CHAPTER 4: COMPETITIVE ANALYSIS

Chapter 4 looks into the two forms of competitive forces influencing the business of part-time MBA market, i.e. competition from MBA substitute (4.1) and from threat of entry (4.2) to MBA education industry. By understanding the facts, a clear picture on the would-be competitive strategies could be drawn based on the prevailing strengths and opportunities.

Growing number of MBA providers in Klang Valley to a certain extent explains the reason for increased in competition in the MBA education industry. The above factors are supported by Michael Porter in his very famous book namely "Competitive Strategy: Techniques for Analysing Industries and Competitors" as two of the main forces that shape the competition in the industry. In the Porter's Five Forces Model, he contributed the competition on the new entrants, suppliers, buyers, substitute and rivalry. The competitive pressure from the buyers has just been discussed in chapter 3.

4.1 Competition From Substitute Product / Service

Michael Porter has contributed the competition, partly, to substitute product. Identifying substitute product is a matter of searching for other products that can perform the same / similar – or in some case better than – the choice the student has. Michael Porter argues the competition from substitute products as a healthy competition. He explains that heavy advertising from each organisation in the industry collectively improves the industry's position against its substitute
industry. Not only that, it also helps an industry to improve its product quality, marketing efforts and product availability collectively. The following are the types of MBA’s (substitute) available in the MBA education industry in Malaysia:

4.1.1 Full-time MBA

George Bickerstaffe\textsuperscript{1} finds that the growth of part-time degrees has been one of the most prominent features of the MBA scene, particularly in Europe. 72.9% of the total taught postgraduate students in the year 1995/96 in UK were pursuing some form of part-time programmes compared to only 27.9% pursuing full-time programmes inclusive of sandwich courses.\textsuperscript{2}

Della Bradshaw and Parminder Bahra of Financial Times\textsuperscript{3} reveals that part-time MBA look extremely attractive to the prospects in UK as it saves one opportunity cost of approximately 50,000 pounds (comprises of tuition fees, accommodation and the opporunity costs (a year without work and salary). The core question whether a part-time degree delivers the same long term career benefits and whether employers treat them with the same degree of respect as the full-time alternative is yet to be answered.

Unlike the UK or the rest of Europe, the number of students pursuing the full-time MBA in Malaysia seemed to be equivalent to the number of students pursuing the part-time MBA. This could be as the result of the big number of full-time students pursuing MBA in approximately six Malaysian universities and overseas balanced by the smaller number of students pursuing part-time MBA in almost 20 higher learning institutions.\textsuperscript{4} Of equivalent large numbers of foreign students took up the
full time MBA programme in Malaysia partly because of the cheaper course fee
and living expenses and partly due to the immigration requirement that foreign
students should study full time with no working is permitted under student visa

The question of whether a part-time MBA delivers the same long-term career
benefits and whether employees treat them with the same degree of respect does
not arise in the Malaysian environment. This is because almost all the job
placements on local newspapers seeking a MBA qualified person clearly stated
that such person is required to have a minimum of three years of relevant work
experience for management positions. This sort of advertisements is a clear lead
for those who are waving between a full-time and a part-time MBA. A part-time
MBA seemed to provide the qualification and the experience required for all the
managerial positions.

Beside the high opportunity cost to let go a student also had to consider the
duration of an MBA programme. In some institutions (based on brochures), the
full-time courses takes longer time to complete as longer time is needed to
prepare, basically prospects with first degree and no working experience.

4.1.2 Distance Learning MBA

The competition also comes from the distance learning MBA's. In 1996, the
distance learning MBA made up of 20% of the total students pursuing an MBA in
UK. Although the number is very small in Malaysia, with the expected
establishment of the Open University in Malaysia in 1999 the number is expected
to grow tremendously in the years to come.
Many people associate distance learning MBA with the future of MBA degree and management education in general. Certainly, because the growth in the number of MBAs awarded in recent years is largely as result of distance learning MBA programme. Referring back to Table 2.1, the numbers of private providers of distance learning seems to be equally huge to those offering part-time MBAs.

Most of the distance learning MBA is considerably cheap with high flexibility of studying. Distance learning MBA candidates can study in their own time at home or even travelling, and programmes can take three years or more to complete. Students able to average out the numbers of modules to study per period based on their workloads and their financial commitments.

For the MBA providers, the cost of providing distance-learning MBA programmes, by principle, is far lower than conducting part-time or full-time MBA. Considerably amount of money can be saved for employing high profile (full-time) instructors and / or purchasing the state-of-the-art computer software or communication systems, huge premises with best location etc.

Lately, distance learning MBA programme has undergone a significant innovation. Distance learning programme is no longer being treated as lack of quality and possible of high dropout among the candidates. For most of the foreign distance learning MBA programmes that are conducted by the local institutions are becoming more interactive and stressed on the critical usage of management knowledge. More features of full-time and part-time MBAs such as assisted tutorials, supervised dissertation or research on the local cases,
seminars and workshops are capitalised into the distance learning MBAs. All of the "extra" will not incur extra cost – or even at no cost – because some of the MBA providers promote distance learning MBA as a part-time MBA. For some, it is just a matter of allowing distance-learning MBA candidates to join the MBA classes or seminars that supposedly compulsory for the part-time MBA candidates.

The syllabus and teaching approach for the distance learning has been revamped and gained more confidence of academicians. This testified that the ultimate MBA degree offered by distance learning is exactly the same standard as that offered by the school in its full-time and part-time programmes. According to Mike Jones, Director General of the UK-based Association of MBAs, out of the 49 world top business schools, the largest provider of distance learning MBA programme now is the Open University Business School. In addition, among 20 schools in UK offering distance learning MBA programme, the MBA from the Open University Business School, is one of the six schools accredited by AMBA.⁵

Not long ago, full-time MBAs were considered the cream of the crops and there were generally plenty of them to go around. But as the job market tightens, recruiters have taken a broader perspective. Distance learning MBAs – for the part-time MBAs as well – has been accepted as a form of effective training. It is partly because the company was unable to let go their productive staff to study a MBA on full time basis putting the jobs aside for a year or two. Perhaps, this programme can also assist the company to improve their staff productivity by pooling the knowledge gained towards their jobs undertaking.
IBM is sponsoring nearly 700 students on programmes offered by the Open University Business School in UK. IBM seems to be very pleased with the batch of its students in this programme whom just recently completed their four years studies. In fact, Mr. Maurice Mattinson Thompson, manager of management development in Europe for IBM finds the distance learning programme by Open University to be more practical than the full-time MBA. However, prior to this IBM and due to the cost and growing number of managers needed qualification switched to distance learning MBA as a choice.

The fact that students undertake study in their own time seemed to be a big attraction to employers, many of whom feel that even part-time study takes valuable employees away for too long from the work place.

4.1.3 Virtual Learning MBA and Video Conferencing MBA

Technology on other hand is starting to have a major impact through the increased the increased of the Internet, email, CD-ROM, computer networks and communication systems such as video conferencing. With this innovation, this gave raise to the manipulation of technology to maximum in the conduction of MBA, i.e. virtual learning MBA, in where students interact with their professors or classmates, obtain study material, discuss the case studies, pay fees or perform examination all on on-line basis.

According to Associate Professor Dr. Ahmad Zohdi Abdul Hamed, Dean of the school, the on-line MBA is an excellent way to provide quality MBA education with the kind of flexibility that working students desire for. UNITAR's biggest
advantages that its on-line MBA programme, at RM 15,000 for the whole duration, is one of the cheapest in Klang Valley and generally in Malaysia.

A new form of upcoming competition in the International market is the technology oriented video conferencing method. Although this self-managed method is not an easy option, it breaks the barriers of distance, time and etc. This system is being used at Roffey Park Management Institute in Horsham, UK with the other learning set being at Singapore.⁶

Jamie Odell, regional vice-president (Asia Pacific) for Allied Domecq and one of the students involved in teleconferencing MBA at Singapore finds that this teleconferencing MBA is not about formally learning what you already know. But this is the fast learning and moving on method. This means of the programme seemed to be one of the favourite choices of students who are living in a foreign country looking forward to obtain MBA form their own countries.⁶

4.1.4 Competition form Other Substitute Programmes

The other substitute programmes can be divided into two forms for our research purposes. They are the competition posed by other Masters programme (for example Masters of Arts Marketing, Masters of Science, Masters of Information Technology and etc) and competition form universities overseas (students who are willing to go abroad due the brand name or the popularity of certain schools) offering similar programmes.
(a) Other Post graduate Studies

Competition from other management and business Master programmes also adds to the competition faced by part-time MBA industry in Klang Valley. There are in fact many private providers offering various Master in a particular field of expertise. This is to cater the need of specialists to further their understanding of the fields that they are positioning in, such as Marketing, Multimedia Management, Human Resource Management etc.

University of Northumbria at Newcastle, UK (UNN) offers Masters of Arts in Marketing through its local representative, Stamford College. In addition to this, Leicester University, UK (UL) offers a Masters of Science in Marketing/Finance through its local partners the IAHE Centre. Both the programmes by the UNN and UL are marketed as programmes equivalent to an MBA in Malaysia.

At this moment there are many Masters of Arts and Science programmes made available to students looking forward to further their studies. In addition to this, there are more symptoms been observed showing the tremendous increase in number of such programmes offered in Malaysia lately. Of course this growth will intensify the competition in the private MBA education industry.

(b) Overseas Universities

Despite of the economic crisis, more Asians than ever seemed to be heading to North America and Europe to get their MBAs. According to Heather Spiro of the Manchester Business School, there was never a problem to get numbers from
Asia to do their MBA. She says that the Asians easily form 20% of the MBA population.\textsuperscript{7} 

On the local front, we also periodically get to see such foreign universities coming foron "MBA" Road shows to market their programmes and get students for what they claim is the best MBA programme. However, all the other European schools except for the United Kingdom seemed to be not so well known. Even through some schools in European countries are offering good MBA programmes, they are not well being exposed and hence not accepted by Asians. For example, the INSEAD from France and IMD of Switzerland are ranked as the two best business schools in Europe even compared to London Business School from the United Kingdom.\textsuperscript{8}

One of the well-established MBA providers in the industry is the London Business School (LBS). Michael Earl, acting principal at LBS is confident about their competitive advantage. He says that a student applying to LBS, would not apply to any other UK business school. He says the competition can only come from Northern American Business Schools or INSEAD of France.\textsuperscript{9} Michael Porter describes this situation as the one where the companies that survive are the ones with special focus or strategies.

Moreover, many good universities such as University of Sunderland (UK) and University of Northumbria at Newcastle (UK) offer scholarships and the substantial fee discount to many Asian students directly study for MBA in UK. This will impose a competition for the local institutions that associate with these universities (Binary
College – University of Sunderland and Stamford College – University of Northumbria at Newcastle). In the case of Stamford College as an example, University of Northumbria at Newcastle offers 5 scholarships to Stamford students who achieve academic excellence in their undergraduate study.

To sum up, with the rise in the number of institutions offering MBA programmes, those who want to pursue the programme today are not only spoilt with choices but also may find it increasingly difficult to make their choices too.

One important question that arise in this session is that which working person in right mind, will take a risk of facing very big sum of opportunity cost to pursue a full-time course. This indirectly implies to the potential growth for part-time and distance learning MBA in Malaysia.

The primary research conducted correlates with the secondary research where nearly 86% of respondents preferred part-time MBA because it allowed them to work and pursue their studies in a classroom setting.

Figure 4.1: Preferred Type of MBA Course

![Preferred Type of MBA Programme]

Source: Survey (May 2001)
As for the case in UK, a well-established school even has strategies to prevent the competition imposed by other MBA schools. This is one of the reasons why many schools are looking for accreditation by the Association of Masters of Business Administration (AMBA) in UK. Although presenting there are more schools failed to get accreditation by AMBA but this does not stop more and more schools from getting for the recognition. Not only schools from UK but also from all over Europe are in the move of getting this accreditation. According to one university, the recognition gives the students an upper hand in the European market as Europe widely recognition.  \(^{11}\)

Beside that the accreditation also enables the students to be eligible for scholarship by Hobson Publishing which gives 10,000 pounds to student from AMBA accredited university. If any one local institution in Malaysia in partnership with the AMBA accredited university, then the eligible students may apply for the grants, which inevitable reduce the financial burden of the MBA education. This would encourage the looking for the AMBA accredited by the new comers so as it would increase the attractiveness of the MBA offered. In this case, the existing MBA providers will be phrased out if no initiative has been taken to negotiate with alternative partner university.

Another strategy to prevent competition and gain good market position is adopting the product differentiation strategy. Realising the changing environment some higher learning institutions are offering highly differentiated MBA's to strengthen their position in the industry. Football has grown so rapidly as an industry over the time. It was only a matter of time before management schools picked up on the
potential to train its managers. The University of Liverpool is offering 35 places for Masters in Business Administration course, specialising in football industries.

The “huge amount of money” generated by the game means clubs are looking for managers who see football as business and know how the industry works. The students in this programme receive training in the generic MBA skills in business administration and in the organisation structures and social history of football. They are also expected to complete a dissertation based on independent research following a one-month placement with a football-related business or organisation.\textsuperscript{12} It seems Liverpool University is getting tremendous support and applications from qualified football fans who are looking for a post graduate qualification.

The part-time MBA in Business Laws offered by University of Western Sydney Nepean, Australia offered through Kemayan ATC and part-time MBA in Technology and Innovation Management awarded by University Tenaga Malaysia are two good examples of the differentiated programmes offered in the Malaysian industry. The MBA in construction and real estate management awarded by Reading University in UK conducted through Centre Secretary for Malaysia and Brunei is the only such programme offered in the whole of Malaysia.

This kind of specialised MBA programme is rare in Malaysia has its own competitive advantages and call for the attention to those who are working under construction or real estate industries. This can be the best choice for those who are looking for the MBA yet suspicious of real value of obtaining a general MBA or MBA which is popular in the MBA job market. Since they are too many people
rushing into the MBA education, and to differentiate with them, these rare Masters will provide a new avenue for individual to stand apart from the crowd.

In other words, being the first one to offer a different course in the industry gives them the first mover advantage whereby in long term these institutions would have established positions in the industry due to their long expertise. They would be ranked as one of the top schools on their own specialised fields that will bring a lot of other benefits for the university in long run. In later chapter (Chapter 5) a comparison is carried out to see how part-time MBA providers in Klang Valley differentiate their products in meeting buyers’ needs. This will follow (in Chapter 6) by looking at Stamford College in Petaling Jaya to the extent of what the college differentiates its MBA and to propose some steps for its MBA strategic planning.
Notes and References


