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Strategic Management Module Assessment SBMA7103D

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An analysis of the strategic management at School A – a large international school in Asia.

Summary

School A is a large international school in a big Asian city. The school has a long history and tradition. It is run on a not-for-profit basis and the majority of school fee income, once salaries and overheads are paid, goes back into the school. From 2008 onwards, the market has seen a number of new entrants that have brought different business models with them in the operation of these competitor schools. The market currently has around seven serious competitors, as well as peripheral players, who have slowly eroded the market share from School A. This paper will analyse the strategic strengths and weaknesses of the school using a SWOT analysis and other analytical tools. It will then go on to reflect on possible strategies that School A could utilize in order to make inroads in the current market. Finally, the paper summarizes recommendations for School A to consider in their strategic planning for the future.

Strategy Overview

Allison and Kaye (2015) define strategy thus: “Your mission is your purpose, and your strategy is “how” you will accomplish your mission.” As a caveat, they go on to say that strategy is a multi-level and multi-headed beast and the realities can be complex. Both Allison and Kaye (2015) and Johnson et al. (2008) discuss the relationship between

mission and strategy. A strategy should be aligned to the organizational mission and vision and be “the impact the organization seeks to make through pursuit of its mission—and its “plan” for achieving that goal.” (Allison and Kaye, 2015)

School A has a strong mission and vision and has sought to align its values with the strategic plan. In this sense, School A may be labelled as a strong organization. Complications have arisen in the finer details of putting the strategic plan into practice.

Mintzberg et al. (1998) speak of an environmental school approach to strategy – one in which the organization is reacting to its environment. In this sense, School A is one such organization. Previous strategies did not need to pay a great deal of attention to the environment, in particular competition, simply because School A enjoyed a virtual monopoly. This type of strategy is rooted in contingency theory, in which organizations will need to adapt their own strategies to suit the changeable environmental conditions.

Thus, whilst School A has a strong set of guiding statements and a sense of who they are, they have struggled to adapt to a new environment, which has quickly evolved to find many of their practices and principles outdated. There is therefore a need to analyse and discuss School A's strategy and its need to make changes.

Analysis

SWOT Analysis for School A

<i>Strengths</i> History/Tradition Larger campus, new buildings/facilities Perceived academic quality Good track record of acceptances into elite universities	<i>Weaknesses</i> Internal division Perceived lack of dynamism Inefficiencies and lack of competitiveness
<i>Opportunities</i> Distinguish or differentiate from other schools Become more efficient	<i>Threats</i> Economic downturn Increased competition Internal issues

Strengths

School A's long history and tradition are seen as strengths by the community and by customers. The school also has the largest campus of all the players in the market and a good track record in product and service. Graduates from School A go on to world-renowned universities for their further education and parents, staff and students generally speak highly of the school.

Weaknesses

There is a lot more focus on dynamism, technology, design and global competencies (Sinay, 2018; Mansilla and Jackson, 2011) over what we might term more traditional areas of learning and exam success. These are no longer the be-all and end-all of

parent and student measures of a good school (Sahlberg, 2011). School A needs to adapt to these changes in the expectations of customers.

Internal divisions are caused by a complicated organizational structure which needs addressing at a strategic level. Whilst the school's dual stream offers more choice to potential customers, at the same time, it creates internal division which is unhealthy for the overall strategic strength of the organization.

Opportunities

In examining opportunities, School A seeks to distinguish or differentiate itself from the competitors in the market. It also seeks to become more efficient in its daily operations and internal structures which, as an organization with a nonprofit mentality, can lack professionalism or efficiencies – both in terms of finances and expediency. It may be argued that the school could learn from a more business-minded approach.

Threats

As recently as ten years ago, School A was the only large international school in the area. Recent changes to the market, including an increased amount of competition, has meant that the organization has had to deal with a new environment. This has threatened its status as the market leader. Moreover, as a fee-paying school, School A is vulnerable to economic downturn and the inability of families to pay tuition fees. Whilst, the school is still in a good position in terms of strengths – and is still the market leader in terms of student numbers, the tradition and history of the school, that are

strengths are beginning to morph into potential perceived weaknesses as the nature of education itself changes.

TOWS matrix for School A

		INTERNAL	
EXTERNAL		Strengths	Weaknesses
	Opportunities	S-O Distinguish from competitors through academic results, campus and tradition	W-O Overcome inefficiencies and division by focus on distinguishing school from competition
	Threats	S-T Focus on tradition and other strengths to distinguish from competition and assure customers that they are making the correct choice	W-T Address internal issues that are impacting on competitiveness. Examine pricing as one of the weaknesses.

S-O (Strength-Opportunities)

School A is not taking enough advantage of the fact that it has been around for almost a hundred years longer than the other competitors in the market. Moreover, it has good results, the largest campus with, currently, the best facilities. There are opportunities that can be taken advantage of with more thorough strategic thinking.

W-O (Weakness – Opportunities)

Opportunities that are being held back by weaknesses are stemming from internal division, which is a result of the organizational structure. Addressing this issue could offer School A further opportunity.

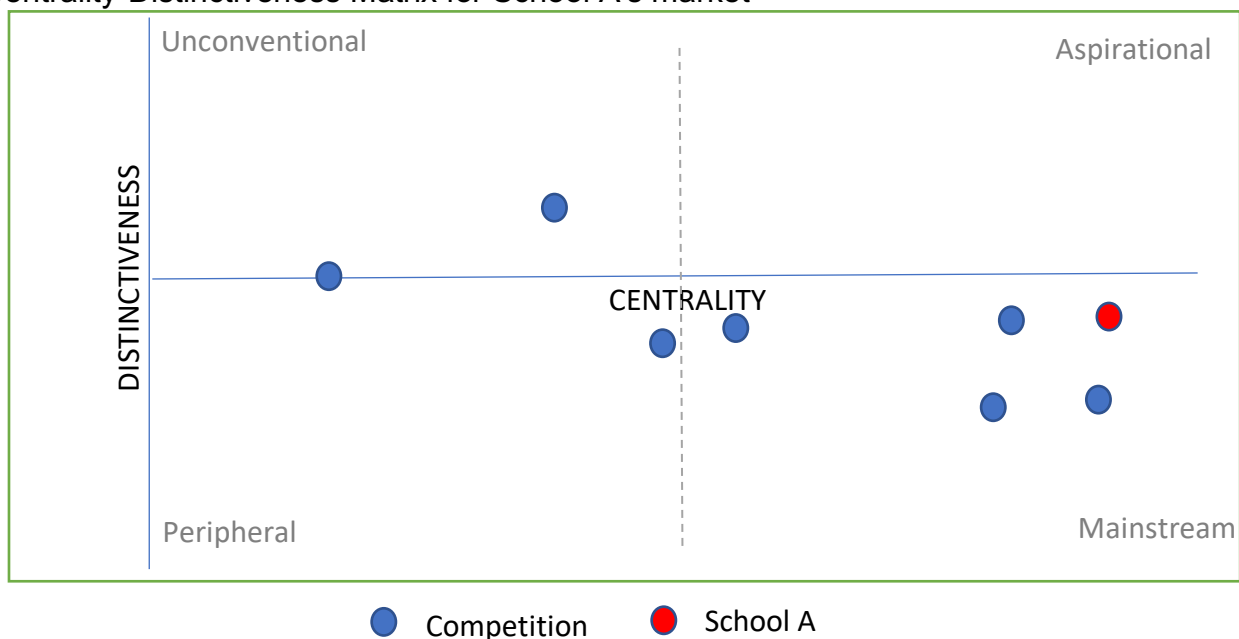
S-T (Strength – Threats)

The traditions and quality provided by School A, as part of its overall reputation, are important in combatting the threats that have come to exist in the new market environment. Focusing on these areas can help School A to uphold its strong position and possibly create a gap between itself and its closest competitors.

W-T (Weaknesses – Threats)

Pricing may be an area where School A is losing customers to competitors. Similarly, internal issues are a threat to competitiveness.

Centrality-Distinctiveness Matrix for School A's market



Dawar and Bagga (2015) have proposed the centrality-distinctiveness matrix as a means of assessing brand position as a part of strategic planning. It can be argued that the centrality-distinctiveness matrix is difficult to use in the context of the international school market where competitors tend to be very similar to one another. However, it may be possible for School A to seek to create distinction from its competitors by

pursuing a different strategic direction. We can find examples from other industries where products may be considered similar e.g. beer, cars and yet some companies have been able to distinguish themselves from competitors by creating a unique or distinctive identity as part of their strategic planning.

Dewar and Bagga (2015) highlight the importance of branding in positioning oneself in a suitable place on the matrix. It may be argued that education is an area unsuited to short-termism and the types of short-term promotions or branding that characterize many competitive, homogenous markets (Varadarajan, 2016) given the importance that parents place on the long-term success of the product, i.e. preparing students for entry to tertiary education. Hence, we can see from the matrix that most schools are in the 'mainstream' quadrant given the importance of tradition in education as a sector. Unlike, for example, a car that could be considered attractive the more 'quirky' it is, a school is less likely to be of appeal if it was perceived to deviate too far from the mainstream. In the context of the education sector, distinctiveness may come from, e.g. faith-based schools or schools that are guided by certain philosophies or curricula. However, the importance of branding and its relationship to school reputation is important (Malik et al., 2015; Holmes, 2014) and may help School A to further understand its market position in order to exploit its strengths further.

Discussion

In discussing the strategic needs of School A, from the analysis we have divided the discussion into two areas:

- 1) External Factors
- 2) Internal Factors

1) External Factors

The rapid increase in the number of competitors over the last ten years caught School A unprepared. Prior to 2008, aside from a few smaller schools, School A enjoyed a luxurious monopolistic position in the local market. This led to some complacency and, as will be discussed later, internal issues were allowed to go unchecked. As Allison and Jude (2015) remind us a strategy needs to be able to cope with a variety of situations and when scanning the environment, worse case scenarios, such as an increased number of competitors, need to be planned for.

Thus far, School A has not met its potential in distinguishing itself as the “best” school in the area. Whilst competitors have been more astute in their marketing and promotion in attracting customers, School A took for granted its position as market leader based on its history and tradition and was slow to react. For example, other schools offered discounts for companies to sign-up or for siblings whereas School A opted not to. In

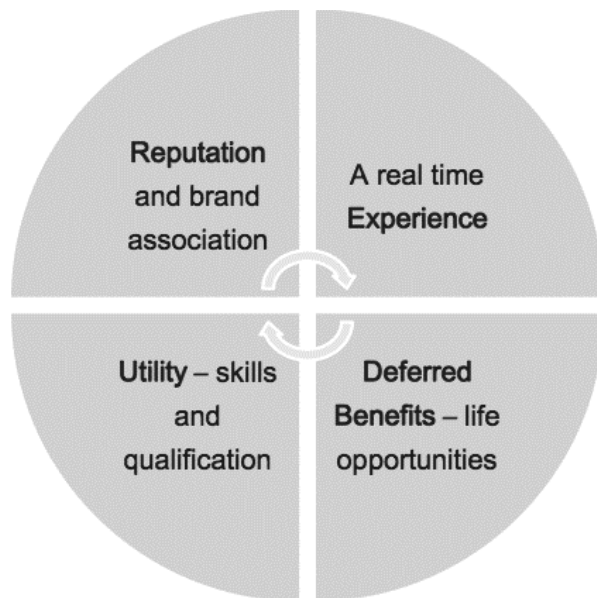
examining the 7Ps in relation to schools, Harvey and Busher (1996) remind us that “price cannot be separated from promotion”. Slowly, competitors were able to erode some of the traditional customer base away through more competitive pricing.

School A’s lack of strategic thinking has meant a slow reaction time to the change in the market and this has resulted in the perceived reputation of the school as the best school in the area gradually decreasing.

From the analysis of the market, we are able to see that the competition within the market is not highly differentiated. Facilities, campuses, opportunities, the quality of service tend to be quite similar across a number of schools. Moreover, they are grouped in the mainstream quadrant of the grid, partly because of the homogenous nature of the education industry. Skallerud (2011) understands the importance of reputation for those in the service sector because, unlike, for instance a food product that one can like or dislike or can immediately gauge the quality of, a service, in this case education, is more difficult to judge straight away. It can take years before, as a parent, one knows whether one has made the right choice or not. Thus, it “can therefore be argued that the importance of school reputation is greater because parents cannot rely on physical evidence, but have to rely to a greater extent on anecdotal evidence”.

Smith (1995) recommends “emphasizing the precision with which a firm's products can satisfy the requirements of one or more distinguishable market segments” in order to

differentiate oneself from the competition in a homogenous market. In the education market, it can be hard to distinguish between a range of similar options with very similar characteristics (Holmes, 2016). As in other areas of business, the key differentials may be price, quality or perceived value.



Education positioning organizational diagram (Holmes, 2016)

Holmes (2016) reminds us that increasingly parents and students making private education decisions behave like investors and look for best quality and value. Thus, it may be argued, that improved teaching and pedagogy equates to a perceived difference in service quality and that this may act as a strategy to disrupt the market dynamics. However, in practice, this can be hard to change quickly. Holmes also argues that value is driven by customer perception and this too can be hard to manage. However, in putting forward four key areas for development, Holmes does offer schools with an opportunity to consider their own strategies in regard to education positioning.

Reputation and brand association

School A's long history and association with sending graduates and alumni to top universities and colleges means that this is possibly an area for strategic exploitation.

A real time experience

There is a trend towards similar experiences across international schools but as Piana (2003) reminds us, innovation can be a means to stimulate a homogenous market.

There are innovative practices and concepts that School A can utilize to distinguish itself in the market.

Utility – skills and qualification

Even in this respect, there is difficulty in distinguishing between competitors who can offer similar educational qualifications, exams, etc. School A might take an opportunity to reflect on any new areas of learning or qualifications where they can seize a strategic advantage over other competitors.

Deferred benefits – life opportunities

Given School A's long history, this offers an area to perhaps demonstrate how members of the school's alumni have gone on to do well in later life. This is an advantage over newer competitors, who are too recently established to be able to compete in this area.

Conversely, Malik et al. (2015) make a case for image and reputation building above quality, indicating that this is more likely to influence parental decision. Their study

found that using the 7Ps of service marketing to inspire loyalty was the most likely to impact the choice of parents and students when choosing a school. Harvey and Busher (1996) similarly found that only some parents placed importance on educational quality and this was of lesser significance than the reputation of the school or someone whose judgement the family valued 'knowing' the school.

It can be argued that the two ideas are not mutually exclusive. By focusing on the principles of quality, it can be seen that there is a direct relationship with the school's image and reputation. As one improves the other also benefits. For instance, brand managers believe product quality is the most desirable association to build in a consumers' mind (Anselmsson and Bondesson, 2012). Strategically, there needs to be an equal amount of focus given to the development of quality of product and service and to the management of the brand and increasing the loyalty factor to the school. School A can immediately call upon its alumni network for part of this process.

As part of strategic planning, Holmes (2014) recommends the use of key performance indicators (KPIs) to track progress along a strategic route. School A does have a five-year strategic plan which it publishes and regularly updates progress via communication channels.

"A critical element of a robust plan is to set down some performance measure of what has been achieved set against what it was designed to do in the first place. Not doing

so would leave the plan indefensible in terms of meeting its objectives, and potentially a waste of limited resources.” (Holmes, 2014)

With reference to the above quotation, it might be argued that although School A does adhere to this system, there is a lack of accountability in evidence. For instance, it is unclear whether or not there are consequences for failing to meet a KPI. Moreover, KPIs are only used at the senior administrative level and there is a lack of accountability at the lower levels. This seems to echo the naïve nature of the school in the competitive environment. Competitors, who stem from a for-profit mentality are more likely to utilize strategies from the business arena in a more efficient manner. This is usually driven by economic considerations. Allison and Kaye (2015) warn that the nonprofit mentality can be unaccustomed to the strategic thinking required in the business world.

Strategic branding offers a means to disrupt the market in a homogenous product area such as schooling. School A has been slow to realize the strength of its brand, in part because it was previously not exposed to a highly competitive market. Varadarajan (2016) has highlighted how brands are important for consumers in so far as they can “signify a certain quality level, reduce perceived risk, engender trust, and simplify choice for customers”. School A has a good foundation for building a successful brand. Part of brand and reputation building is an ‘emotional connection’ (Skallerud, 2011) and School A has good connotations in the mind of the community. School A has begun to try to develop its alumni network but this has been on more of an ad-hoc than strategic basis. There exists now an opportunity to further develop this area as part of brand

management. This brand focus should also take into account the quality and scope of the product being offered to customers and not simply be focused on marketing.

2) Internal Factors

Internal issues have also been an issue in recent years. The school operates a dual stream entry system, in which parents select from two different curricula. Whilst this offers parents a unique choice in the market, it also creates internal division as in some cases sections of the school are competing with one another for the same customer. Rosen (2009) labels this type of internal competition as a value compromise. Birkinshaw (2001) refers to cannibalization as an issue in organizations with this type of structure. With the potential pitfalls of creating both confusion in the minds of customers and internal tensions, he sees it as an area that requires careful management. Moreover, and with importance to School A, internal competition should be used selectively and organizations should be “much more aware of how it fits into the broader strategic agenda of the company” (Birkinshaw, 2001). That said, Birkinshaw also advises organizations to carefully consider the relationship between the benefits and costs of the internal division before making a strategic decision. Birkinshaw and Lingblad (2001) identify two aspects of internal competition which are particularly problematic: duplication and overlap. To that end, School A doesn't necessarily meet the criteria for organizational redundancy, as defined by Birkinshaw and Lingblad (2001). There is some overlap or duplication in the product provided by the two streams of revenue, as a result, there are internal tensions and because of the current popularity of one stream over the other, it is impacting upon customer perceptions.

In a later study, Birkinshaw and Lingblad (2005) propose a model of intrafirm organization units.

Charter Definition	Fluid	LOOSE FEDERATION	DYNAMIC COMMUNITY
	Fixed	TIGHT FEDERATION	COEXISTENCE
		Low	High
		Charter Overlap	

(Birkinshaw and Lingblad – Intrafirm Organization Model)

According to this model, where charter refers to the agreement between the two divisions on the amount of definition and overlap between the them, School A would appear in the bottom right-hand quadrant as a 'coexistence'. For Birkinshaw and Lingblad (2005), this can be a positive relationship, in particular in a heterogenous market, where separate divisions might specialize in different areas of the market but use the resources and reputation of the organization. As we have seen, however, the education market is more homogenous that heterogenous and this may be a cause for concern for School A. Whilst the divisions are separate, the high degree of overlap means that there is a fundamental choice facing customers who wish to opt for School A of one division or the other. This does not make for a highly cooperative relationship between the intrafirm units.

Moreover, the traditional, not-for-profit nature of the school and it not being accustomed to a highly competitive environment is evident in areas where competition is of importance. For example, competitors are schools based on an education/business franchise model and as such have dedicated marketing and promotional staff from business backgrounds, whereas School A employs two people without backgrounds in business, and who until recently were both part-time employees. These shortcomings manifest themselves in key areas, for instance, the design and development of a new website took over one year and may have impacted on those selecting to visit the school may have gone to competitors who are more profit focused and who, consequently, have more professional marketing.

Allison and Kaye (2015) talk about three ways of increasing impact via internal improvement:

Process improvement – doing the same work more efficiently and getting better results

Design improvement – doing the same work in new ways to get better results

Strategic improvement – doing different work, changing products to get better results

For School A, there is scope for development in all three of these areas. In particular at the present time, process improvement might be seen as a priority. The nature of the daily tasks will likely remain similar and thus it is the efficiency and professionalism that can be improved by staff at the organization. Moreover, as part of strategic and design improvement, School A should recognize the opportunities for internal improvements to

systems and services offered to customers as a part of increasing competitiveness. For example, in offering a dual-stream curriculum structure, the school increases its potential number of customers but in doing so creates internal divisions that 'compete' with one another for any customer who considers signing-up to the school. This is a strategic issue that needs addressing. Furthermore, it is recommended that there is a full audit of staffing roles and responsibilities to highlight any areas of overlap and/or scope for more efficient staffing. It may be argued that the staff is currently bloated in number and, in the same vein as inefficient daily practices, is causing a competitiveness issue.

Recommendations

1. Differentiate the School A experience from competitors with a focus on brand awareness.

Build the brand around the strong mission and vision and find a way to message this effectively to the community and potential customers. Ensure that the brand is one that can distinguish School A from competitors and one that creates a more difficult choice between School A and the competitors in the market. As part of the brand, highlight the history, tradition and facilities available at School A above those of the competition. Make use of the strong emotional connections with the organization.

2. Find ways to increase competitiveness by drawing on practices of efficiency and professionalism from the business sector.

Engage in a thorough review of staffing, finances and efficiency practices. Examine areas where School A can professionalize and become more business-minded in its approach. Adopt these changes. Consider adapting KPIs at levels lower than senior administrative level in order to improve accountability across the organization.

3.Examine internal structure of the organization and seek opportunities for strategic alignment of divisions.

Strategize ways in which the organization can reduce or eliminate the tensions caused from the multidivisional approach. Assess the extent to which the positives outweigh the negatives and seek a way in which the issues may be dealt with as part of the overall strategic improvement and direction.

Conclusion

In conclusion, School A needs to strategically approach the three recommendations made by the paper so as to maintain its strong position within the market as the market continues to evolve into a more competitive environment. There is a strong foundation from which to build a brand that incorporates both the emotional attachment and quality of service needed to be successful. Internally, the school should focus on becoming more streamlined and in addressing the nature of the dual-stream entry, take into account both internal and customer perspectives and considerations.

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