CHAPTER 2: DEVELOPMENT OF PRIVATE TERTIARY EDUCATION IN MALAYSIA

The aim of this general study is to examine the environment in which the private MBA providers are accommodating. In lieu with this, the chapter is divided into 4 main subtopics: private sector development in education, post-crisis development in the private tertiary education, development of the MBA education industry in Malaysia, and, the contemporary issues in the MBA education industry. With these views, the level of competition during the business conduction of part-time MBA could more or less be generalised.

2.1 Private Sector Development in Education

Private education is the education provided to students by the PHEIs which are non-government-funded. Therefore, the proliferate increase in the numbers of PHEIs in Malaysia are motivated by the commercialised preposition, i.e. profit-oriented. Since they are financed entirely by the private sector, therefore it will not be unfair to perceive this institution as purely business entity.

Disregard the prevailing industrial structure, the ultimate objective of a private college is inevitably to generate returns that justify its investment. Since 1994, 3 largest PHEIs in Malaysia sought for listing at KLSE. PHEIs are more often than not sending across messages through publicity that they play significant roles in providing quality education or even help the poor by giving scholarships. However, their primary objective of establishing organisation is to generate profits out of
their investments. The risk of corporate taken-over, after all, is high if the company can take care of its own expenses.

Of course, investing opportunities will be perceived as attractive unless certain conditions prevailed. Nothing is more important than having a stable and friendly environment. In Malaysia, stability is ensured at least at two different levels: macroeconomic stability and industrial stability. Rapid economic growth together with a healthy political development might be the inbred advantage for Malaysia to succeed in any aspect. The real GDP grew in tandem from 5.8% (1957-70) to 7.6% average (1971-1980) and then oscillated between 7.8% (1992) and 9.5%(1995). Thanks to the strong external demand, huge export earning could be accumulated to use for building infrastructure, schools, universities, hospitals, housing etc. During these periods, Malaysian has enjoyed improved living standards due to the rise in the income per capita. More families would have more financial resources enabling their children further their education peacefully until tertiary level. This inevitably puts an upward pressure for the demand of education, particularly the private education at tertiary level.

Apart from the rapid economic growth and impressive political ground, Malaysian education system has been sharpened such that it is responsive and relevant towards meeting national challenges. It is also expected to develop human resource for contributions to the balanced national development as stipulated in the National Development Policy, in tandem with building a united and just society. Enabling the production of knowledge workers who able to leverage technologies, notably foreign technologies for greater national productivity and innovation, besides various ambitious measures have been implemented. In this
context, the government encourages the continual expansion of private sector education as the supplement for the public education. The government also constantly encourages the private sector to focus their efforts on the provision of science and technology-related courses. The implementation of the Private Higher Educational Institution Act, 1996 will enable the private sector to establish degree-granting institutions.

With the encouraging industrial setting, private sector has stepped on firm footing in the private tertiary education in order to seize the opportunity of rising demand in education.

2.2 Post-Crisis Development in the Private Tertiary Education

After almost a decade of stunning economic growth, the Asian Miracle has turned down resulting Malaysian economy was severely affected. The crisis started in mid-1997 as a currency crisis in Thailand, spreading quickly to other neighbouring countries like Malaysia and Indonesia. Even stronger East Asian economics of South Korean, Singapore and Hong Kong were caught in the economic turmoil. In Malaysia, the Ringgit depreciated, the stock market plunged, and the real estate market plunged.

This economic crisis could be said hit the middle class earlier and more severely than it did to lower-income groups, wiping out a substantial portion of its wealth and in many cases, savings for the education purposes. At the destructive consequences of the crisis, many wind-ups and corporate re-structuring were taken place and unfortunately the ultimate victim was the working group who had
to face the painful salary cutting or to the worst, being retrenched. In addition, almost all the companies have substantially rationalise their portion of expenses allocated for human resource training and development.

Despite the economic crisis hit the country, many people were still finding the ways to finance their education. Education is regarded as providing a passport into modern sector jobs, and the qualification as the decisive "gate-keeper" that control entry into certain privileged positions.² Three years after the economic crisis, the supply of private tertiary education in fact expands rapidly in Malaysia, with the ability to fully compete with some public universities. This was enabled because there was (and still) excess capacity in terms of infrastructure to accommodate the mushrooming of PHEIs. Of course, the prompt adaptation of PHEIs to the charges during economic uncertainties was one of the important factors. In fact, the economic crisis seems to have created a boom in this sector.

The number of local private universities has grown from 0 in 1995 to 7 in 2000.³ Three of these universities are actually run by government's corporation such as Petronas, Telekom and Tenaga. Three foreign universities, i.e. Monash University, Curtin University and Nottingham University have been given approval to start their own branch campuses in Malaysia. These have added more colours to the private education industry in Malaysia. In total, there are almost 600 PHEIs in Malaysia offering various programmes. One can safely make an inference that nearly 10% of these 600 PHEIs offer Master programmes of all kinds.

There is a significant increase in the popularity of other modes of delivery for higher education, notably distance learning and electronic learning (e learning).
Most of the public and private universities in Malaysia have their own distance-learning programme, which attract a large number of working adults who want to further their education or those who have been retrenched because of the economic slowdown. On the other hand, E-learning is nowadays perceived an engine of growth for the country's education. The country's first virtual university, UNITAR, established in 1998, offers all its programs by means of modern telecommunication technologies.

Moreover, these have been supplemented by the willingness of the foreign universities to allow local PHEIs to conduct their programmes purely in Malaysia. The good example is the "3+0" degrees, which allows students to complete a foreign degree programme locally without having to spend time on the foreign campus. As to manipulating the current technologies, students can also partially complete their course, either undergraduate or a postgraduate degree through online basis.

In short, the intensity of growth in the private education industry is the outcome of a sound and stable economic progress in the past few years. The number of private higher learning institutions in Malaysia are offering degree and diploma course in various fields of study. They supplement the work of the public universities in delivering higher education that the quality of teaching is equivalent to the public education sector.
2.3 **Development of MBA Education Industry in Malaysia**

Currently in Malaysia, currently more and more students every year are opting for a postgraduate degree. A recent survey shows that there are about 50,000 students pursuing postgraduate degrees in Malaysia both in public and private higher learning institutions compared to only 2,000 twenty years ago. As the figure published in the Outline Perspective Plan 2001-2010, the expected number of postgraduate students graduate from local universities will increase to 25% of the total enrollment, with a foreseeable increase in the number of postgraduate enrollment in private universities and colleges. According to Dixon B. (1977) the greatest boom in the postgraduate studies has been in the area of taught master's courses and especially in MBA.

The economic slowdown in Malaysia, which began in the year 1997, seemed no retarding the growth in education sector but rather contribute to a more rapid growth in this sector. The primary factor was the widespread public perception that it was a right timing to invest in education to secure a better employment and for personal growth. Likewise, the devaluation of Ringgit Malaysia at the tough time had also forced many to look for an economical local option to further their studies.

In total there are around 40 MBA providers in Malaysia – including 5 public universities offering MBA – through various methods of delivery. Most of these MBA programmes are offered by private institution. Over the years, MBA have grown into a matured industry with specialisation such as MBA in Finance, Marketing, Human Resources, Information Technology and quite recently...
Electronic Commerce. The specialisation means that the programmes spent considerable time focus on issues and cases in the area of choice. By calculation, the numbers of general MBA as well as MBA specialising in particular field, there are about 100 MBA programmes offered by the private sector in Klang Valley.

In 1998-1999, the number of private colleges were moving into MBA programmes like the growth of mushrooms after the rain. This can not be denied when we look at the number of new colleges established with a variety of courses offered everywhere in Malaysia with a short timeframe of three to four years.

According to the Association of Business Schools (ABS) in UK, there were minimum four types of MBA programmes offered in the education industry. The choice of MBA candidates seemed to have split among full-time, part-time, evening and distance learning basis. The part-time MBA seems to have attracted a majority of Malaysian students opting to pursue MBA. According to Dixon B. This route also seemed to be the favourable among the students pursuing MBA in UK. About 80% of UK students choose this route to complete their studies. In US market, the part-timers now accounted for 60% of the MBA market, according to AACSB (as the International Association of Management Education is common known).

The growth of private education industry also mainly spurred by the rapid growth of information technology. Many private colleges were established with the primary purpose of imparting computer knowledge and skills which were (still are) in high demand in the private sector. The development of Multimedia Super Corridor in Putrajaya where many IT companies from all over the world will be
housed has shown the seriousness of government to promote IT as one of the crucial ingredients for economic success. In conjunction to this move, private sector has actively involved to capture the growing demand of the IT-related courses like MBA specialising in Information Technology, Information System and E-commerce.

With the prevailing advancement in computer technology, distance learning through CDs and virtual learning are made possible in replacing the conventional modes of delivery. By virtual learning, students are able to access to the materials and communicate with their lecturers through Internet from home or office at their convenient time.

The numbers of providers who offer distance and virtual learning MBA have shown sign of increasing. The number is equally large compare to those offering part-time MBA. As shown in Table 2.1, there are around 18 providers offering almost 42 distance learning MBAs and 1 virtual learning MBAs in comparison to 17 providers offering 55 part-time MBAs. (Please refer to Appendix 2 for additional information)
Table 2.1   Numbers of MBA providers in Klang Valley (1/5/01)

<table>
<thead>
<tr>
<th>MBA</th>
<th>Number of MBA Providers in Klang Valley</th>
<th>Number of MBA programme available in Klang Valley</th>
<th>Partner Universities involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part Time</td>
<td>18</td>
<td>55</td>
<td>19</td>
</tr>
<tr>
<td>Distance Learning</td>
<td>17</td>
<td>42</td>
<td>18</td>
</tr>
<tr>
<td>Virtual Learning</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>36</td>
<td>98</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: Survey (May 2001)

Therefore, this has brought intense competitions among the education providers, not only because of the increasing number of the private tertiary education institutions but also various kinds of MBA courses offered through various modes of delivery.

2.4  Contemporary Issues in the MBA Education Industry

Since the job market seems to be very competitive nowadays, MBA is perceived as the pre-requisite, apart from working experience, to secure a job and to ensure better career progression in the future. The alarm for MBA is more acute as compared to the condition before financial crisis in 1997. This gives rise to the increase in the attractiveness of business in providing MBA education and by economic rationality, this will give raise to the increase of market players. Since then, the MBA education market growth to be extremely competitive.
In relation to this, Prof. Norburn of Imperial College, UK is of the opinion that this will lead the institutions to lower their academics standard to fill the enrolments. The PHEIs in all aspects are very much under the influence of the "bargaining power" of customers. It might due to the fact that the market has the full information about the market well or perhaps the customers are becoming more sophisticated and resourceful. Inevitably PHEIs will have to engage in a competitive war to fulfill the buyers' needs. The question here is how they are able to withstand the competitive forces and to how they can win the market attention?

Apart from the pressure arises from customers, diminishing financial resources especially after the economic recession are turning the colleges and universities to focus on marketing-related problems. Therefore, many organisations are nowadays pooling their scarce resources for advertising, creating brand image and augmenting the products. In addition, much money had been spent to employ consultants to conduct studies on even every aspects of the business, from the understanding of market and competitors well. Michael Porter's description of "competitive strategy" enforces this message.

With too much of concentration on the competitive wars, the worry about the satisfaction of the faculty staff has been met. Incentives and rewards for faculty and staff are importance to recognise the value of services provided. Too many occasions indicated that the instructors and the coordinators are leapfrogging for higher pays, leaving the students to become the victims of their actions. In
this case, are the private sector able to provide quality and sound MBA education with the staff mobility is high?

The MBA business in Malaysia is very confined by the cost factor. Currently, significant large number of the part-time MBAs (95%) offered by the private sector are not accredited by the reputable MBA quality assessor, like Associate of MBAs (UK). It would be normally involving high cost of supplying accredited UK MBAs. In addition, many providers shifted their partnership from UK to Australian universities due to the currency differences. In this case, is the government's intention to promote Malaysia as the centre of regional education excellence possible? Will the private sector able to support the human resources policy to produce high quality and skillful workers as used to be? This will, of course, involve large-scale of research, of which separate a research is justifiable.

Following chapter (Chapter 3) will analyse the candidate's preference and the candidate's criteria of decision making process that leads to a choosing of a part-time MBA programme. This chapter is to achieve the understanding on the demand side of the business conduction of MBA programmes, and to identify the customer's needs. The implication is profound in where the sustainability of an MBA programme in the market is under the disposition of the customers as a whole.
Notes and References

1. The first PHEI listed on KLSE was Stamford College in 1994 as a second board company. This then followed by Sunway College and Informatics.


3. Refer to Appendix 1 for the list of the seven private universities in Malaysia.


10. Special Focus Issue MBA (1999), Management Times, News Straits Times, 28 April.