1997, respectively. It has a paid-up capital of RM2.35 million and it is a wholly owned subsidiary of property-based Paramount Corporation Berhad, which is listed on the KLSE Main Board.

KDU has projected a profit of RM10 million for 1999 (KDU Budget 1999, *Managers' Conference*, 19-21 October 1998). It is also planning to seek listing on the KLSE Second Board in the medium term. In order to achieve these goals, the management needs to develop strong liaison with the domestic education authorities. It is hoped that such efforts will give it good standing among the relevant approving bodies when it applies for listing in the future. In order to keep pace with its competitors, KDU has been forming strategic business alliances with prestigious foreign universities through the joint development of new programmes such as credit transfer and twinning programmes. It has also been upgrading its facilities and IT infrastructure annually. These upgrades include fibre-optic cables to speed up its current network operations, as well as a 128Kbps leased line for Internet access.

The college was at a great competitive disadvantage when it missed out on the "3+0" approval, especially when it is considered as one of the major players in private education, having celebrated its 15th anniversary in August 1998. It was clear that the college needed to make up some lost ground, especially if it intends to persevere with its vision of striving "To Be the Best in Education".

1.3 The Education Industry

The education industry is one of the fastest growing and evolving industries at the moment. It was announced in 1996 that certain education and training institutions belonging to corporatised government agencies, such as Tenaga Nasional Berhad, would be upgraded to universities. In fact, Telekom Malaysia had already established Universiti Telekom in 1992. Furthermore, at least one existing university, Universiti Malaya, was already well on its way to corporatisation in 1997 which promised better facilities and more efficient programme administration. Unfortunately, the economic crisis halted these steps, and all plans have since been put on hold indefinitely.

Prior to the crisis, private colleges were mushrooming all over the nation, with phenomenal growth within the Klang Valley - the number in the Klang Valley is estimated to be around 100, about a third of the country's total. With the extensive array of courses available to the consumer ranging from home grown diploma/certificate/degree programmes to twinning arrangements with domestic/foreign universities, today's school leavers are surely spoilt for choice. However, the wide choice also poses great difficulty when considering a suitable combination of the student's interests, career prospects, finances, abilities and location, i.e., whether to study abroad or in another state. One must also bear in mind that certain areas of study are more popular than others - the launch of the Multimedia Super Corridor has created an even greater demand for an IT-literate workforce specialising in digital imaging technology and Internet-based applications development.

From July 1997 to August 1998, the currency turmoil in the region had caused the Ringgit to plummet 50% against the US Dollar. By December 1997, the exchange rates were so unattractive that it was very likely that students studying abroad would be forced to return *en masse* to continue their education in local institutions (The Edge, *Survey & Guide*, 23rd February 1998, pp.1-7). Domestic education providers had already begun planning for the imminent influx of U.S. and U.K.-based students. The private colleges offering basic degrees granted by foreign universities, but conducted locally, stood to gain handsomely.

However, the local universities increased their student intakes by about 1000 in May 1998 to cater to the projected influx. This severely dented the hopes of the colleges. Furthermore, the "3+0" announcement effectively created two camps - the 10 with the approvals and the rest without. The former are now eyeing the potentially vast foreign market, with China being the most sought after (Sunday Mail, *Education*, 19th July 1998, pp. 17-18). Owing to the lower Ringgit, the cost of living for many foreign students is much cheaper now, thus making Malaysian education programmes very attractive.

1.4 The Future

Certainly, the education industry is one of the more robust industries today. For those IHLs with the right programmes, infrastructure and policies, the present conditions augur well for their continued growth. With the projected demand for 28,000 knowledge workers for the next five years, there must be a concerted effort on the part of the market leaders to put in place a strong vehicle to produce highly skilled human resources through technology-driven means.

KDU is still holding on to its position as one of the better known IHLs, but only just. It will slip from this position if it does not effect radical changes to its way of doing business. Indeed, not only will it lose its students to its competitors, it will also lose its staff to those same competitors. Eventually, even its business partners, the foreign universities, may dissociate themselves from the college as it can no longer attract the requisite quantity and quality of students. In this respect, effective technology deployment is the key to KDU's strategy to re-capture its past success.