

School of Management

**An Examination of the Factors Critical to the Establishment and
Maintenance of Competitive Advantage for Education Services Enterprises
within International Markets**

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ABSTRACT

The principal focus of the present study was to examine the factors critical to the development and maintenance of a competitive advantage for education institutions operating in international markets. International education involves over 1.3 million students' world wide, and injects billions of dollars into the economies of supplier nations. Despite its importance, little empirical research is available on the international marketing of education. This study draws together research from services marketing, industrial and organisational economics, strategic management and various studies and reports relating to the management and marketing of international education.

Commencing with an overview of the international market for education, the study examines the education sectors of leading supplier nations particularly Britain, Canada, New Zealand and the United States. It then describes the education sector of Australia and its international education industry in depth.

Following a review of the relevant literature that relates to services marketing and the development of sustainable competitive advantage, a theoretical model as to how an education institution might achieve competitive advantage in international markets is proposed, along with several research propositions.¹ The findings of a survey of 315 education institutions in Australia, Canada, New Zealand, the United Kingdom and United States are then outlined. Initial descriptive statistics suggest that:

- 1) Australian tertiary institutions are less confident about their international market recognition than are their Canadian, American, New Zealand or United Kingdom (CANZUK) counterparts;
- 2) Significant differences exist between the five supplier countries in the importance they place on targeting certain markets;

¹ Mazzarol, T.W. (1994) *A Model of Sustainable Competitive Advantage for Service Exports: The Example of Australian Education*, IRIC Discussion Paper Series 94:11, Curtin University of Technology, Perth.

- 3) Australian tertiary institutions were somewhat more pessimistic about the growth in their international student body than were their CANZUK counterparts;
- 4) Australian institutions were significantly more concerned over government support and policy than were their CANZUK counterparts;
- 5) Student word of mouth referral was identified as the most effective form of promotion for international education;
- 6) Australian tertiary institutions were significantly more positive about the value of recruitment agents and mass media advertising than were their CANZUK counterparts.

An exploratory factor analysis of the survey data found a series of underlying dimensions measuring various aspects of an institution's perception of its marketing and strategic planning processes. These "factors" were used to generate twenty-six derived variables that were used for subsequent analysis. An examination of these factors was undertaken, both statistically and through a series of in-depth interviews with fifteen education institutions in Australia.

Two regressions were used to estimate the relationship between the dependent variables of *Cost Leadership* and *Differentiation* (which are measures of generic positioning strategies adopted by the institutions), and a range of independent variables measuring institutional perception of their external and internal environments. A structural equation model was also used to estimate the relationships between these two regressions. This found that the adoption of generic positioning strategies appears to be determined by institutional consideration of:

- 1) *Market Factors* - a measure of institutional consideration of the importance of buyer bargaining power when developing business strategies;
- 2) *Market Outlook* - a measure of institutional consideration of the importance of the level of market saturation within the industry when developing business strategies;

- 3) *Experience and Psychic Distance* - a measure of institutional consideration of the importance of knowledge or experience of foreign markets, cultural differences and foreign recognition of programs when developing marketing strategies; and
- 4) *Resource Factors* - a measure of institutional consideration of the importance of internal resources when developing business strategies.

The selection of *Cost Leadership* appears to be determined by the first three of these variables, while selection of *Differentiation* appears to be determined by all four. These findings support the propositions that industry structure and foreign market structure are determinants of the generic enterprise strategies adopted by education institutions seeking competitive advantage in international markets.

A discriminant analysis was undertaken to examine the relationship between adoption of a generic enterprise strategy and marketing strategies. This found an association between differentiation strategies and marketing strategies. Institutions which adopted differentiation strategies (e.g. uniqueness of programs and/or concentration on niche markets) were more like to be classified by high activity on two variables:

- 1) *Promotion and Recruitment* - a measure of the perceived actual performance of the institution in its use of agents, expenditure on advertising and promotion, possession of offshore recruitment offices, use of government promotional agencies and size of international student enrolments.
- 2) *Marketing Activity* - a measure of the importance to market success placed upon the use of agents, spending on advertising and promotion, possession of offshore recruitment offices and teaching programs, international alliances and enrolment of international students.

A third regression estimated the relationship between the dependent variable *Market Success* (a measure of the enrolment growth, financial benefit, demand and optimism over future growth) and twenty-five independent variables derived from the factor analysis. This suggests that *Market Success* be determined by institutional consideration

of *Resource Factors*, adoption of *Differentiation* positioning strategies and the possession of key “*distinctive competencies*” as:

- 1) *Image and Products* - a measure of the perceived actual performance of the institution in terms of its reputation for quality, level of market profile, strength of financial resources, size and influence of its alumni and range of courses and programs;
- 2) *Coalition and Forward Integration* - a measure of the actual performance of the institution in its possession of international strategic alliances and offshore teaching programs.

Further, the institution’s *Market Success* was also found negatively correlated with two additional variables:

- 1) *People and Culture* - a measure of the perceived actual performance of the institution in its encouragement of innovation, customer orientation, effective use of information technology, the quality and expertise of its staff and its level of technical superiority;
- 2) *Mass Advertising* - a measure of the institution’s perception of the effectiveness of promotion via TV, radio, newspapers and magazines.

These findings support the propositions that generic enterprise (at least those involving differentiation) and market entry strategies are significant determinants of market success. They also support the proposition that quality of image, market profile, coalition formation and forward integration into the export channel are likely to strengthen an institution’s competitive advantage. Although not measured directly, these *distinctive competencies* may provide a source of sustainable competitive advantage as they provide potential barriers to imitation by competitors. Such barriers produce *isolating mechanisms*, which assist the institution to sustain a competitive edge in the market.

Several managerial and research implications emerged from this study. The importance of developing a sound understanding of the student consumer were highlighted, along with the need to effectively measure and communicate an image of quality to the market.

Saturation within international education markets is growing and future growth is likely to be dependent on market segmentation and the adoption of differentiation strategies. Those institutions with superior market experience will be better placed to make effective decisions regarding their competitive positioning. In doing so, the more successful are likely to give consideration to supply-demand imbalance and the general management of internal resources (e.g. staffing, facilities and programs).

Successful institutions are likely to be those that adopt differentiation strategies that enhance their image and reputation as quality service providers build upon a sound financial base and make effective use of their Alumni and student word of mouth networks. Such institutions will also be likely to have offshore teaching programs and valuable strategic alliances that enhance their marketing and service delivery.

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Chapter 1 . International Education as a Marketable Service

1.1 Motivation and purpose of this study

The present study was undertaken to increase understanding of the international marketing of education. Although a number of articles have been published on foreign students and international education (e.g. Altbach, Kelly and Lulat, 1985; Altbach and Wang, 1989; Smart and Ang, 1992b), much of it has been concentrated in the fields of educational studies or psychology (Altbach, 1991). More recently, the growth in international education as a valuable export industry has prompted economic and political science research into analysing student flows and their impact on public policy (Altbach, 1991). However, there has been little research related to the application of marketing theory to international education (Kotler and Fox, 1985; Constantine, 1986).

The principal focus of the present study was to examine the factors critical to the development and maintenance of a competitive advantage for education institutions operating in international markets. It seeks to examine the marketing strategies and outcomes that education institutions might follow in order to achieve a competitive advantage. This is a timely study given concurrent developments in: 1. International education, and 2. The services sector of most developed economies. Since the 1950s the flow of international students has increased dramatically (UNESCO, 1992). This has been accompanied by a rapid expansion of the education systems of most developed countries and an increased level of access to higher education among them (OECD, 1987). Over this time, education has experienced a transformation into one of the largest and most dynamic service industries in most OECD economies. It therefore deserves treatment as a subject for serious academic research within the marketing discipline.

1.2 The emergence of education as a service industry

Education encompasses a vast range of processes and activities and is difficult to define. On one level the term can be used to describe the “whole process of bringing

up children and young adults to take a place in society” (McLaren, 1974 : 81). At another level it can be used as a synonym for instruction and training. International education encompasses a range of activities from short language-tourism courses, through to long-term post-graduate university programs. Under such circumstances the term “Education” might be defined as “all formal learning activities available to the individual, including tertiary and adult education facilities” (McLaren, 1974 : 81).

Traditional approaches to education were dominated by religious or social concerns that viewed learning as a means to either understand God or gain social advancement (Corwin, 1975 : 11). Aristotle, for example, strongly advocated state control over education so that “the citizen should be moulded to the form of government under which he lives” (Durant, 1962 :91). Throughout the Middle Ages¹ western education was dominated by religion. As the Renaissance took hold in Europe there was a shift from religious to more liberal forms of education, focusing on the classics, history, grammar, mathematics and poetry (Hale, 1993 :194-195). The period from 1350 to 1500 saw a doubling in the number of universities throughout western and central Europe (Toynbee, 1976 :497). A movement of students throughout Europe accompanied this expansion of higher education. Italian students, for example, were studying at the Universities of Oxford, London and Norwich during the fourteenth century (Kennedy, 1995). In Britain, by the eighteenth century, education was seen as the means to civilize the poor and enlighten the minds of the upper classes (Wadsworth, 1974).

By the end of the 19th century, the dual influences of the French and industrial revolutions had laid the foundations for a system of mass education. In Britain this was officially marked by the *Education Act, 1870* that established compulsory schooling to the age of thirteen (Thomson, 1975 :135). Similar developments were occurring in other western nations. In pre-Federation Australia, for example, all colonial governments enacted legislation between 1870 and 1890 making education at the primary level compulsory, secular and free (Clark, 1969 :156-157).

¹ The “Middle Ages” encompassed the period from the 5th to the 15th century AD.

Following the Second World War (1939-1945), the number of students completing High School and continuing on to further education grew dramatically throughout the world (Hobsbawm, 1994 :295). In the United States, the number of students enrolled in higher education increased from 1,508 per 100,000 inhabitants in 1950, to 3,643 per 100,000 inhabitants by 1969 (Giesbrecht, 1972 :302). This pattern was the same in other developed nations. Prior to 1939 there were fewer than 150,000 university students studying in Germany, France and the United Kingdom combined. Between 1960 and 1980 the number of university students in Europe tripled or quadrupled (Hobsbawm, 1994 :295-296).

Demand for education, particularly higher education, was driven by expectations of its ability to raise the status of the graduate, both economically and socially. For people in less developed countries, limited access to education in their own countries led to a significant rise in the number of international students studying overseas. Between 1960 and 1970 the average growth in international student flows was around 9 per cent, and continued at 6 per cent from 1970 to 1980 (Hughes, 1988 :227). This growth in international student flows appears to have slowed down during the 1980's (Agarwal and Winkler, 1985; Kemp, 1990), but remains a significant source of international exchange throughout the world (Altbach, 1991; Zikopoulos, 1994). These dramatic changes forced a shift in education (particularly higher education) away from a religious or state supplied utility, toward a more business-oriented commodity.

Veblen (1957) was one of the first to note this shifting emphasis within education and the impact of business upon institutions. According to Veblen, the universities and colleges in the United States were being evaluated not on educational quality or teaching outcomes, but on "business criteria". Courses and programs within institutions were required to be financially solvent, while the advertising and public relations activities of schools, colleges and universities were increasing (Corwin, 1975).

During the 1980's, declining birth rates and increasing operating costs led many education institutions to take a greater interest in marketing than had previously been the case (Edel, 1987; Fielden, Hilton and Motes, 1993). Education was seen as simply another service industry that operated within competitive markets and required marketing strategies to ensure its success in attracting both domestic and international students (Bassin, 1985; Huber, 1992). In the same period the service sectors of most developed economies were expanding rapidly and transforming services into the most important activities of modern economic life.

1.3 The importance of services in the economy

The importance of the services sector throughout the world's economies has grown significantly over the past two decades. Between 1965 and 1990 the share of services in the gross domestic product (GDP) of 55 out of 78 nations² increased (World Bank, 1992). In 1990 the average contribution of services to GDP among developed countries was 61 per cent and 45 per cent among developing countries (World Bank, 1992).

The decades of the 1970's and 1980's witnessed a rapid expansion of the services sector within most industrialised countries (Blois, 1974; Plunkert, 1990). For example, in the period 1969-1970 the services sector of the Australian economy contributed 54 per cent of gross industry product. This had grown to 63 per cent by 1984-1986 (Clark, 1988:61). In 1992 the services sector contributed over 66 per cent of GDP and accounted for about 78 per cent of all employment (ACIIC, 1993). This is a situation common to the United States, Japan, Canada, the United Kingdom and Germany, where between 60 and 70 per cent of all employment is absorbed by the services sector (Dunning and Kundu, 1995). Table 1.1 shows the pattern of this growth over the past three decades.

² Included the twenty-six OECD countries and the balance from other key economies including the Asia-Pacific newly industrialised states and emerging economies.

Table 1.1: Share of services for GDP and employment in selected countries

Country	1960	1970	1980	1990	1992	Employment		
	%	%	%	%	%	1980	1990	1992
Canada	52.8	58.5	58.2	57.4	-	62.5	79.2	73.0
Germany (West)	38.7	44.1	52.5	59.0	60.0	53.0	64.0	58.5
Japan	-	48.4	55.3	56.0	56.0	56.0	68.4	59.0
UK	47.7	53.6	56.5	62.0	-	63.0	75.5	71.3
USA	58.3	63.2	64.6	69.0	-	72.0	79.0	72.5

Source: (Dunning and Kundu, 1995)

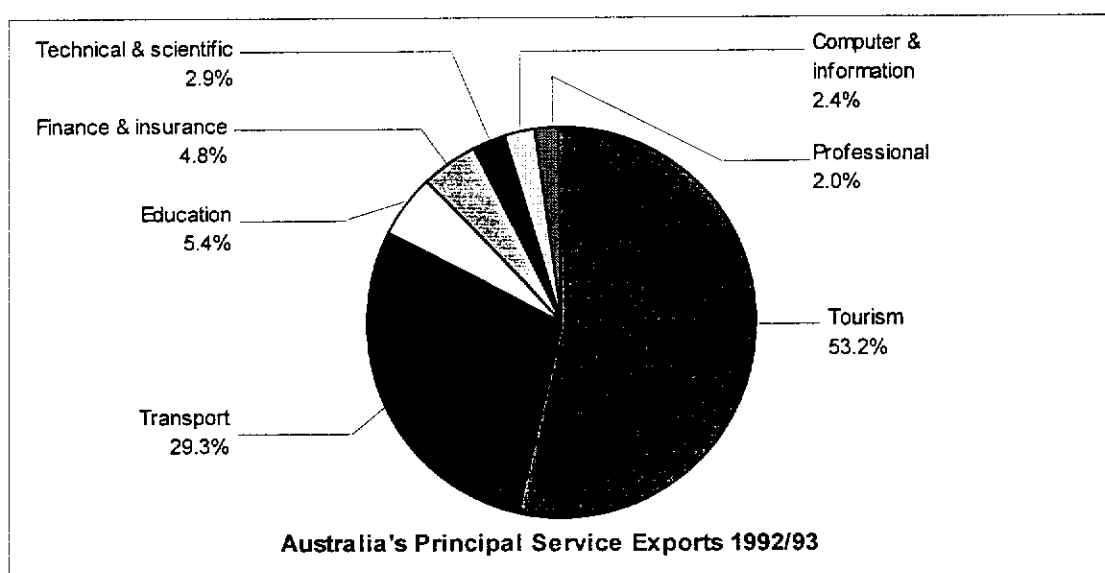
The growing importance of services within many national economies reflects what some consider to be shift from an industrial to a *post-industrial* economy (Bell, 1974; Trondsen and Edfelt, 1987; Starr, 1991). According to many economists, any country where more than 50 per cent of GNP is accounted for by the services sector constitutes a “post-industrial” economy (Shelp, 1981; Riddle, 1986).

A major transformation in the world’s industrialized nations has been the “hollowing out” of the manufacturing sector, with more automation and outsourcing to low wage countries (LEK, 1994 :25). This has placed a greater importance upon the services sector within these economies and has absorbed much of the displaced manufacturing work force. Along with an enhanced importance, there has been an increasing emphasis on improved competitiveness within service industries. Many of these industries - such as banking, telecommunications, rail and air transport, shipping, education and health - have previously been either government owned or highly regulated. Throughout the past two decades, economic reform in most industrialised economies has focused on the deregulation of such industries (Roach, 1991). This has dramatically increased their levels of competition.

Accompanying the growth of the services sector within most domestic economies has been a rise of services exports. Between 1984 and 1991 international trade in services grew by 13.6 per cent (LEK, 1994 :13). By 1992 this trade was estimated to have reached US \$1,000 billion, or 21 per cent of all world trade (DFAT, 1995 :210).

1.4 The value of education as a service industry

Australia's services exports in 1993-1994 amounted to A\$18.3 billion and represented 22 per cent of all exports (DFAT, 1995). Growth in Australia's services exports over the past two decades has been estimated at 16.6 per cent (LEK, 1994), although it still comprises only 1.1 per cent of world trade (DFAT, 1995). Future growth in services exports is anticipated, with an estimate that up to a further A\$18 billion in revenues and 109,000 additional jobs might be created throughout the 1990's by Australian service enterprises (LEK, 1994 :15).



Source: (DFAT, 1995)

Figure 1.1: Australia's principal service exports 1992/93

Figure 1.1 shows the principal service exports from Australia in 1992-1993. Tourism and related services have been the most significant of these exports. In Australia, tourism generated A\$7.8 billion and comprised over 50 per cent of total services exports in 1993 (LEK, 1994). The second most important service export is transport, which includes freight handling, port and agency services. In 1992-1993 this generated export earnings of A\$4.3 billion (DFAT, 1995). International education ranked third, with earnings of A\$791 million in 1992-1993 (DFAT, 1995).

The importance of education as an export industry was recognised within Australia by the late 1980's. For example, the Western Australian Department of Commerce and

Trade, estimated that in 1992 international education in that state involved 275 institutions, provided employment for 3,786 people and generated around A\$100 million in revenues (DCT, 1993 :22; Rowe, 1995 :412). Further, the international education industry in Western Australia, had experienced employment growth over a five year period of 27 per cent, and was comparable to mining, agriculture and forestry as an industry successful in generating export income (Rowe, 1995 :415).

The contribution of international education to the Australian economy can be further gauged by an assessment undertaken by the Department of Employment, Education and Training in 1993, that estimated the international education of full-fee paying overseas students (FFPOS) had generated A\$1.1 billion in tuition fees and living expenses, which placed it close to wheat (A\$1.5 billion) as an export earner (Strickland, 1995 :46). By 1995 the official value of export income from overseas students to Australia was A\$1.9 billion. In the same year international education accounted for 9 per cent of Australia's total service exports, compared with less than 3 per cent in 1985 (Mazzarol, Kemp and Savery, 1997).

This is a pattern that has been experienced in other countries. For example, the Government of Canada estimated that, in 1991, international students contributed C\$1.5 billion to the Canadian economy and generated approximately 19,000 jobs (MSS, 1993). It has also been estimated that, in 1992-1993, higher education institutions in United Kingdom contributed £716 million to the British economy from international student fees and associated expenditure (Greenaway and Tuck, 1995). In the United States, which is host to the majority of the world's international students, it has been estimated that universities and colleges generated a trade surplus of US\$6 billion in 1993, which comprised about 10 per cent of the total U.S. services trade surplus (Evans, 1995). In addition to the revenues generated directly from tuition fees, a further US\$3.6 billion was injected into the United States economy from international student spending on accommodation, food and other items (Scott, 1995).

1.5 The nature of education as a marketable service

Despite the importance of services such as education to national economies they have tended to be ignored or overlooked, due largely to their intangible nature (LEK, 1994 :18). Prior to the 1960's and 1970's services marketing was not distinguished as a separate field of investigation (Berry and Parasuraman, 1993; Fisk, Brown and Bitner, 1993). One reason given for this is the difficulty associated with the classification of services. As noted by Lovelock (1991 :25):

“Basically the range of services is too broad to allow meaningful, in-depth analysis of the entire field”.

The business and economic literature has therefore traditionally ignored services as intangibles, useful only in supporting the marketing of goods. However, as the importance of services within most economies grew during the decades following the Second World War, the level of interest in services as a distinct field of study increased (Berry and Parasuraman, 1993). A major concern of authors at this time was treating services as a separate marketing field with its own distinct set of problems (Regan, 1963; Judd, 1964; Blois, 1974). Rathmell (1966), for example, noted the strong “goods” orientation of marketing and called for a more effective classification of services, suggesting thirteen characteristics that defined them. Donnelly (1976) identified the different problems facing the distribution of services, which were distinct from those of goods.

Fisk, Brown and Bitner (1993) have traced the development of services marketing research. They identify three distinct phases. Phase one (1953-1979) saw debate concentrated on whether or not services posed distinctly different marketing problems from tangible goods. Phase two (1980-1985) witnessed an expansion of the research into services and the establishment of services marketing as a distinct sub-stream of marketing research. During phase three (1986-Present) several areas of special focus have emerged. These are: service quality, service encounters and experiences, service design, internal marketing, customer retention and relationships marketing. The past thirty years has witnessed the emergence of a services marketing as a fully recognised separate field of academic investigation (Berry and Parasuraman, 1993).

Absent from this research into services has been an extensive examination of education as a specific marketing problem. Like many other “professional services” education has tended to eschew marketing (Morgan, 1991). Despite this neglect, education remains a service capable of treatment as any other in terms of marketing theory. In doing this, an important starting point is the classification of education as a marketable service.

Lovelock (1983) has offered a useful conceptual foundation for research into services marketing. This involves five criteria, each of which is examined on four dimensions. Using this framework it is possible to describe education services as having the following characteristics:

1. ***The nature of the service act*** - the education service act is directed at people (their minds rather than their bodies), it is primarily “*people based*” rather than “*equipment based*” (Thomas, 1978), and involves largely intangible actions (Shostack, 1977).
2. ***The relationship with the customer*** - Education involves a lengthy and formal relationship with the client and a continuous delivery of the service. Students have what Lovelock (1983) refers to as a “membership” relationship with the service provider. This offers the service provider an opportunity to develop strong client loyalty and enhanced client service features.
3. ***The level of customization and judgement in service delivery*** - Some services require greater customization and judgement on the part of service providers than others. The extent to which education services are customized is variable. Small tutorials or individual supervision are obviously more highly customised than mass lectures. In most cases the extent to which the service provider exercises judgement in meeting the needs of individual students is high. This is particularly the case with teaching staff. A problem arising from this is the possibility that quality can be affected due to variability of service delivery (Nicholls, 1987).

4. **The nature of demand relative to supply** - A service can involve a wide spread demand (e.g. electricity) or a narrow one (e.g. insurance). At the same time the ability of services to be increased quickly to meet fluctuations in demand can vary. While electricity services can be increased fairly quickly to meet peak demands, if the capacity is available, hotel accommodation is more difficult to regulate. In education the demand is subject to relatively narrow fluctuations over time, yet supply is sometimes difficult to manage, with limitations placed on availability of staff and places in courses.
5. **The method of service delivery** - Delivery of services may also be classified into those requiring either single or multiple site outlets, and the nature of the customer interaction with the service. Customers may either move to the service provider, or the service provider can move to meet them. International education services traditionally involve the student coming to the institution to complete their courses. However this is changing, with the establishment of offshore teaching programs and distance education (Soutar and Mazzarol, 1995). Modern technologies have also enabled remote service delivery (Hamer, 1993).

In a comprehensive examination of the services marketing literature, Zeithaml, Parasuraman and Berry (1985) identified four primary characteristics of services: i) intangibility; ii) inseparability of production and consumption; iii) heterogeneity; and iv) perishability. All of these can be found in education. Each produces problems that must be overcome by deliberate marketing strategies.

1.5.1 Intangibility:

Intangibility is a major distinguishing feature of services, but applies particularly to education where the specific nature of the service offering is difficult to define. One of the effects of intangibility is that services cannot be stored (Sasser, 1976; Berry, 1980). For education institutions this can pose problems through either overcrowding or a lack of capacity. Intangibility also creates difficulties for the protection of services through patents (Judd, 1968). This is a major problem facing many services within international markets, particular in Asia (LEK, 1994 :98). Intangibility also

makes it difficult to easily display or communicate services to the customer (Rathmell, 1966). This has been a problem for the promotion of Australian international education, which has received criticism in the past for supplying insufficient detail and taking a glossy “touristy” approach to publicity materials (AGB, 1992). Further, the setting of prices in many service industries is made more difficult by intangibility (Dearden, 1978; Thomas, 1978). Fee setting within international education has been one of the more contentious issues (Harris and Jarrett, 1990).

1.5.2 Inseparability of production and consumption:

The difficulty in separating production from consumption in services poses additional problems. One of the principal outcomes of this aspect of services is the need to involve the customer in the production of the service (Booms and Nyquist, 1981). This is particularly the case with education, where students’ participation in their learning process is a critical factor in determining success (Shuell and Lee, 1976 :4-9). Another aspect of this same problem is the likelihood that more than one consumer will be involved together in the production of the same service (George, 1977; Gronroos, 1978). Education has long been undertaken within a group and has been viewed as an important cultural transmission process (Singleton, 1974). Most education institutions are “socializing organisations”, designed to process large groups of people (Brim, 1966 :57). This concentration of students into mass lectures or large classes with common “core curricula” is an endeavour by institutions to overcome another problem facing services - the difficulty of centralizing production (Upah, 1980). Unfortunately, high student-teacher ratios do little for the development of quality learning outcomes due to the individual differences between peoples’ learning behaviours (Riding, 1977 :111-129).

1.5.3 Heterogeneity and perishability:

The heterogeneity of services poses significant problems in the area of quality control and standardization (Berry, 1980; Booms and Bitner, 1981). Quality management within education is a major focus of attention for countries such as Australia, France,

the United Kingdom and United States (Baldwin, 1991; Marceau, 1993; Harman, 1994; Lindsay, 1994; Edmond, 1995). Finally, the perishability of services means that they cannot be placed into inventory, thereby creating the problem of under or over supply (Sasser, 1976).

1.6 Objectives of the study

International Education can be seen, therefore, as an important service industry that deserves the attention of academic research. As a professional service it has some specific characteristics which are likely to present specific problems for those institutional managers seeking to develop successful marketing strategies. The purpose of the present study is to examine the factors critical to the establishment of a competitive advantage for education institutions in international markets. In doing so it will seek to achieve the following objectives:

This study will:

- 1. Examine the effects of industry structure on the development of generic enterprise strategy within education institutions operating in international markets.**
- 2. Examine the effects of foreign market structure on the development of generic enterprise strategy within education institutions operating in international markets.**
- 3. Examine the effects of generic enterprise strategy on the success of education institutions operating in international markets.**
- 4. Evaluate enterprise assets (resources and skills) as potential sources of competitive advantage for services in international markets, with particular reference to:**
 - a) quality image/reputation;**
 - b) high market profile/reputation;**
 - c) coalition (strategic alliance) formation;**

- d) **degree of forward integration of export marketing channels;**
 - e) **organizational knowledge and experience through the attraction and**
 - f) **retention of quality personnel;**
 - g) **development of a service or marketing culture**
 - h) **innovation;**
 - i) **use of information technology;**
 - j) **development of economies of scale and scope.**
5. **Consider the implications from the findings as to the means by which barriers to imitation of enterprise resources and skills might be erected to sustain competitive positional strategies for service enterprises in international markets.**

The study focuses primarily on Australia's international education industry. This has been necessary due to the ease of obtaining access to institutions in that country. However, a sample of institutions from other key supplier countries was selected for comparison purposes.

1.7 Overview of the thesis

In Chapters 1 and 2 the nature and extent of the international education industry, both worldwide and in Australia, are examined. The strategies appropriate to marketing an education institution are considered in Chapter 3, followed by the outlining of a proposed model for the development of a sustainable competitive advantage for education institutions in international markets. In Chapters 4 and 5 the literature relating to services marketing and competitive advantage is reviewed. The study involves a large-scale field survey of institutions in Australia, with additional respondents drawn from Canada, New Zealand, the United States and United Kingdom. Chapter 6 provides an outline of the general findings of this survey, suggesting that Australian tertiary institutions are little different in their marketing strategies and orientation to their overseas counterparts. Chapter 7 provides the results of an exploratory factor analysis of the survey data and identifies a series of

underlying dimensions (factors) in the data. In Chapter 8 the findings of a series of in-depth interviews with marketing personnel within fifteen selected Australian education institutions are presented. These reinforce the principles espoused in the theoretical model and provide enhanced understanding of the findings from the statistical analysis. In Chapter 9 the key factor variables identified in Chapter 7 are examined using a structural equation model, a discriminant analysis and three multiple regression models. These models identify the factors significant to the adoption of generic positioning strategies, and those significant to the achievement of institutional success. Finally in Chapter 10 the implications of these findings are discussed with a series of recommendations for future research.

Chapter 2. The International Education Market

2.1 Introduction

International trade in education has become a major industry for countries such as Australia, Britain, Canada, New Zealand and the United States. Although students have studied abroad throughout history, it has only been during the post-1945 era that the numbers of international students have grown to substantial proportions (Scott, 1994). Since the 1980s the introduction of full-cost fees for international students studying at government sponsored institutions has resulted in the commercialisation of education as an international business activity. The chapter overviews the size of the international education market focusing on the emergence of education as a service industry.

2.2 The world market for international education

The world market for international education is measured by the number of students enrolled in education institutions outside their country of origin. The United Nations Educational, Scientific and Cultural Organization (UNESCO) collect data on international student movements from countries that receive such students in large numbers. This is the most reliable worldwide source of data on the size of this market. The *UNESCO Statistical Yearbook* provides summaries of student enrolments for approximately 200 member countries.

Reliable estimates of the numbers of international students are limited due to varying definitions among member countries and lags in data collection (Davis, 1995:80). The official definition of an international student used by UNESCO is a person enrolled at an institution of education in a country or territory in which they are not a permanent resident. However, many countries measure international students on the basis of their nationality rather than residency. This creates significant estimation problems (UNESCO, 1996).

A further problem associated with estimating the size of the world market is the lack of statistics on enrolments outside the higher education sector. While this sector tends to absorb the largest proportion of international students it ignores the substantial enrolments of students in elementary and secondary education, as well as non-university post-secondary education and training.

The most recent world estimates available at time of writing were from 1993. According to UNESCO there were 1.3 million foreign students studying at the higher education level in fifty host countries during that year (UNESCO, 1996). These students represent about 95 per cent of the known world total. This suggests that there were some 1.5 million international students studying at the higher education level throughout the world during 1993. The number of students studying within the non-university sectors is more difficult to estimate, however, their numbers would substantially increase the world total.

Table 2.1: Foreign higher education students by source region*

Region	1970		1980		1992		1993	
	No.	%	No.	%	No.	%	No.	%
Africa	50,553	11.8	177,951	19.8	180,407	13.5	169,046	12.7
Asia	195,910	45.6	406,604	45.2	599,834	44.8	648,074	48.7
Nth America	61,426	14.3	79,290	8.8	84,222	6.3	87,559	6.6
Sth America	26,283	6.1	57,646	6.4	42,437	3.2	43,584	3.3
Europe	90,850	21.1	169,843	18.9	415,479	31.0	344,992	25.9
Oceania	4,955	1.1	8,094	0.9	16,380	1.2	16,013	1.2
Total known	429,977	100.0	899,428	100.0	1,338,759	100.0	1,309,268	100
Not Specified	47,860		30,755		15,780		19,984	
Total	477,837		930,183		1,354,539		1,329,252	

*This table indicates the country of origin of foreign students enrolled in institutions at the third level for 50 selected countries. Foreign students enrolled in these 50 countries represent about 95% of the known world total.

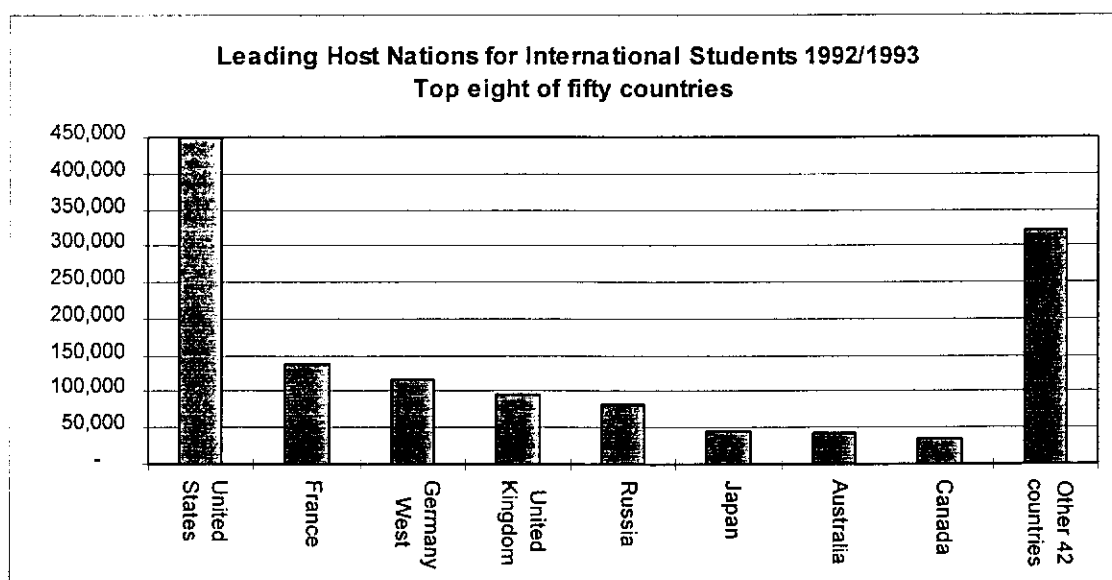
Source: (UNESCO Statistical Yearbook 1972, 1983, 1994, 1995).

It can be seen from Table 2.1 that Asia makes up the largest source of international students, followed in turn by Europe and Africa. For example, in 1990 the main

source countries were China (including Taiwan), Morocco, the former West Germany, Korea and India (Zikopoulos, 1994:3).

Traditional international student flows have been from the developing nations to the developed and this pattern continues. According to the Institute of International Education (IIE) it is difficult to make “rigorous comparisons” of international student flows to different countries due to a lack of reliable data. Different definitions of “foreign students” are used across host nations further complicating the process. Nevertheless, the pattern of international student flows suggests that Asia is, and will continue to be, a primary market for international education (Zikopoulos, 1994:2).

Most international students study in a small number of host countries. In 1993 approximately 95 per cent of international students undertaking higher education were studying in only 50 leading host countries (UNESCO, 1996). Of these eight - the United States, France, Russia, the United Kingdom, Germany, Japan, Australia and Canada - take the majority of international students (56% in 1993) (UNESCO, 1996). The United States is by far the largest host among these eight countries. Figure 2.1 shows the dominance of the United States as a destination for international students.



Source: (UNESCO, 1996)

Figure 2.1: Leading host nations in international education

Regional preferences appear to influence the destination choice of many international students. An examination of UNESCO figures for higher education show that in 1993 France was host to forty-two per cent of all international students from Africa enrolled at institutions in the top fifty host countries (UNESCO, 1996). During the same period the United States hosted fifty-five per cent of all students from elsewhere in North America (eg. Canada, Mexico), forty-seven per cent of all students from South America and forty-five per cent of all Asian students. Australia also attracted thirty-nine per cent of all students from Oceania (UNESCO, 1996).

Such regional preference can be attributed to historical, cultural and language factors. Past colonial links between France and North African states, such as Algeria or Morocco, have left a legacy of language and culture which increases the attractiveness of France as a destination for students from such countries. A similar pattern can be identified in the preferences of students from Malaysia, Hong Kong, Singapore and several Middle Eastern countries for the United Kingdom. Despite this the proportion of students from former British colonies choosing to study in the United States has increased in recent years. In 1990, for example, the Malaysian student preferences for overseas study were divided 39 per cent to the United States; 22 per cent to the United Kingdom; and 22 per cent to Australia (Zikopoulos, 1994:6). During the same period only 3 per cent of Indian students chose the United Kingdom, while 78 per cent went to study in the United States (Zikopoulos, 1994:5). This suggests that colonial ties have ceased to influence preference in many markets, although language remains a crucial factor.

As noted earlier the United States is the largest provider of international education and draws students primarily from Asia, particularly China, Japan, Taiwan and India. France is host to students from North Africa with Morocco, Algeria and Tunisia being the top three source countries. Germany draws a large proportion of its students from Turkey and Iran. The United Kingdom has a more even distribution of source countries with Malaysia, Germany and Ireland among the top three major sources of

students. Canada draws heavily on Hong Kong for its students (UNESCO, 1996).

Table 2.2 shows the top ten source markets for each of the leading host countries.

Table 2.2: Six host countries major sources of international students 1993

United States		France		Germany*		United Kingdom		Canada	
1. China	81,962	1. Morocco	20,277	1. Turkey	16,872	1. Malaysia	8,529	1. HK	5,735
2. Japan	43,770	2. Algeria	19,542	2. Iran	10,723	2. Germany	7,079	2. China	3,241
3. Taiwan	37,430	3. Tunisia	6,020	3. Greece	7,090	3. Ireland	6,767	3. USA	2,687
4. India	34,796	4. Germany	5,949	4. China	6,237	4. HK	6,579	4. France	2,199
5. Korea	31,076	6. Cameroon	4,676	5. Austria	5,971	5. France	6,338	5. Malaysia	1,407
6. Canada	22,655	5. Lebanon	3,838	6. Yugoslv	4,881	6. Greece	5,943	6. UK	1,334
7. HK	13,752	7. USA	3,392	7. Korea	4,486	7. USA	5,161	7. Iran	1,053
8. Malaysia	13,718	8. Madgsr	2,927	8. Italy	4,293	8. Singapore	3,359	8. India	1,051
9. Indonesia	11,744	9. Iran	2,621	9. USA	4,229	9. Spain	2,763	9. Singapre	973
10. Thailand	9,537	10. Syria	2,282	10. France	4,158	10. Japan	2,042	10. Germany	594
top 10 total	<u>300,440</u>	top 10 total	<u>71,524</u>	top 10 total	<u>68,940</u>	top 10 total	<u>54,560</u>	top 10 total	<u>20,274</u>
Total	449,749	Total	139,562	Total	116,474	Total	95,594	Total	35,451

* Figures for West Germany in 1991.

Source: (UNESCO, 1996; Zikopoulos, 1994:7)

For Australia, the main international competitors in the field of education are other English language nations, specifically: Canada, the United States, United Kingdom and New Zealand. These four countries vary considerably in terms of their size as host nations. Since the 1980s each has increased the systematic marketing of its education services. Although France, Germany, Japan and the Russian Federation are also host to significant numbers of international students, these countries are rarely viewed as competitors to the English language education countries. In the following sections the international education sectors of the four English language host nations are briefly examined.

2.3 International education in the United States

America's international education sector is considerably larger than that of other nations and offers a diverse mix of standards and structures. Due to the Federal nature of the United States there are many different education systems operating across the country. Elementary schooling generally lasts for six to seven years with High Schools providing an additional five to six years. Some states operate combined

junior and senior high schools while others separate junior and senior high schools (APEC, 1994 :27-29).

The United States has absorbed the largest proportion of the world's international student population throughout the post-1945 era. In 1993 approximately 34 per cent of all international students studying at the higher education level in the top 50 countries did so in the United States (UNESCO, 1996). In the period 1993-1994 the number of international students enrolled at United States universities and colleges reached a record high of 449,750 (Desruisseaux, 1994).

2.3.1 The United States a magnet for Asian students:

The United States attracts considerably more international student from Asia than any other supplier country. Over the decade from 1982 to 1992 the number of international students from Asia studying in the United States grew from 106,000 to 245,000 (Blass, 1994). Asian students comprise around 60 per cent of all international students in the United States, although the number of students from Europe, particularly Eastern Europe has recently increased (Desruisseaux, 1993; 1994). A comparison of the number of Asian students studying in the United States and European Union countries was undertaken in the late 1980s by the Luigi Bocconi University, Milan. As can be seen in Table 2.3 there was a remarkable imbalance between the two regions.

Table 2.3: Asian student flows to Europe and United States 1988/89

Source country	European Union	United States	US as multiple of EU
China*	6,110	58,016	9.5
ASEAN	13,721	35,274	2.6
Taiwan	NA	28,680	NA
Japan	3,081	26,900	8.7
South Korea	5,613	19,567	3.5
Hong Kong	6,397	10,126	1.6
Total	34,922	149,883	4.3

Source: (*The Economist*, 1995) *excludes Taiwan.

According to the Institute for International Education, there were 265,000 Asian students studying in the United States during 1994 which represented 58 per cent of all international students world wide (Wingrove, 1995). The reasons for America's attractiveness are numerous. Many students wish to undertake studies in English, which has become the international language of business. Another reason is the approach taken by United States institutions in offering vocationally oriented courses (*The Economist*, 1995). The reputation the United States enjoys as a centre of excellence in such fields as business, engineering and computer science also explains its attraction (AGB, 1992). The majority of these students undertake business degrees (Desruisseaux, 1993), with courses such as the Master of Business Administration (MBA) being particularly attractive (Blass, 1994).

2.3.2 The structure of American higher education:

Within America's higher education sector the industry is dominated by a "Top 50" group of institutions with national and international reputations. Most are privately funded and have high entry requirements. The prestige of these institutions enables them to demand high fees, but offers their graduates a superior position in future job markets (Moore, 1989).

Below the Top 50 US institutions are a large number of other universities and colleges that tend to be more regionally focused. State Universities and Community Colleges offer less prestigious, but less expensive, education. Some evidence suggests that many of these institutions may provide superior student staff ratios and equivalent quality in teaching than the better known "Ivy league" institutions (Huber, 1992).

The "Carnegie Classification System", originally developed in the 1970's identifies ten categories of higher education institution in the United States (Davis, 1995:120-121):

1. *Research Universities I*: award approximately 50 or more doctoral degrees per year and receive at least US\$40 million per annum in federal research grants;

2. *Research Universities II*: award approximately 50 or more doctoral degrees per year and receive at least US\$15.5 million per annum in federal research grants;
3. *Doctoral Universities I*: award at least 40 doctoral degrees per year in five or more disciplines;
4. *Doctoral Universities II*: award at least 10 doctoral degrees per year in three or more disciplines, or over 20 doctoral degrees in one or more disciplines;
5. *Master's Universities and Colleges I*: award over 40 Master's degrees per year in three or more disciplines;
6. *Master's Universities and Colleges II*: award over 20 Master's degrees per year in one or more disciplines;
7. *Baccalaureate Colleges I*: undergraduate colleges that award over 40 per cent of their degrees in liberal arts and are restrictive in entry;
8. *Baccalaureate Colleges II*: undergraduate colleges that award less than 40 per cent of their degrees in liberal arts or are less restrictive in entry;
9. *Associate of Arts Colleges*: offer arts certificates or degree programs but not Baccalaureate degrees;
10. *Professional and Specialised Institutions*: specialised in a single discipline for up to 50 per cent of their degrees - includes teaching colleges, theological seminaries, medical schools and engineering or business schools.

One third of all international students studying in the United States are enrolled in the research universities (Desruisseaux, 1994).

2.3.3 The concentration of international students in American institutions:

Despite taking the largest share of the international student market, the United States has one of the lowest ratios of international students to domestic enrolments out of the

top five host nations. In this regard it ranks well below Australia, France or the United Kingdom. Table 2.4 provides a comparison of these countries.

Table 2.4: International student and total enrolments in major exporter nations 1993*

Host country	Foreign enrolment	Total enrolment	% of total enrolment
United States	449,749	14,473,106	3.1%
France	139,562	2,074,591	6.7%
Germany†	116,474	2,033,702	5.7%
United Kingdom	95,594	1,528,389	6.2%
Australia	42,415	575,617	7.4%
Canada	35,451	874,604	4.0%

* All figures for higher education only. † Figures for West Germany in 1991.

Source: (UNESCO, 1996)

Although the total proportion of international students to total enrolments in the US is low on a national average it can exceed 10 per cent in individual institutions. For example, in 1992-1993 the proportion of international students to total enrolments in Hawaii Pacific University was 24 per cent, and at the Massachusetts Institute of Technology it was 22 per cent (Zikopoulos, 1994:75). In 1994-1995 international student enrolments at these two institutions were 25 and 22 per cent respectively, while Columbia and Harvard Universities had in turn reached 19 and 20 per cent (Davis, 1995:128-129).

Within some programs, the number of international students has been cause for concern. For example, the number of international students enrolled in engineering courses grew from 40,772 in 1980 to over 50,292 in 1989, with 55 per cent of new engineering doctorates awarded to foreigners (Bassem, 1990). This rapid increase in the number of international students enrolled in such programs has been contrasted with the relatively static growth of American minorities. This has led to some commentators asking if international students displace less advantaged American students (Holden and Gibbons, 1993).

Similar concerns have been expressed over the impact large numbers of international students have had on physics. In the early 1990s the supply of physicists with doctorates far exceeded the available jobs. Of 1,346 physics Ph.D. graduates in the United States in 1992, only 20 per cent managed to find full time employment (Ellis, 1993). This lack of employment opportunities for American Physics Ph.D. graduates has been blamed upon cuts in U.S. Federal Government spending on research, declining Defence budgets and a rise in the number of international students completing such degrees (Czujko and Kirby, 1993).

The United States has begun to attract increasing numbers of post-graduate students into specialist courses, particularly from China. According to the Institute of International Education, of the international students from China who were studying in the United States during 1994, 82 per cent were undertaking post-graduate programs (Wingrove, 1995). Furthermore, the majority (63%) was enrolled in science and technology fields. Such high concentration of Chinese students in these fields is further cause for concern within the United States.

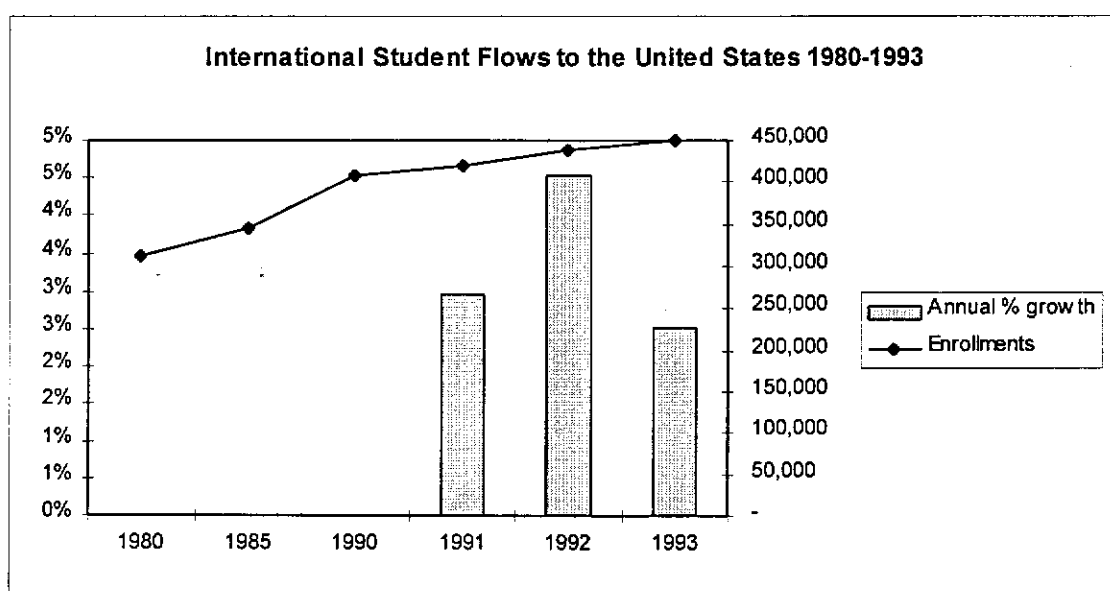
2.3.4 Changing patterns of international student enrolment in the United States:

Despite such concerns, over the past four decades the pattern of international student enrolment in the United States has changed. During the mid-1960's the most popular courses for international students were in the fields of Engineering (22%), Social Sciences (15%) and Physical and Life Sciences (13%). By the mid-1970's Business and Management had begun to attract 16 per cent of international students, rising to 19 per cent by the mid-1980s and 20 per cent by the mid-1990s (Davis, 1995:135). This growth in demand for Business and Management courses has been against a static or declining growth in the other disciplines. It reflects a transition in the economies of the source countries from where these students originate.

The approach taken by the United States towards international students has been described as that of an "open door" policy (Woodhall, 1987). During the 1980s the majority of US institutions made no discrimination in fee setting for domestic or international students. Few institutions carried quotas for international students and

only 10 per cent of American universities imposed a 'tuition fee surcharge' on these students (Woodhall, 1987:121). In contrast to the more centralised approach adopted in Australia or Britain, the United States has largely left its education sector to make its own arrangements regarding international student recruitment and marketing.

The fee policies of public and private institutions in the United States are considerably different. Public institutions set fees independently or within guidelines established by state government policy. Private institutions charge much higher fees and retain total control over them (Davis, 1995). Under the United States Constitution the Federal Government has no direct responsibility over the management of educational institutions except those in the military. Public funding of universities, colleges and schools is therefore primarily the responsibility of the states (Marceau, 1993 :13).



Source: (UNESCO, 1996)

Figure 2.2: International student flows to the United States 1980-1993

Prior to 1981 the rapid growth in international student numbers in the United States provoked calls for regulation to avoid overcrowding. Such regulation did not eventuate due to the collapse of US-Iran relations, which saw a dramatic decrease in the number of Iranian students studying in America. A study undertaken in 1981-1983 found fewer than 10 per cent of American institutions had imposed tuition fee

surcharges on international students (Woodhall, 1987). As shown in Figure 2.1 while overall enrolments have continued to grow, the annual rate of growth in international student flows to the United States slowed slightly during the early 1990s.

In 1986 the U.S. Congress enacted legislation enabling State Governments to tax international student living expenses. This led to a 400 per cent increase in student tax returns in 1992 involving an average liability of between US\$600 to US\$800 (Jaschik, 1993). The main effect of this initiative has been the reduction in the number of scholarships offered to international students by American institutions as such scholarships attract the tax liability. These scholarships have been a major attraction for many international students (McMahon, 1992). This may also partially account for the slowing in the growth rate of international student flows to the United States.

2.3.5 The distribution of international students in the United States:

Many international students studying in the United States demonstrate a geographic preference for certain institutions. Canadians, for example, tend to concentrate in institutions located on the Canadian-US border. Pacific Islanders are concentrated in the Pacific (Guam and Hawaii) and Latin Americans prefer the southern states. Table 2.5 shows the geographic dispersion of international students across the United States.

Table 2.5: Composition of foreign student population in US regions 1992/93

US Region	World Region of Origin						
	Africa	Asia	Europe	Latin America	Middle East	North America	Oceania
Northeast	4.7%	55.4%	16.9%	9.5%	6.5%	6.2%	0.8%
Midwest	4.9%	64.0%	11.5%	6.3%	6.9%	5.8%	0.6%
South	7.4%	48.6%	13.9%	17.6%	8.4%	3.6%	0.5%
Pacific	2.2%	69.7%	12.4%	4.5%	5.7%	3.6%	2.0%
Southwest	4.3%	60.6%	9.2%	15.3%	7.5%	2.6%	0.6%
Mountain	3.1%	58.9%	12.4%	7.1%	7.0%	10.2%	1.2%
Other*	0.2%	27.4%	2.8%	43.3%	0.7%	0.5%	25.1%
All US Regions	4.7%	59.4%	13.2%	9.9%	6.9%	4.9%	1.0%

* includes Guam Island.

Source: (Zikopoulos, 1994:53)

In 1994-1995 there were 105 institutions in the United States with total international student enrolments of over 1,000. As can be seen in Table 2.6, the top ten institutions were dispersed across the country and included both private and state organisations.

Table 2.6: Top 10 US Institutions by Foreign Student Population - 1994/95

Institution	Total Foreign Students	Total enrolments	Foreign students %
Boston University, MA	4,734	28,664	16.5%
University of Southern California, CA	4,259	27,465	15.5%
University of Wisconsin-Madison, WI	3,964	40,305	9.8%
New York University, NY	3,832	35,410	10.8%
Ohio State University, Main Campus OH	3,760	49,542	7.6%
University of Texas Austin, TX	3,753	49,617	7.6%
Columbia University, NY	3,644	19,547	18.6%
Harvard University, Cambridge, MA	3,410	18,100	18.8%
University of Pennsylvania, PA	3,168	20,130	15.7%
University of Illinois at Urbana, IL	3,064	36,191	8.5%

Source: (Davis, 1995:128)

2.3.6 The international marketing of American education:

Despite an apparent lack of central coordination in its international marketing of education, the United States and its institutions are active throughout the world. In Hong Kong, the University of Ohio was an early pioneer in offering its programs offshore through an alliance with the Hong Kong Baptist College (Murphy, 1987). The United States Information Agency (USIA), with offices located throughout the world provides a valuable source of information and promotion for United States education. During the 1990s a number of United States colleges independently conducted marketing and recruitment drives into East Asia seeking to attract full-fee paying international students (Hancock, 1994).

In addition to the USIA, other agencies that engage in the promotion of international education are the Fulbright-Hays program, the Institute for International Education

(IIE), the Council for International Education Exchange (CIEE), and the National Association for Foreign Student Advisers (NAFSA). During the early 1990s the United States was estimated to have 400 Government assisted advisory centres in 143 countries promoting international education (DEET, 1993).

An impression of the United States presence in international markets can be gauged from its activities in Singapore. A study by Smart and Ang (1992) noted that during the early 1990s the US was ranked as the prime destination for Singaporean students seeking to study abroad. It was considered to offer the best standards and dominated the market for Master of Business Administration (MBA) courses. American universities offered entry through foundation years to students who lacked entry standards and enabled “fast tracking” of programs by generous summer courses. Most American universities took two (sometimes three) intakes per year. In addition to offering a vast array of programs (from over 3,000 institutions), the United States visa process was considered efficient and user friendly. Visa applications were free and could be granted on the spot or within 24 hours without the need for a medical examination. Finally, the Singapore USIA office enjoyed good resources and staffing with “well-informed” volunteer counsellors.

A study undertaken by the Australian International Education Foundation (AIEF) in 1996 of students from Indonesia and Taiwan found that the United States was favoured by many primarily due to its established profile. Students and their parents who chose to study in the United States were influenced by the ease of obtaining information on US education programs. Also important were the well established populations of Indonesian and Taiwanese students already studying in the United States, and the fact that many parents had completed their degrees in that country (Mazzarol, Kemp and Savery, 1996).

2.4 International education in the United Kingdom

The decade of the 1980s appears to have been something of a watershed for the international education industry. During this period a combination of supply and demand side factors accelerated the pace of change within the industry and altered the

nature of the market. The first of these changes was the move, within a number of major supplier countries, to commercialise the education industry on a scale not previously known. Of particular importance to Australia, were the developments that occurred in the United Kingdom.

2.4.1 A brief history of international education in the United Kingdom:

Prior to 1980 the British education system served the needs of many thousands of international students. Although the total number of such students was low (approximately 50,000 in 1939) (Moore, 1989), the reputations of the Universities of Oxford and Cambridge, and schools such as Eton and Harrow, attracted the elite and gifted from throughout the British Empire. These imperial links fostered a system of international accreditation through which British universities offered degrees via University Colleges established in the dominions and colonies. London University, for example, was a pioneer in establishing external studies programs throughout the Commonwealth (Moore, 1989).

Following the Second World War the British education system was subjected to a variety of reforms designed to increase its accessibility to domestic students. The most significant of these was the Robbins Report of 1963, which enabled all students, with appropriate "A" level studies at sixth form, to enter tertiary education in a range of courses of their own choosing (Moore, 1989). International students who studied in the UK during the 1960's were charged the same level of fees as domestic students. In 1967 and again in the period 1975-1979 fees charged to international students were increased, although not to the level of "full-cost" (Layard and Petoussis, 1985). These fees were heavily subsidized by the British taxpayer and served to increase the number of international students studying in the UK. By 1979, 88,000 international students were studying in Britain and it was estimated that the cost of subsidizing them was around £100 million per annum (Woodhall, 1989).

The Conservative government of Margaret Thatcher, which came to power in 1979, was keen to reduce government expenditure and commercialise state institutions. Faced with the growing cost of subsidizing a large international student body, the

government moved to introduce full-cost fees for overseas students in 1980. Due to prior agreements under the Treaty of Rome this fee increase did not affect students from the European Community. However, throughout the British Commonwealth, the initiative caused a major upset. Malaysia's government were among the most trenchant critics, and introduced a "Buy British Last" campaign in retaliation (Woodhall, 1989).

2.4.2 Transition to a marketing orientated system:

The immediate effects of the introduction of full-fees for British Higher Education was a dramatic decrease in the number of international students studying in the UK. From a peak of just over 90,000 in 1978 (Williams, 1987), total enrolments of international students in Britain had fallen to 55,500 by 1984 (Kinnell, 1989). With the decline in international student enrolments, Britain's higher education sector suffered a severe shortfall in revenues. Between 1980 and 1983 the £100 million in subsidies which had previously been paid to the institutions was gradually withdrawn (Williams, 1987). In response to these developments the majority of higher education institutions in the UK began to adopt a more coordinated and active recruitment policy targeting international students (Moore, 1989). As Woodhall (1989:143) explains:

"Before 1980 few institutions had a conscious policy on overseas student recruitment. 'British educational institutions, broadly speaking, accepted overseas students as a fact of life' (ibid.). Now, suddenly, with the withdrawal of public subsidy for overseas students, universities and polytechnics realised that the only way to prevent a serious shortfall of income was to go out into the world market and recruit students who could pay the new full-cost fees".

In 1983 the financial pressures experienced by the British institutions forced a revision in government policy. Known as the "Pym Package" after Foreign Secretary Francis Pym, these arrangements included an increase in the level of government subsidies to international students. Scholarships and awards targeted towards specific countries, in particular Malaysia and Hong Kong delivered most of this expenditure. An annual grant was also provided to the British Council to undertake the promotion of higher education abroad (Williams, 1987).

The impact of these changes was measured by (Woodhall, 1989) in a survey of 1,760 international students and 33 institutes of higher education in the UK during 1985. This found that 90 per cent of the institutions surveyed were engaged in some form of offshore recruitment. Universities tended to have a much more coordinated approach to the marketing of their services than did polytechnics or colleges. Although a range of promotional channels was used, the British Council was rated highly as a source of publicity. Twelve of thirteen universities in the sample were members of the Educational Counseling Service that operates through British Council offices in overseas markets. Sixty per cent of the institutions had established alliances with other universities and colleges overseas. These alliances served to channel recruitment and assist with exchange programs. Most of the universities had made adjustments to their internal administrative arrangements to accommodate international marketing efforts.

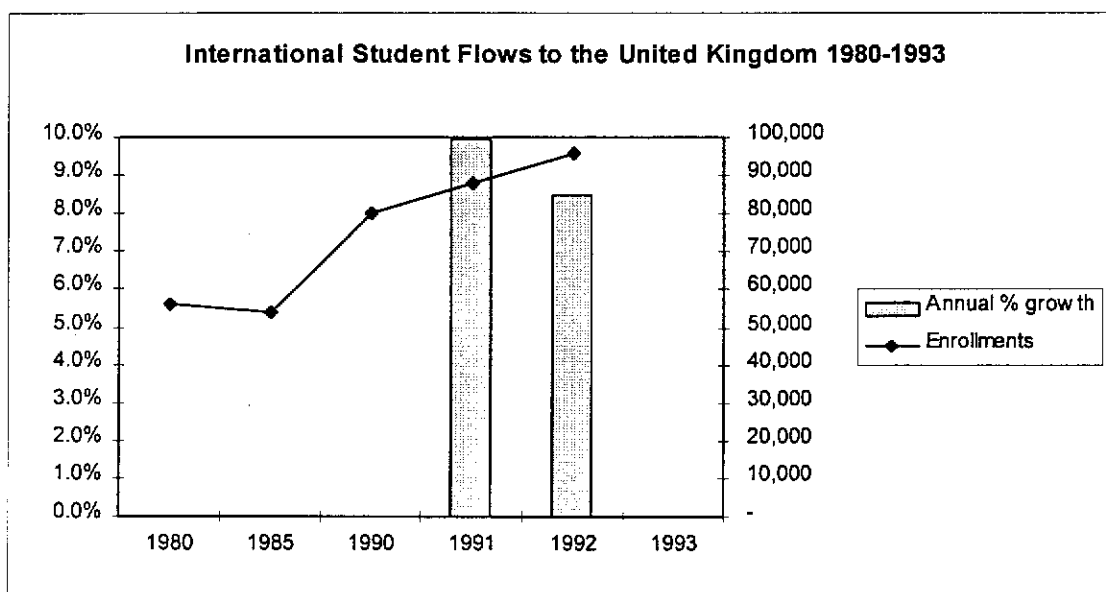
Gerrie (1986) writing at the time, noted that British universities were facing both a fall in domestic enrolments, government pressures to improve their quality, and increased competition for financial support from industry. The London Business School was observed as having recruited a full-time public relations officer and taken other steps to enhance its marketing efforts. Both the Henley Management College and London University's Imperial College had adopted a more market-oriented approach by the mid-1980s. In many cases these activities were responses to the withdrawal of subsidies for international students and reductions in other government funding sources (Sizer, 1988).

2.4.3 A changing pattern of international student flows to the United Kingdom:

The outcome of this decade of change was to commercialise the international education sector in the United Kingdom. By 1989 the total number of students enrolled in British higher education was 70,717, up from a low of 53,694 in 1985 (Zikopoulos, 1994). During the 1980s the numbers of international students drawn from Commonwealth or developing nations fell while those from European Union states increased. Hong Kong, Malaysia, the United States, Nigeria, Greece and Iran

were the six main source countries for international students studying in Britain (Williams, 1987).

Figure 2.3 shows the flow of international students to the United Kingdom over this period. It can be seen that enrolments have steadily recovered from the slump of the mid-1980s.



Source: (UNESCO, 1996)

Figure 2.3: International student flows to the United Kingdom 1980-1993

2.4.4 Regulation and quality control within the British higher education system:

The introduction of the *Higher Education Act, 1992* in the United Kingdom resulted in the creation of 48 new universities in a system that currently has 90 such institutions and over 800,000 students (Marceau, 1993 :11). In 1993-1994 institutions in the United Kingdom were granted autonomy over the setting of course fees for international students, although most follow the recommended minimum fees set by the Government (Davis, 1995). Higher Education in Britain has experienced the pressures of increasing demand during the late 1980s and early 1990s. Fee incomes from overseas students have been an important source of financing for

British universities, with international student fees rising from 2.8 per cent to 5.6 per cent as a proportion of total revenues (Marceau, 1993). The highest level of dependency on international student fees among universities in the United Kingdom has been measured at 24 per cent of recurrent income. The average proportion international student fees comprise of recurrent income among the older institutions is 5.1 per cent, while for the newer institutions it is around 2.2 per cent (Greenaway and Tuck, 1995).

Quality management within the British higher education system has been a focus of considerable national attention over the past decade. In the mid 1980s the Jarratt Committee recommended a series of performance indicators for higher education “covering both inputs and outputs and designed for use both within individual institutions and for making comparisons between institutions” (Jarrett, 1985 :36). The *Higher Education Act, 1992* also established a Higher Education Audit Unit to oversee the quality standards within the system and accredit institutions (Marceau, 1993).

The British education system is focused on creating a “value for money” system that will be as accessible as possible to students from within the United Kingdom. The movement in the area of higher education is also toward a more devolved system with Wales, Scotland and Northern Ireland establishing different approaches to that of England (Marceau, 1993).

2.4.5 International marketing of British education:

In the area of international marketing the British Council serves as a central point of focus for national promotion. The Council had 6,508 staff and a total budget of \$A857.5 million in 1991-1992. Although not all of its activities were devoted to the promotion of international education, in 1991-1992 it spent over \$A130 million in the Asia-Pacific region (DEET, 1993). The Education Counselling Service undertakes direct promotion of international education. This service has more offices throughout the world than the British Council itself, and staffs them with locals who receive training in the United Kingdom. The larger Education Counselling Service offices

tend to be staffed by British nationals seconded from education institutions for periods of two to three years.

The Education Counselling Service offices undertake student Counselling, application processing, and the organisation of outreach activities for host country institutions. Each service office maintains a reference library and distributes promotional material. The service also organises education exhibitions such as in Hong Kong and Malaysia. Funded on a 50/50 basis by the British Council and British education institutions, in 1991-1992 it had an annual budget of A\$200 million (DEET, 1993). As one observer noted:

"ECS has, with some success, positioned itself as a disinterested and non-commercial body. It enjoys a 'brand' association with the Oxbridge Universities and can sell down from that established image of quality and tradition. ECS does represent Polytechnics and private language schools, which have undergone accreditation by the British Council. Traditionally, ECS has disdained local 'commercial' agents and pointed to the potential for malpractice to damage the reputation of British institutions. This could change." (DEET, 1993)

2.5 International education in Canada

Along with the United States, United Kingdom and Australia, Canada is ranked among the top host nations. Since the mid-1980s Canada has experienced a decline in its relative position as a host nation, slipping behind Australia in terms of the number of international students it hosts. Despite this, Canada continues to play an active role in international education and in the mid-1990s was adopting a coordinated national marketing effort to address its declining international student enrolments.

2.5.1 The structure of Canada's education system:

As with the United States and Australia the Canadian education system is comprised of differing regional systems, with ten provincial and two territory governments each managing its own structure. Over the past ten years a variety of educational reforms and reviews have been undertaken within Canada principally focused on the needs of primary and secondary schools (APEC, 1994 :6-7).

Canada enjoys one of the highest education participation rates in the world (UNESCO, 1996). In 1994 Canadian government spending on education totalled C\$56.5 billion of which 62 per cent was allocated to primary and secondary levels, 20 per cent to higher education and 17 per cent to technical and vocational education (CICIC, 1996). Canada has some 90 universities or equivalent institutions capable of issuing undergraduate and post-graduate degrees. Around 70 per cent of these institutions grant own degrees while the remainder are affiliated colleges which grant degrees on behalf of universities or theological colleges which do not grant degrees (CICIC, 1996:4). In 1996 the University of Toronto was the largest institution in Canada with just over 50,000 students. Other large universities were the *Universite' de Montreal* with around 50,000 and the University of Ottawa, with over 24,000 students (CICIC, 1996). International students seeking access to Canada's universities usually must complete language and academic entrance tests set by each institution. Quotas also apply to specific high demand programs such as Medicine.

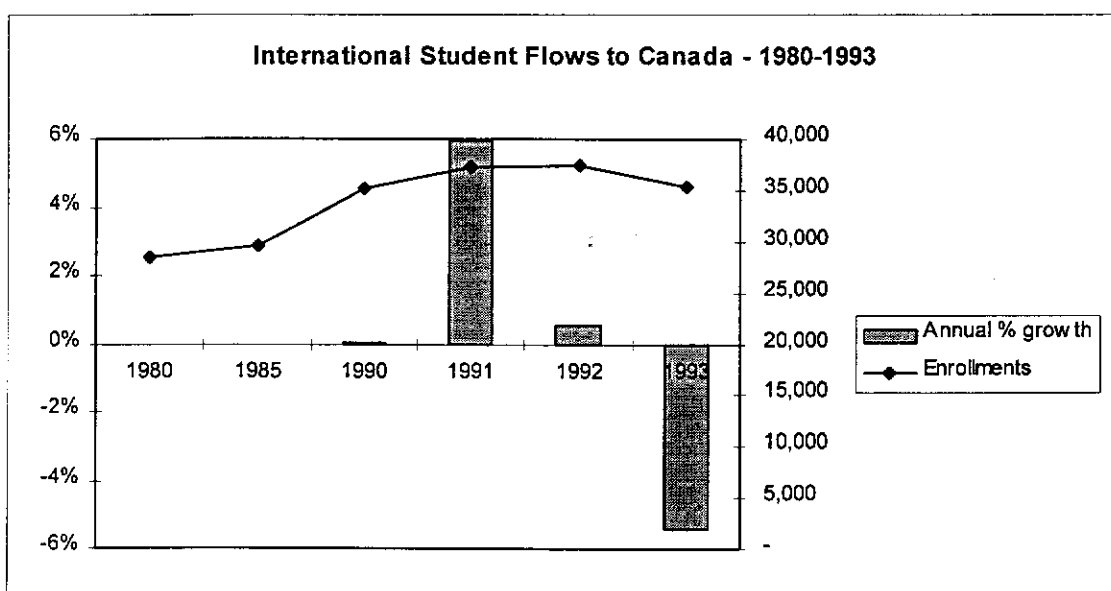
In addition to its universities, Canada also maintains a system of Community Colleges along similar lines to that of the United States (APEC, 1994). Such institutions provide vocational programs lasting two to three years and leading to diplomas in professional and technical fields like art, fisheries, paramedical technology and agriculture. The province of Quebec also operates a system of *Colleges d'enseignement general et professionnel* (CEGEPs) which parallel the community colleges. In 1996 there were over 200 community colleges in Canada (CICIC, 1996).

2.5.2 The fluctuating flow of international students to Canada:

In 1993 there were 35,451 international students studying in Canada, representing around 3 per cent of the world total (UNESCO, 1996). Canada draws the largest proportion of its international students from Asia, particularly Hong Kong. In 1993 Asian students comprised approximately 48 per cent of total international enrolments, this figure was 43.5 per cent in 1991, with Hong Kong and China comprising 53 per cent of all Asian students (UNESCO, 1996). Direct competition from countries such

as Australia and the United Kingdom are likely to have influenced the erratic flow of international students to Canada from these Asian markets.

During the mid-1980s Canada's enrolments of international students fell. This may be attributed to the introduction of differential fees throughout the provinces as well as the more aggressive marketing being undertaken by countries such as Australia and the United Kingdom. Enrolments climbed during the late 1980s, only to decline again during the early 1990s. Figure 2.4 shows the flow of Canada's international students over the period from 1980 to 1993. It can be seen that growth rates during the early 1990s were poor resulting in an overall decline in total international student enrollments.



Source: (UNESCO, 1996)

Figure 2.4: International student flows to Canada 1980-1993

2.5.3 The regulation and management of Canadian international education:

Provincial rather than federal government authority dominates education policy in Canada. Differential fees for international and domestic students were introduced by some Canadian provincial governments in 1970 and this pattern spread throughout the 1980s (Woodhall, 1987). Canada's central government has only limited involvement in education and this has tended to restrict the country's ability to coordinate its national effort. There is also considerable variation in fee setting policy for international students in Canada due to the provincial government structure (Davis, 1995). In 1995 annual fees ranged from C\$2,500 for undergraduate Arts degree programs, to C\$13,700 for Engineering courses (CICIC, 1996:7).

2.5.4 International marketing of Canadian education:

Until the 1990s overseas promotion at a national level was the responsibility of Academic Relations Officers located within the Canadian diplomatic posts that were assisted by locally engaged staff. During the mid-1990s Canada established a series of Canadian Education Centres (CECs) throughout key Asia-Pacific markets. This network of CECs is managed by the Asia-Pacific Foundation of Canada (APFC), which is an independent, non-profit organisation founded in 1984 under an Act of Parliament (APFC, 1996). The APFC had an annual budget of C\$5.5 million in 1996 and staff of forty-five based in Vancouver, British Columbia.

Supporting the work of the APFC are several provincial agencies. One of the most active is the British Columbia Centre for International Education (BCCIE). This organisation was established in 1990 and is funded by the Provincial Government. It represents the universities and community colleges within the province of British Columbia. Since its establishment it claims to have increased international student enrolments within British Columbia by 25 per cent (BCCIE, 1996).

Marketing on an international level among Canadian universities has been described as "ad hoc" (DEET, 1993). However, Canada is viewed positively by many international students as having a much lower crime rate than the United States (LTG, 1996). It can also offer a bi-lingual learning environment with both English and

French spoken and is relatively affordable (MSS, 1993). Canada is aware of its declining status as a supplier of international education (Humphries and Ramezani, 1996). The initiatives undertaken in the 1990s to enhance international promotion of Canadian education are likely to reap rewards in the future.

The Canadian education system is viewed as flexible and enables a “fast tracking” of high school education for suitably qualified students. Singaporean students, for example, have been able to complete secondary level programs for entry into Canadian universities within six months of arrival (Smart and Ang, 1992a:26). Canada’s proximity to the United States, bilingual system and climate combine to position it as a major provider of international education.

2.6 International education in New Zealand

Another emerging supplier of international education services is New Zealand. Something of a late entrant to the market, New Zealand has recently taken steps to increase its international student enrolments (Frew, 1991). In 1990 the New Zealand government’s Trade Development Board formed an alliance with the higher education sector to establish the New Zealand Education International Ltd (NZEIL). Initially headed by a former senior executive with IBM, NZEIL was made responsible for the coordination of the international marketing of New Zealand’s education services (Smart and Ang, 1992a :27).

2.6.1 The structure of New Zealand’s international education sector:

International education in New Zealand is provided by institutions at both secondary and tertiary levels, and from a range of institutional types including universities, polytechnics and other institutions registered to accept international students. The New Zealand Higher education system consists of seven universities, 25 polytechnics, five colleges of education and two Maori houses of learning (Espiner, 1995). Fee setting policy in New Zealand is still evolving with the main requirement being the need to return a profit (Davis, 1995).

During the late 1980s, early 1990s the New Zealand higher education system experienced a process of expansion and transformation as it shifted from an elitist to a mass system. Retention rates in New Zealand seventh form over the 1980s increased rapidly. Whereas only 67 per cent of New Zealand students finished high school in 1984, 83 per cent did so in 1994 (Bell, 1994). In 1993-1994 the Todd Taskforce Review proposed to affect significant changes to the New Zealand higher education system. Over the period from 1991 to 1993 overall student enrolments within New Zealand's universities grew by 10 per cent, while the polytechnics grew by 21 per cent. In 1993 there were an estimated 186,262 students enrolled in New Zealand's universities and polytechnics with international students comprising 2.4 per cent of the total. Table 2.7 provides an overview New Zealand's universities.

Table 2.7: New Zealand's Universities 1994

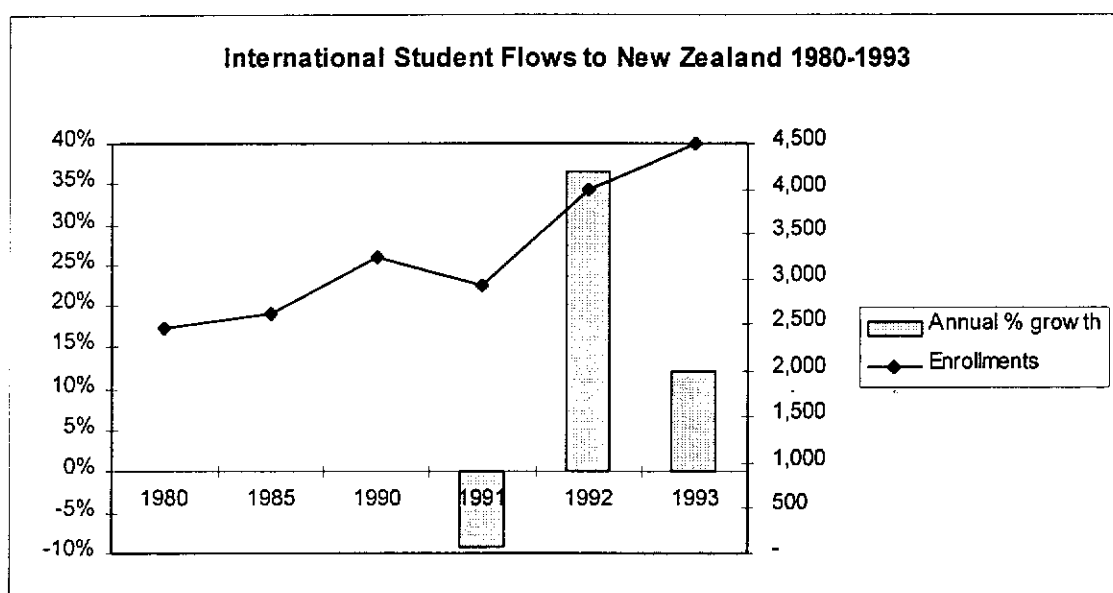
	total students	teaching staff	research grants
Massey U	28,000	-	\$ 8.9m
U Auckland	23,600	1,304	\$17.0m
U Otago	16,000	782	\$20.8m
U Canterbury	13,030	493	\$ 5.3m
Victoria U	12,450	-	\$ 8.1m
U Waikato	11,714	350	\$ 4.8m
Lincoln U	3,600	232	\$ 2.2m

Source: (Bell, 1994)

2.6.2 International student flows to New Zealand:

Figure 2.5 shows the trend in international student flows to New Zealand over the period from 1980 to 1993. It is noticeable that these flows have been somewhat erratic despite an otherwise positive trend in enrolments. New Zealand's profile in Asia is low and will require strong promotion and marketing effort to boost it. According to Smart and Ang (1992a), prospective students in Singapore viewed New

Zealand as a “safe place to study”, with lower costs than Australia, the United States or Britain. However, visa restrictions on part time work and some sensitivity over recognition of qualifications may lower the attractiveness for these students. A survey of prospective international students and their advisers, found New Zealand was “not perceived to be a significant competitor” in the international education market (AGB, 1992). Other surveys conducted in Taiwan and Indonesia also indicate that New Zealand is generally not considered by many students as a study destination rating well behind the other major supplier countries (Mazzarol, Kemp and Savery, 1996).



Source: (UNESCO, 1996)

Figure 2.5: International student flows to New Zealand 1980-1993

Whatever its limitations within Asia, in the Pacific region New Zealand is a significant player. In 1993 it attracted 12.5 per cent of all international students from “Oceania” ranking third after Australia and the United States as a host nation (UNESCO, 1996). During the early 1990s the International Pacific College was established on the North Island, with the objective of targeting students in the Pacific Rim. This NZ\$30 million project is a joint venture between Japan and New Zealand

and reflects a desire on New Zealand's part to become a major player in the international education industry (Smart and Ang, 1992a).

Given the size of New Zealand's overall education infrastructure there may always be limits on the country's ability to absorb large numbers of international students. However, New Zealand offers a high quality education within a safe, clean environment. Careful marketing should enable it to enhance its market share.

2.7 International education in other supplier countries

We turn now to some of the other major supplier countries in international education. Although not examined directly in this study they provide a useful background to the activities of the major English instruction countries in which the study was conducted.

2.7.1 France and Germany:

France and Germany are the dominant host nations for international education within Europe. In 1990 France had 136,015 international student enrolments comprising a significant 8 per cent of their total tertiary enrolments of 1.7 million students (Zikopoulos, 1994). As already mentioned, France obtains the majority of its students from North Africa. Germany attracts its international students predominantly from Turkey and Iran, as well as elsewhere in Europe. To this extent these countries are not competing directly with Australia, Canada or the United Kingdom, which have a focus on Asia.

In France and Germany (formerly West Germany) tuition has traditionally been free for both domestic and international students. Until 1979 France applied quotas to regulate the flow of international students. These were removed in the 1980s and student flows controlled by language proficiency tests and admissions standards (Woodhall, 1987). Between 1970 and 1990 international student numbers jumped by 294 per cent (Zikopoulos, 1994). This surge in student arrivals may be partially attributed to the relaxing of the quotas. The pressure of this massive increase in international student numbers has resulted in serious immigration and social issues for France. In 1994 French authorities deported 12,020 international students (mostly

Algerians), which represented a 53 per cent increase over the previous year (Amelan, 1995).

Germany imposed quotas on Turkish students during the 1980s as a result of concerns that many of these students were using study as a form of “disguised immigration” and remaining after their courses were completed (Woodhall, 1987). Following the reunification of the two Germany’s in the early 1990s the presence of large numbers of international students has provoked serious outbreaks of racially motivated violence. This has been particularly noticeable in former East Germany where the high unemployment rates created resentment against foreigners. In the face of racist violence some Berlin universities have sought to house international students in safe areas, and have even suggested they arm themselves with non-lethal weapons (Toro, 1994). Such developments make Germany a less desirable study destination for many international students. Nevertheless Germany has steadily increased its share of the international student market with enrolments growing from 88,585¹ to 116,474 in 1991 (UNESCO, 1996).

2.7.2 Japan:

Within Asia, Japan has emerged as a significant participant in the provision of international education services. Japan has become increasingly more attractive to Asian students particularly in the area of science and technology higher degrees (Normile, 1993). In 1970 Japan enrolled 4,447 international students (UNESCO, 1992). By 1989 this number had risen to 23,816, of whom 89 per cent were drawn from Asia (UNESCO, 1992). This growth rate of around 436 per cent doubled again between 1990 and 1992 (Zikopoulos, 1994). In 1993 Japan hosted 45,066 international students most of whom came from China (57%) and South Korea (22%) (UNESCO, 1996).

Japan’s education system is of a high quality and was expanded over the course of the 1980s due to rising participation rates among Japanese students. Unfortunately this rapid growth has placed pressure on the system producing excessive competition with

associated student violence and bullying at the secondary level (APEC, 1994:13). The late 1980s saw the establishment of the National Council on Educational Reform that reported directly to the Cabinet. This Council attempted to place greater emphasis within the education system upon “individuality”, “lifelong learning” and increased flexibility in the face of change (APEC, 1994).

During the late 1980s the Japanese government announced plans to increase its total international student population to around 100,000 by the year 2000 (Woodhall, 1987). This reflected an awareness within Japan of the economic, cultural and political advantages associated with international education. The economic dominance of Japan within the Asia-Pacific region should enhance the attractiveness of that country in such areas as technology and commerce. Japanese investment in the region has resulted in many Japanese joint venture operations that offer potential employment for international students upon graduation. This is pronounced in Taiwan and Korea. In Taiwan, for example, management structures within many business organisations combine both Japanese and American practices (Yeh, 1991). Despite the attractiveness of Japan for Asian students, the main barrier remains the language for instruction. Japanese is less universal than English and some Japanese colleges are now instructing in English.

2.8 Outlook for the world industry

The factors which influence a country to send its students abroad for education have recently been examined by a variety of authors (Lee and Tan, 1984; Agarwal and Winkler, 1985; McMahon, 1992; Blight, 1995; Kemp, 1995). These authors have also attempted to measure the anticipated growth rates of international students, or at least make predictions as to the future outlook for the industry. We shall briefly examine these studies in order gain an understanding of the likely growth in the international education industry over future years.

¹ Includes both former East and West Germany.

2.8.1 Factors influencing international student flows:

According to Lee and Tan (1984) the demand for international education is principally driven by a lack of suitable education opportunities within their home countries. Other factors likely to determine international education demand are: i) historical or colonial links to a potential supplier country; ii) commonality of language; iii) availability of science-based programs; iv) quality of the tertiary education system available in the home country; v) relative wealth of the home country population; vi) GNP growth rate in the home country; and v) geographic distance to the supplier.

A similar study by Agarwal and Winkler (1985) suggested that the principal drivers motivating international student flow abroad are: i) per capita income in the home country; ii) the price or cost of education; iii) the education opportunities available in the home country; and iv) the expected benefits of studying abroad. An examination of the demand for United States education among fifteen developing countries, found that the proportion of tertiary level students seeking to study in the USA had declined for most of the sample. While noting that international student flows had been rising strongly since the 1950's, they considered the slow down to be linked to two things: 1) the rising cost of a United States tertiary education; and 2) an improvement in higher education opportunities within the student's home countries.

McMahon (1992) conducted a statistical study of the flow of international students from 18 developing countries to developed countries during the 1960s and 1970s. She tested two models of student flow: an outbound or "push" model; and an inbound or "pull" model. The first model considered student outbound flow from developing countries to be dependent upon four factors: i) levels of economic wealth in the country as measured by GDP per capita; ii) the degree of involvement of the developing country in the world economy; iii) the priority placed upon education by the government of the developing country; and iv) the availability of educational opportunities in the home country. The second model considered student attraction or "pull" to a host country was influenced by four factors: i) the relative sizes of the student's home country economy as opposed to the host country; ii) economic linkages between the home and host countries; iii) host nation political interests in the

home country via foreign assistance or cultural links; and iv) host nation support of international students via scholarships or other assistance.

Interestingly McMahon (1992) found a negative correlation between economic prosperity within the sending countries and the volume of international student flows. The greater level of educational opportunity available in these countries explained this. It apparently counteracted the effect of enhanced GDP per capita. Involvement by the developing country in the international economy was a significant factor influencing student flows, as was the level of government emphasis upon education. From the “pull” model, it was found that the size of the host nation’s economy relative to the sending nation was positively correlated. However, the level of assistance offered to international students was negatively correlated. The other explanatory factors within the “pull” model varied greatly from country to country.

In an examination of UNESCO statistics on international student flows Kemp (1990; 1995) has demonstrated a gradual slowing of growth in international student flows at the tertiary level. As Table 2.8 shows, the average annual growth rates for the top five host countries declined significantly during the 1980s. In contrast Australia experienced a significant increase in growth, reflecting the opening up of the Australian higher education system to fee paying international students.

Table 2.8: International Student Growth Rates Six Host Countries

Host Country	average annual growth 1970-1980	average annual growth 1980-1990
United States	8.4%	1.3%
France	12.6%	2.1%
Germany	8.3%	5.6%
United Kingdom	8.6%	3.6%
Canada	3.8%	2.5%
Australia	2.3%	12.7%

Source: (Kemp, 1995:3)

Kemp (1995) accepts the view that excess demand in the home country is likely to be the main determinant of demand for international education. Declining rates of growth in international student flows may be influenced by the expansion of the tertiary education systems in developing countries. Any expansion of education within current source countries will therefore have a negative impact on international student flows.

2.8.2 Projections of future demand for international education:

A recent study by IDP Education Australia has developed a computer model designed to measure the medium to long term demand for international education at the university level (Blight, 1995). According to this study international demand for university places will increase strongly over the period to 2025 with an average growth rate of 3.5 per cent worldwide. Much of this growth will be driven by increases in per capita income. The North East Asian region will account for around 33 per cent of demand, followed by Africa (22%) and South Asia (16%). China will be a major market for international education sending estimated 318,000-university students abroad by 2010 and 849,000 by 2025. India will match this demand with an estimated 181,000 international students by 2010 and 501,000 by 2025. Overall the world market for international education will grow to an estimated 1.8 million students by 2000, 2.8 million by 2010 and 4.9 million by 2025 (Blight, 1995 :43).

An examination of enrolments at the primary and secondary level within APEC countries over the period 1980 to 2000 suggests that some countries will experience a rapid growth in their school enrolments while others will decline (APEC, 1994). Malaysia, for example has experienced strong growth in primary and secondary school enrolments during the 1980s and is expected to add an extra 884,673 new primary/secondary places from 1995 to 2000 (APEC, 1994). By contrast Thailand is expected to see its secondary school enrolments grow rapidly over the same period with an additional 2.1 million places by 2000. However, its primary level enrolments will decline by 438,943 places due to a falling population base (APEC, 1994). Other countries expected to have an overall decline in primary and secondary enrolments are

South Korea, Hong Kong and Japan. The effects of these declines will not be felt by the tertiary sector until well into the twenty-first century. Furthermore the substantial growth anticipated in countries such as China, Malaysia and Taiwan are likely to counter these declines.

Some concern has been expressed over attempts by countries such as Malaysia and Singapore to expand their own domestic education systems in order to staunch the outflow of students (Smart and Ang, 1992a; Powell, 1994; Ng and Ho, 1995). Malaysia, for example, has recently taken steps to expand its tertiary education system through the development of a privately funded college system based around *twinning* arrangements (Ng and Ho, 1995).² However, the excessive demand for tertiary places in Malaysia, backed by rising per capita incomes has led some observers to conclude that regardless of any expansion the Malaysian tertiary education system will be unable to cope (Lewis and Shea, 1994). Singapore too has apparently changed its attitude towards overseas study with a less negative official position being taken towards what has previously been viewed as an undesirable "brain drain" (Smart and Ang, 1995b).

Available evidence suggests therefore that despite a possible slowing in overall growth the outlook for the world market in international education remains positive. The rising per capita incomes within many of Asia's developing economies are likely to continue to place significant pressures on the capacity of their domestic education systems. Under such circumstances the outflow of international students to countries such as Australia is likely to continue. However, the maturing of the market will increase the overall level of competition within the industry.

The focus of international education within many markets will be upon the children of wealthy families seeking to advance their prospects through a foreign qualification. Despite the prospects for growth, the increasing commercialisation that has taken place within the international education industry in most English-speaking countries

² A system in which an overseas institution runs its programs via a local college usually controlling all curriculum and course assessment, but making use of local teaching staff. Students study foreign courses in their home country sometimes completing the final year of their degree overseas.

during the 1980s will influence the behaviour of institutions. Of critical importance will be the need to become more sophisticated in their marketing efforts. The expansion of full-fee international education within Australia, Canada, New Zealand, the United Kingdom and United States has generated a heightened level of marketing activity among institutions from these supplier countries. The challenge for international education suppliers will be to track the ebb and flow of international students from various key markets while ensuring they remain attractive to discriminating consumers with an abundance of choice.

Chapter 3. The Australian International Education Industry

3.1 Introduction

This chapter provides an overview of the International Education Industry in Australia. It begins by examining the background to Australia's entry into the Full-Fee Paying Overseas Student (FFPOS) market. The history and structure of the Australian education sector is described, and relevant policy issues considered. The industry's size, segmentation and capacity are addressed, along with research relating to the profile of international students in Australia.

3.2 A brief history of Australian international education

The first privately funded international students are recorded as arriving in Australia in 1904 to undertake university studies (Fraser, 1994). Despite this early start the flow of international students throughout the first half of the twentieth century was predominantly one way, with thousands of Australians travelling abroad to finish their higher education, mostly in Britain. Commencing from the 1950s Australia took in a growing number of international students under such aid schemes as the Colombo Plan.

The number of privately funded international students in Australia grew steadily throughout the 1960s and 1970's. In 1962 there were 12,049 international students in Australia of whom 90.5 per cent were sponsored either privately or by their home governments (Fraser, 1994). By 1982 there were over 20,000 overseas students studying in Australia both privately sponsored and funded under government aid schemes (Unesco, 1992; Fraser, 1994). The majority of these students were from South East Asia and most of the private students were ethnic Chinese from Malaysia. Despite this growth in private student enrolments, prior to 1985 most of the overseas students studying in Australia were either fully or partly sponsored by government aid programs (Industry Commission, 1991 :17).

A major policy shift occurred in the mid-1980s, with the release of the Morrison (1984), Jackson (1984) and Goldring (1984) reports. Morrison (1984) examined the flow in international students from ASEAN to Australia, particularly the ethnic Chinese from Malaysia. The report noted the growing importance of Australia as an outlet for un-met demand in post-secondary education within the region. Jackson (1984) encouraged the development of an Australian export industry in education services, with full-fee cost recovery and scholarships for special groups. Goldring (1984), while not opposed to the charging of fees for overseas students cautioned against allowing commercialisation to erode the quality of service to domestic students.

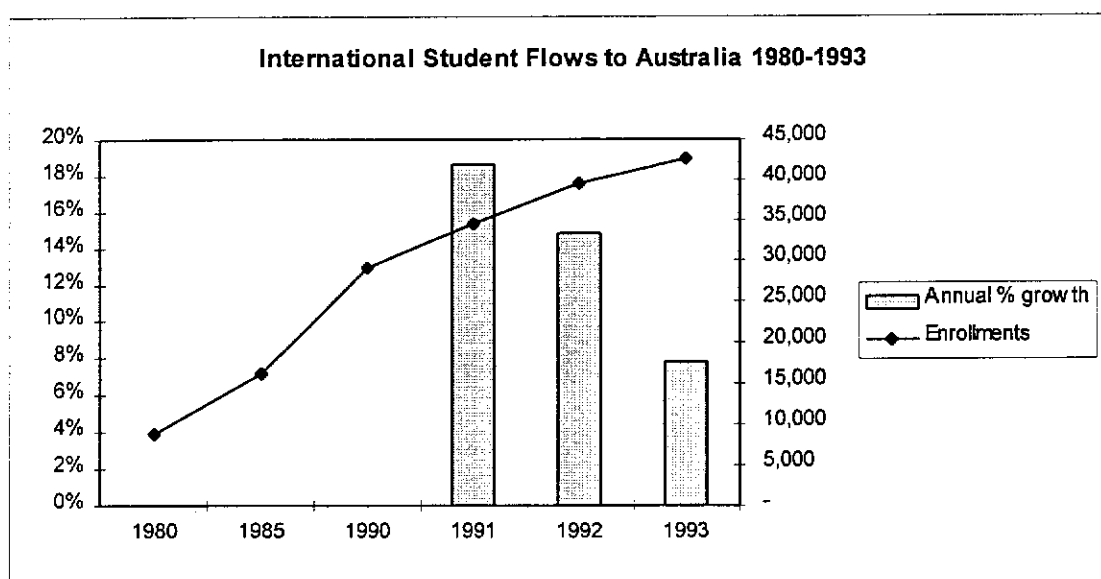
These reports were prompted by Australian government concern over the increasing number of international students, often from relatively affluent backgrounds, who were studying in Australia and paying only nominal charges (Nesdale, Simkin, Sang, Burke and Fraser, 1995 :5). Most of these students undertook courses at universities and Colleges of Advanced Education (CAE), at a time when these institutions were experiencing increased pressures for places from domestic students (Sharpham, 1993). Outbreaks of anti-Asian activity on higher education campuses in 1983 highlighted these tensions (Nesdale *et. al*, 1995 :5).

In 1985 the Federal Minister for Education announced a range of measures that saw the eventual introduction of full-fees for international students (Dawkins, 1985). From this point onwards the international education sector in Australia shifted from a predominantly aid oriented system, to one focused on trade. As noted in Chapter 2 it was a pattern consistent with trends elsewhere in the world (Marceau, 1993).

Following the 1985 policy change, the numbers of international students studying in Australia grew rapidly. Over the period from 1970 to 1980 the average annual growth rate in Australia's intake of international students was a mere 2 per cent, by contrast in the years 1980 to 1990 it rose to 12.7 per cent (Kemp, 1990 :3).

3.2.1 The economic benefits of international education:

An examination of Figure 3.1 illustrates the rapid growth that has occurred in Australia's international education sector since the mid-1980s. It has now emerged as a major export industry. During 1995 a total of 80,722 overseas students studied in Australia, generating substantial export income (DEET, 1995). These students currently represent around 7.4 per cent of all enrolments within Australia's higher education system (Unesco, 1996).



Source: (Unesco, 1996)

Figure 3.1: International student flows to Australia 1980-1993

The export revenue generated from international education is clearly of benefit to a federal government that introduced the Higher Education Contribution Scheme (HECS) during the 1980s to ease the burden of funding the education system (Hogbin, 1988 :54). During the 1990s respective Australian federal governments both increased the level of HECS fees and shifted the focus of many post-graduate programs from Commonwealth subsidized to full-fee paying for domestic students (Wu and Waller, 1995). The 1996 Federal Budget increased HECS again, signaling what may be a transition from a predominantly government sponsored to an

independently funded higher education system (Vanstone, 1996). International education is likely to continue to play an increasingly important financial role in funding Australia's education system. Many institutions currently rely heavily upon international student fees for their annual revenues (Mazzarol and Soutar, 1996).

3.2.2 Key markets for Australia's education industry:

The majority (86%) of Australia's FFPOS students are from Asia (DEET, 1995). Table 3.1 shows the top ten source countries for Australian international education for the period 1993-1994. Like the United Kingdom and Canada, Australia has also recruited many of its students from Hong Kong and Malaysia ¹.

Table 3.1: Top ten source countries for Australian international education 1994/95

Source Country	1995	Change '94-'95	1994	Change '93-'94
1. Hong Kong	12,143	2%	11,932	3%
2. Malaysia	11,121	15%	9,706	3%
3. Singapore	9,475	22%	7,739	22%
4. Indonesia	8,585	32%	6,517	17%
5. Korea (South)	5,981	31%	4,581	21%
7. Japan	4,711	21%	3,887	-1%
8. Taiwan	3,924	22%	3,228	17%
9. Thailand	3,533	29%	2,744	17%
6. China	2,931	-35%	4,534	-1%
10. India	1,800	55%	1,158	58%

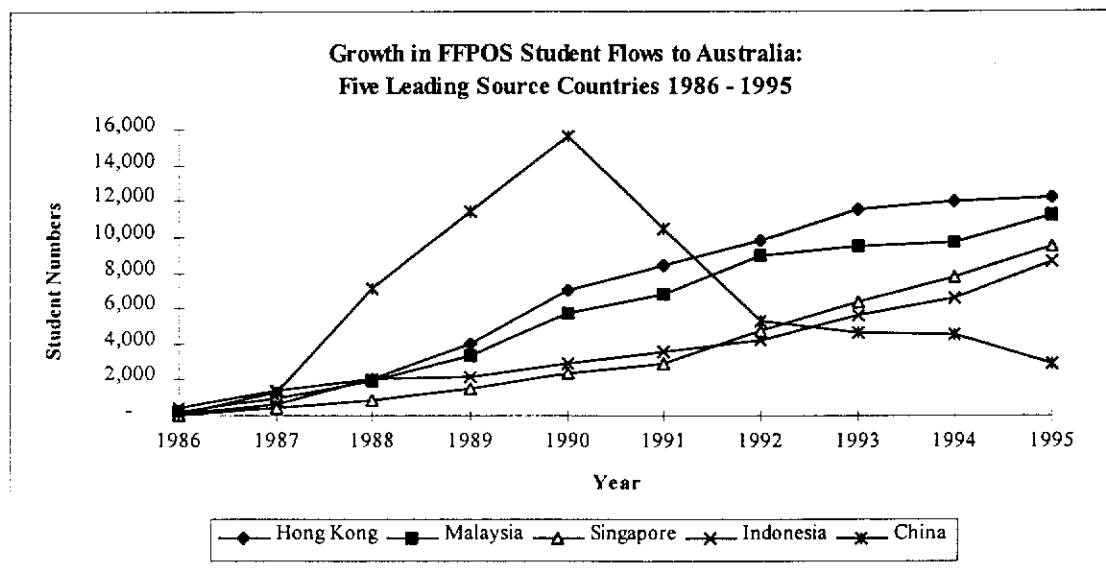
Source: Overseas Student Statistics 1993, (DEET, 1996:11)

In 1986 Indonesia and Japan were Australia's main sources of international students and both those countries have continued to provide a steadily growing market for Australian education (DEET, 1994:44). Despite such growth, the flow of students from the other major source countries has expanded rapidly.

¹ See Table 2.2 in Chapter 2.

3.2.3 The China crisis:

As Figure 3.2 shows, the most spectacular growth, but the most volatile was from China. From a mere 94 students in 1986, the numbers of Chinese students studying in Australia rose to a peak of 15,568 in 1990 before falling to 2,931 in 1995 (DEET, 1996 :85). At its peak the Chinese student population comprised 33 per cent of all international students studying in Australia.



Source: (DEET, 1994; DEET, 1995; DEET, 1996)

Figure 3.2: Growth in FFPOS students to Australia, leading source countries 1986-1995

The reasons for this dramatic fluctuation in the flow of Chinese students are complex, but they serve as a worthwhile lesson for Australia's international education industry. In 1986 the Japanese government restricted the intake of Chinese students undertaking short courses (Industry Commission, 1991 :24). This policy change in Japan coincided with the opening up of Australia's education sector to fee paying students. It was accompanied by the establishment of numerous short English Language Intensive Courses for Overseas Students (ELICOS). China's students shifted from Japan to Australia with the majority undertaking ELICOS programs. ELICOS enrolments expanded from 4,248 in 1986 to 17,757 in 1990 (AGB, 1992).

The rapid influx of Chinese students to Australia for short courses was accompanied by widespread visa abuse. Australian ELICOS programs cost approximately A\$9,000 which represented around 15 to 20 years income to an average Chinese worker. However, Australian visa regulations provided for 20 hours of work per week while the student was undertaking the course. This enabled the students to earn sufficient money to repay their debts if a suitable job could be found. About 80 per cent of the Chinese ELICOS students who entered Australia during this period borrowed the course fees from overseas relatives, travel agents or money lenders, frequently at high interest rates (Simington, 1989). Investigations by Australian immigration authorities found that many of these students had abused their visa requirements by over-staying and failing to attend classes:

“As of 4 June (1989), 45% of all students of the nearly 9,000 ELICOS students in Australia at that time were over-stayers. Of the 15,000 odd ELICOS students who had come to Australia since 1986, only 1,600 have returned to China. As at 4 June (1989) the backlog of ELICOS applications in Beijing had reached 25,000 with every prospect of reaching 40,000 in 1989-90” (Simington, 1989 :102).

The political upheaval that took place in China during 1988 served to reduce the flow of Chinese students. Further, concerns about Chinese students' abuse of visa regulations through over staying, led to a tightening of visa rules by the Australian Immigration Department (Nesdale *et. al*, 1995 :13). These factors resulted in a decline in Chinese student arrivals from 22,000 in 1989-1990 to 1,200 in 1990-1991 (Industry Commission, 1991 :24).

This collapse of the China market led to the failure of a number of small privately owned institutions which had enrolled large numbers of Chinese students in short courses. It also resulted in many international students from a variety of countries being left stranded without programs or compensation from pre-paid courses (Nesdale *et. al*, 1995 :12).

Australia continues to view China as a “problem” market and applies a system of Pre-Visa Assessment (PVA) to prospective international students from that country (DEET, 1992). This system of screening students likely to abuse their visas was

introduced in 1989 (Mazzarol and Soutar, 1996). Although seeking to encourage quality students from China, the Australian Government attempts to reduce the risk of overstaying by careful screening and maintenance of “stringent English language requirements for some categories” (AIEF, 1996).

3.2.4 Commercialism vs. social good:

Against this background of growth and fluctuation, a debate raged throughout the late 1980s over the most appropriate direction for Australian international education. This debate revolved around the costs and benefits of allowing education to be commercialized and treated as a commodity. The pro-market view argued strongly for Australia to seize its share of the growing international market in education services (Stanford, 1986; Hooke, 1987; Hughes, 1988). Those opposed to the commercialisation of education expressed a desire to treat it as a social good that should be isolated from market forces (Barlow, 1986; Marginson, 1986; Scott, 1986).

Concern was expressed over the erosion of academic standards and the independence of teaching staff faced with fee paying students (Bessant, 1986; McCullough, 1986; Nicholls, 1987). Three key issues of the time were: i) a possible reduction in overseas scholarships; ii) fears over displacement of domestic students by international students; and iii) retention of international student fees by government funded education institutions for research purposes (Smart, 1986). According to a report by the Industry Commission (1991) these concerns were groundless. They nevertheless served as a background to the development of the international education industry in Australia.

3.3 An overview of the Australian education sector

Although the universities attract the majority of international students who come to Australia, the international education sector is comprised of a range of other institutions including High Schools, Technical and Further Education (TAFE) Colleges, and private Vocational Education Training (VET) institutions. Age

restrictions on the acceptance of international students generally limit the involvement of Primary Schools ². To gain an understanding of the background and structure of the Australian education sector a brief overview is worthwhile.

3.3.1 The school system:

Australia's first school was established in 1792 to serve the needs of the 200 children living in the colony of New South Wales (ABS, 1992 :18). Australian education during the colonial period was plagued by a lack of trained teachers, few teaching materials or textbooks and poor funding. Throughout the nineteenth century the primary and secondary education system in Australia was dominated by Church organisations. From the mid 1820's Protestant and Catholic systems were established in parallel (Auchmuty, 1974). By the 1850's most of the colonial governments had begun subsidizing education, with conflict occurring over the distribution of state funds to Church run schools. Roe (1974 :113) estimates that approximately 50 per cent of children aged between eight and twelve attended school during the mid-1850's.

It was not until the 1860's that any comprehensive system of education was established in the Australian colonies. The NSW Public Schools Act of 1867 was the first legislation designed to bring education under state control (Scott, 1961 :287). Other colonial governments followed with the establishment of state funded school systems throughout the period 1870-1900. By time of Federation in 1901, the primary and secondary education system in Australia had emerged as one divided between state controlled schools offering "free, compulsory and secular" education, and a private school system dominated by the Anglican and Catholic Churches (Cohen, 1974 :191-192).

In 1991 Australia had just over 3 million full time students attending 9,980 primary and secondary schools (ABS, 1992 :18). The secondary or high schools made up 16 per cent of the total with some 75 per cent of all schools being government

² The ACT Schools Authority and some other primary schools have enrolled small numbers of primary aged children as their parents have accompanied them to Australia.

institutions. The participation of schools in international education is largely restricted to the private school sector. Privately owned high schools and a small number of state government operated schools (such as Western Australia's Senior Colleges) offer matriculation level courses to international students seeking entry to Australian tertiary institutions. The majority of Australian secondary schools have enrolments of between 600 and 800 students and provide five years of education to students aged from twelve to seventeen years (ABS, 1992 :20-21).

3.3.2 The higher education system:

The first Australian universities were established in the 1850's (Sydney, 1850 and Melbourne, 1853), with one in every Australian capital city by 1911 (Everitt and Entrekin, 1987 :40). Despite this early progress ad hoc arrangements of private benefaction and government funding at state and federal levels slowed the development of universities during the first half of this century (MacMillan, 1968 :13). The need for research during World War II led to the establishment of the Universities Commission in 1943. This was followed in 1945 by further federal government legislation which resulted in regular Commonwealth funding for research and infrastructure (MacMillan, 1968 :14).

Between 1955 and 1970 the Australian higher education sector grew strongly with a trebling in student numbers and a corresponding increase in institutions (1945 - 6 universities; 1971 - 15 universities and 50 Colleges of Advanced Education) (Harman and Smith, 1972). Federal government funding of higher education grew from 25 per cent in 1957 (via Commonwealth Scholarships) to 100 per cent by 1972 (Meek and Goedegeburne, 1989 :23). The Federal Government's 1987 and 1988 discussion and policy papers on higher education, commonly known as the "Dawkin's Green and White Papers", brought pressure for co-ordination and mergers (Meek and Goedegeburne, 1989 :23).

Under the reforms introduced by the Australian Federal Government during the 1980s the so-called "binary system" (where universities and Colleges of Advance Education (CAE) were funded at different levels) was dismantled. In its place was the Unified

National System (UNS). All institutions received research funding on a non-recurrent basis through a specially created Australian Research Council - previously universities had received a higher level of general and research funding, because of their supposed emphasis on research activity (Williams, 1988). The end result of this reform process was the merger of many CAE's and the establishment of a number of new Universities throughout the country. A further reform was the introduction of the Higher Education Contribution Scheme (HECS) to ease the burden on the Australian fiscal system (Hogbin, 1988:54). The effect of these reforms can be gauged by the fact that where there had been 70 higher education institutions in Australia in 1986, by 1991 there were only 35 (ABS, 1992 :22). These new institutions were however larger than many of their predecessors.

In 1993 the Australian higher education system catered for some 964,159 students and employed an estimated 27,780 teaching and research staff (Unesco, 1996). The size of Australia's higher education institutions has also grown significantly. Whereas the average student enrolments for each institution in 1986 was 5,400, this figure had risen to 15,000 per institution by 1991 (ABS, 1992). In the three most populous states of NSW, Victoria and Queensland, the average number of student enrolments per institution was 28,454 in 1991 (ABS, 1992).

3.3.3 Vocational education and training:

In addition to schools and universities, the TAFE colleges represent another substantial group of institutions within the Australian international education sector. Technical training commenced in Australia during the nineteenth century with the establishment of the Ballarat School of Mines in 1870. By the 1970s the federal government moved into the field of technical education with the establishment of the *Tertiary Education Commission Act, 1977*. In 1990 there were 684 TAFE institutions in Australia with enrolments in excess of 1.8 million students (ABS, 1992 :23). The majority of TAFE students (65%) were enrolled in vocational courses.

In addition to universities, TAFE colleges and schools, there are a number of other institutions that engage in the education and training of international students. These

institutions include theological colleges, private business and commercial colleges, secretarial colleges and pilot training schools. Mostly privately owned and operated it is difficult to obtain details on these institutions. In 1993 these institutions enrolled an estimated 6,260 students of whom 69.6 per cent were studying at privately owned centres (DEET, 1994).

These institutions have a wide range of activities and, with the exception of the theological colleges, largely operate on a commercial basis. Many offer ELICOS programs and matriculation level courses for entry into the universities (DCT, 1993 :42). Others provide specialist training in such areas as computing, beauty therapy and pilot training.

3.4 Government regulation of Australian international education

Education in Australia is the responsibility of both the Commonwealth Government and the six state and two territory governments. Australia therefore has nine legislative authorities administering eight separate public education systems and a system of private schools and colleges. State and territory education departments control government primary and secondary schools. Non-government primary and secondary schools are independently managed and funded, but their activities are regulated by the various Education Acts within each state or territory (ABS, 1992 :16).

TAFE Colleges are also the responsibility of state and territory governments and are organized into state wide systems with a Chief Executive Officer answering to the state or territory Minister for Education. Higher education institutions are largely self-governing, although the majority of Australia's universities are substantially funded by Commonwealth grants. Other post-secondary education is conducted on a private basis and is funded privately (ABS, 1992 :17).

This somewhat complex administrative arrangement has resulted in differing curricula, assessment methods and teaching services. National coordination of education has been attempted since 1989 by the Australian Education Council which

provides a forum for Commonwealth and State/Territory Ministers of Education to meet and discuss issues of importance (APEC, 1994 :3). TAFE education is nationally coordinated via the meeting of Ministers of Vocational Education, Employment, and Training (MOVEET). The Australian Vice-Chancellor's Committee (AVCC) provides a national forum for higher education (ABS, 1992).

At the federal level there are at least six Commonwealth government agencies with responsibilities for international education. The first of these is the Department of Employment, Education, Training and Youth Affairs (DEETYA). This department has prime responsibility for international education policy. Its functions involve the administration of the ESOS Act, monitoring of education standards, accreditation of international courses and the management of a range of scholarship schemes (DEET, 1992).

The other five federal agencies with responsibility for international education are: the international aid bureau (AIDAB/AusAid); the departments of immigration (DILGEA); health (DHHCS); Foreign Affairs and Trade (DFAT); and the Australian Trade Commission (AUSTRADE). AIDAB/AusAid administers scholarships and sponsored training schemes, DILGEA controls visas, DHHCS provides medical screening and Overseas Student Health Cover (OSHC), and both DFAT and AUSTRADE assist with marketing and promotion.

A range of Commonwealth legislation guides the activities of these federal agencies. Student visas, for example, are covered under the *Migration Act 1958* that is administered by DILGEA. Prior to the introduction of full-fee arrangements International students were required to pay a subsidized fee under the overseas charge legislation. Three separate Acts encompassed this: *Overseas Students Charge Act 1979*; *Overseas Students Charge Collection Act 1979*; *Overseas Students (Installments Payments) Act 1979*.

The *Higher Education Funding Act 1988* regulates the setting of fees for international students while exempting them from the Higher Education Contribution Scheme payments. Under the *Overseas Students (Refunds) Act 1990* international student

prepaid fees are protected in the case of an institution collapsing. Finally, the *Education Services for Overseas Students (Registration of Providers and Financial Regulation) Act 1991* or ESOS Act, seeks to provide uniform standards across the country and preserve the integrity of the international education system (DEET, 1992).

State and territory legislation governing international education is not consistent and draws upon existing Acts drafted for other purposes. In New South Wales for example, there is no legislation specifically related to international students. The NSW *Fair Trading Act* provides a basis for the regulation and accreditation of education institutions in that state wishing to enter international markets. This is coordinated by the NSW Education Exports Unit (DEET, 1992). Course accreditation in NSW is covered by the *Education Reform Act 1990*, *Higher Education Act 1988* and *Vocational Education and Training Accreditation Board Act 1991*.

In Victoria and Queensland there are no specific Acts dealing with international education. During the early 1990s both governments initiated reviews of their legislation in this area with a view to increased regulation of private education providers (DEET, 1992). Western Australia passed the *Education Service Providers (Full Fee Overseas Students) Act 1991*. In South Australia the existing education legislation included a Code of Conduct for non-government schools, and legislation covering the setting of fees and code of practice for post-secondary providers. The Tasmanian government has passed the *Education Providers Registration (Overseas Students) Act 1991*. No specific legislation exists in either the ACT or Northern Territory. In 1991 the ACT established a "Code of Practice" for institutions, while the NT government used the existing Education Act to cover schools, colleges, private providers and TAFE courses (DEET, 1992).

Under the Commonwealth's *Education Services for Overseas Students (Registration of Providers and Financial Regulation) Act 1991* (ESOS Act), all institutions seeking to offer courses to international fee-pay students must be registered on the national

Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) (DEET, 1992). Prior to such registration these institutions must have their course accredited by state or territory authorities. The criteria for such accreditation vary from state to state. In 1994 there were 920 institutions registered with CRICOS. Table 3.2 shows the total number and proportion of the total for each of the institutional types listed on CRICOS. It can be seen that although the universities enroll the majority of international students they comprise only a small proportion of the total industry in terms of institutions.

Table 3.2: Institutions registered on CRICOS by type, 1994

Institution	number	% of total
Universities/university colleges*	48	5%
TAFE colleges	16	2%
Private Business Colleges	89	10%
Private Secondary Schools	553	60%
Government Senior Colleges	12	1%
ELICOS Centres	70	8%
Air Training Colleges	42	5%
Other (includes Bible Colleges)	90	10%
Total	920	100%

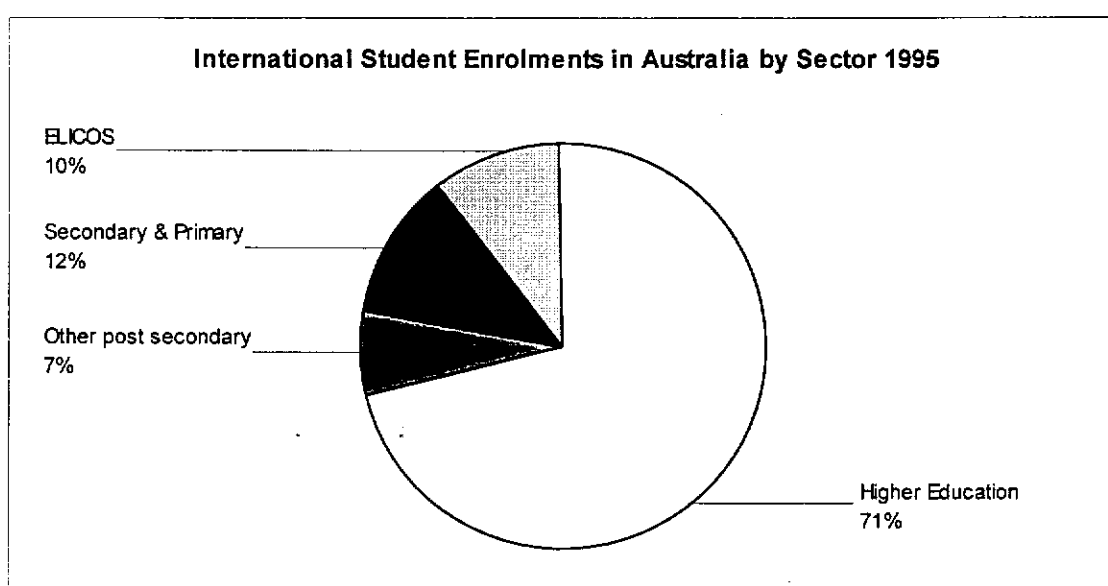
[* includes Defence Force Academy, multi-site Australian Catholic University, and some university colleges of larger universities]

3.5 A profile of international students in Australia

As already noted, the majority of international students studying in Australia are from Asia. Most international students are studying at university level, with the majority (61%) enrolled in undergraduate Bachelor's degree programs (DEET, 1995). Figure 3.3 illustrates the distribution of international students in Australia by education sector. The dominance of the higher education sector is apparent, with university students making up the largest group.

3.5.1 Courses studied:

The most popular courses undertaken by international students in Australia during 1995 were business administration and economics. Nearly half (49.8%) of all international students at universities, and 71 per cent of those at other post-secondary institutions, were enrolled in such courses in 1995 (DEET, 1996:15). The popularity of other teaching programs is by comparison much less, although Science (12.7%), Arts, Humanities and Social Science (10.9%); and Engineering and Surveying (9.4%) comprised additional sectors with substantial numbers of international students (DEET, 1996).



Source: (DEET, 1996)

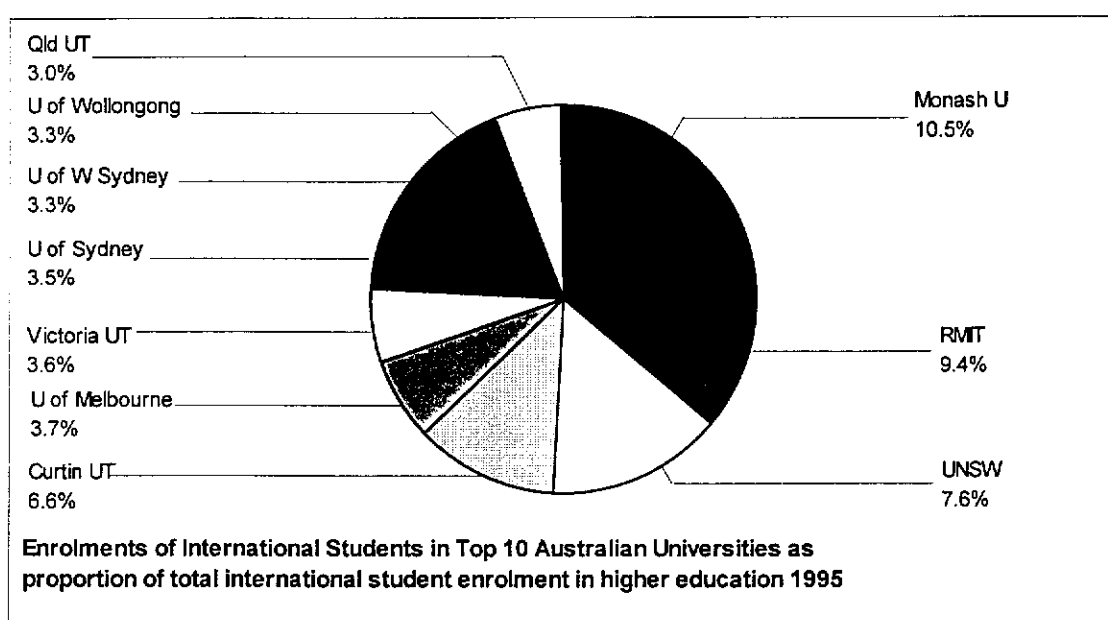
Figure 3.3 International student enrolments in Australia by sector 1995

3.5.2 Distribution throughout Australia:

There is some geographic preference displayed among international students coming to Australia. Korean students display a preference for NSW, with approximately 68 per cent of all South Koreans studying in that state. Queensland has a similar attraction for students from the Pacific Islands, with just over 40 per cent of these students enrolled in Queensland institutions. Victoria has the largest single grouping of Hong Kong students (41%) and shares almost equal honours with Western Australia in attracting the majority of Singaporeans (35% Vic, 33% WA). Malaysian

students also appear to be concentrated in these two states (37% Vic, 22% WA) (DEET, 1994).

Geographic dispersion of international students in Australia is associated more with the attraction of certain institutions than the physical location of capital cities. As shown in Figure 3.4, there are a few universities that attract a large proportion of international students. In 1995 Monash University in Victoria was the most popular, with 4,929 FFPOS students enrolled. The Royal Melbourne Institute of Technology (RMIT) was second with 4,431, and then the University of New South Wales with 3,594 FFPOS students. Western Australia's Curtin University of Technology with 3,123, was also a major destination (DEET, 1996:74).



Source: (DEET, 1996)

Figure 3.4: Enrolments of international students in top 10 Australian universities

The popularity of such universities appears to be related to the marketing efforts of these institutions rather than course offerings or reputation³.

³ Monash University and UNSW enrolled large numbers of international students prior to the mid-1980's. This gave them an enhanced reputation in overseas markets. QUT had no international students prior to 1986 and made a conscious decision to attract them through marketing.

3.5.3 Social profile of Australia's international students:

A social profile of Australia's international students can be gauged from data collected by the Western Australian government in a survey of 7,000 international students studying in that state (DCT, 1993). While the majority of students came from Asia, nearly half were from either Malaysia (27%) or Singapore (21%). A typical profile of these students was a person aged between 17 and 25 years of age, either male or female, who was studying under the financial support of family or guardians. One third of students had family members living in Western Australia. Their main motivations for choosing to study in Australia were i) its proximity to home (53%); ii) the climate and weather (36%); and iii) "better educational opportunities" (34%). Many of these students (46%) had been recruited for study in Australia by an education agent or by direct application to the institution (28%). Friends and education agents were the most commonly cited source of student information about institutions in Western Australia.

Similar results were produced from a study of 160 students undertaking English Language Intensive Courses for Overseas Students (ELICOS) in Western Australia (Hyung and Crowley, 1990). These students reported being influenced primarily by family and friends in their choice of study destination with 34 per cent stating this was their main source of information. When asked to compare Australia with other study destinations these students generally rated it as their second choice after the United States but above Canada and the United Kingdom. Most Hong Kong students rated Australia as their first preference while Korean students showed a preference for Canada. The United States and Britain were favoured more by Japanese and Thai students (Hyung and Crowley, 1990 :57).

The social and cultural adjustments facing international students can be significant with associated stress related problems. A study by Burns (1990) of 133 international and 76 local Australian students at Curtin University of Technology found that coping with routine domestic tasks was their most difficult problem. Basic issues such as "cooking, shopping, laundry etc, lack of privacy in accommodation, and transport to the university" were the main concerns of these students (Burns, 1990 :92).

Table 3.3 outlines the average weekly and yearly expenditures of these students on various items. Although permitted to undertake some part time work under visa regulations the majority of international students appear to be too busy studying to do so. The Department of Commerce and Trade study (DCT, 1993) found that most students who did work earned less than A\$100 per week and survived on funding from parents or guardians.

Table 3.3: Average expenditure on selected items by international students 1991*

Weekly expenditure on selected items		Annual expenditure on selected items	
• rent	\$ 75	• books	\$ 300
• food	\$ 45	• tuition (course) fees	\$7,917
• car transport	\$ 24	• travel in WA	\$ 500
• public transport	\$ 8	• travel in Australia	<u>\$1,450</u>
• leisure activities	\$ 30		
• other items	<u>\$ 35</u>		
• Total	\$217	• Total	\$10,167

* All figures in Australian Dollars

Source: (DCT, 1993)

A survey of 1,715 international students in secondary schools, ELICOS centres, universities and other post-secondary institutions was undertaken in 1992 by Roy Morgan Research (Harris and Rhall, 1993). This estimated the average weekly income for international students to be between A\$612 and A\$702 per week. Students from Japan, Singapore and Taiwan enjoyed significantly higher average weekly incomes than did students from other countries. Average weekly expenditure of international students was estimated at between A\$485 and A\$521, including outlays on textbooks and course materials.

The financial benefits Australia obtains from its international students can be gauged by considering the aggregate spending of the 80,722 students who studied here during 1995. Assuming an average annual expenditure on household items, books and fees and travel of around A \$21,451 (based on the figures in Table 3.3) estimate an annual income flow in excess of A\$1.7 billion from international education.

3.6 National promotion of Australian international education

The marketing of Australian international education has largely been the responsibility of individual institutions. At a national level the Australian International Education Foundation (AIEF) seeks to provide strategic coordination of the industry's marketing efforts. Other agencies active in the field of international marketing of education are the International Development Program of Australian Universities and Colleges (IDP Ltd.), AUSTRADE, and various state and territory based organisations.

Within the university sector the most significant of these has been the IDP Education Australia Ltd. Established in 1969 by the Australian Vice Chancellor's Committee (AVCC) the IDP was originally aimed at supporting higher education institutions in the Asia-Pacific region with aid. During the mid 1980s the IDP began to focus more upon marketing education, and in 1988 was incorporated into a non-profit company owned by the AVCC and the Commonwealth Government (DEET, 1993).

By the early 1990s the rapid expansion of Australia's international education industry, and the problems associated with the Chinese student issue, led to calls for greater federal government regulation and intervention (McKinnon, 1990). Federal funding support for overseas promotion and recruitment services were criticized as being inadequate (Smart, 1992). Furthermore, aggressive marketing by some Australian institutions was also attracting criticism within overseas markets (Boonprakob, 1991). For example, in many Asian markets Australian education institutions relied heavily on private recruitment agents. Although most were professional, some instances of unethical practice tarnished the image of the education institutions they represented (Davis, 1989).

In 1990 the IDP established nine Australian Education Centres (AECs) throughout Asia in Hong Kong, Kuala Lumpur, Jakarta, Singapore, Seoul, Taipei, Bangkok, Suva, and Manila (DEET, 1993). Designed as "one stop shops", the AECs were supposed to offer advice and information to prospective students while also arranging promotion and recruitment. Although similar in concept to the British Council or

USIA offices, the AECs did not receive sufficient funding to cover their operating costs and charged service fees. This policy of charging prospective students for services was contrary to the practices of USIA or the British Council. It was also viewed by some as projecting a negative image of Australian international education (Carruthers, 1993).

During 1991, for example, the AEC in Singapore was charging students an administrative fee of A\$50 to complete visa applications, while the same service was available free from the Australian High Commission (Smart and Ang, 1992a :28). Concern was also expressed over AEC staff being remunerated from commissions for recruitment and the potential conflict of interests this might pose (Marshall and Smart, 1991).

To address such issues the Australian Federal Government announced a continuing commitment towards the “internationalization of education”, but with the aim of shifting the industry focus to “a more mature position, away from narrow economic perspective’s” (Beazley, 1992). During 1993 the role of the AECs was reviewed (DEET, 1993). By December of that year the Australian International Education Foundation (AIEF) was established (Beazley, 1993).

The formation of the AIEF was an attempt by the Federal Government to achieve national strategic coordination over the marketing of international education (Beasley, 1993). Under the agreed arrangements, the AIEF was to receive A\$18.5 million throughout 1994-1995 from the federal government, to assume control over the AECs and have responsibility for promotion and market research. (Beasley, 1993).

While generally welcomed as a much needed development, the AIEF was criticized by many within the industry over its lack of representation (Guinery, 1995), and its handling of the AEC network. An initial dilemma facing the AIEF was the management of the AECs that were still controlled by IDP Ltd. In order to avoid conflict with the universities it was decided to permit IDP Ltd to continue to manage them for an interim period. This created concern from the non-university institutions. For example, in a submission to the Trade Sub-Committee of the Joint Standing

Committee on Foreign Affairs, Defence and Trade, Moore (1995) criticized the government's decision to establish the AIEF and place the AECs under its control. According to Moore, who was claiming to speak on behalf of privately owned education institutions:

"Many of those in the industry are extremely disappointed that following a review of the AEC performance and the acknowledgment of its failure, that the government has now subcontracted the administration of the new Australian International Education Foundation (AIEF) to the IDP, an instrumentality of the Australian Vice Chancellors Committee (AVCC). We do not regard the relationship as being at arms length nor do we see that the mistakes of the past will be necessarily avoided. Rather we see an even more expensive bureaucracy being established which will have the potential to do even more damage to the industry" (Moore, 1995 :52).

These criticisms were echoed by Power (1995), who noted the AIEF was to offer unbiased counselling services via the AEC networks in key overseas markets. However, the sub-contracting of the AEC offices to IDP Ltd was viewed as establishing potential conflict of interests. IDP Ltd, as a private company owned by the Australian Vice Chancellors Committee, was likely to enjoy a commercial advantage over private education suppliers. In the Indonesian market, for example, IDP Ltd and AEC offices were co-located in the same building and floor. According to Power (1995 :164):

"It is now causing a great deal of antagonism to our representatives in that the employees of a private company are being housed inside the Australian government buildings where they are supposed to be giving 'unbiased' generic information about studying in Australia - no one is convinced that this counselling is indeed impartial or generic. The consequences of this cosy deal struck between DEET and the IDP could be catastrophic for our industry".

This decision by the AIEF to sub-contract the AEC management to the IDP Ltd created significant unease among private recruitment agents in the nine markets where the AECs operated. Agents viewed the AEC/IDP linkage as both unethical and a threat to their own commercial interests, and accused the AEC staff of excessive bureaucracy and commercial naiveté (Rees, 1993).

In addition to the international promotion and marketing efforts of federal agencies the Australian State governments also undertake independent activities. One of the

more active states is Western Australia, which has placed WA Education Officers (WAEOs) in selected international markets since the mid-1980s. In 1993 WAEOs were located in Singapore, Hong Kong and Kuala Lumpur within the Western Australian Government's Trade and Investment Offices in each city (DCT, 1993 :43).

Since 1991 the WAEOs have been under the control of the WA Department of Commerce and Trade and undertake a marketing function for Western Australian education institutions. Staffed by locals they generate revenue by charging registration and counselling fees and from commissions for student recruitment (DCT, 1993 :44). As they operate in parallel with the AECs, a degree of competition has arisen. Unlike the AECs the WAEOs cannot process visa applications, which tends to favour the AEC (Smart and Ang, 1992a :28). The AECs have been criticized by WA education institutions for charging excessive fees and demonstrating a bias towards eastern states institutions (DCT, 1993 :46).

3.7 The competitiveness of Australian international education

The *International Competitiveness Study*, of prospective international students and their advisers in Asia, Europe and North America found that Australia was not universally viewed as a quality service provider (AGB, 1992). Whereas the United States was perceived to be a centre of excellence in business, computer and engineering courses, and Britain held a similar reputation for law and medicine, Australia could not be easily identified as having any particular excellence. As noted by the report:

"Australia's reputation is more commonly linked to the country itself. It is politically stable, has a pleasant environment, is calm and peaceful, and it would be a good place to visit (or indeed to emigrate to)" (AGB, 1992).

While Australia's reputation in established markets such as Hong Kong, Malaysia and Singapore was reasonably good, in Korea and Taiwan the picture was quite different. Korea student advisers, for example, considered Australian education as "low to middling" and "no better than that available in Korea" (AGB, 1992). The report recommended that Australia segment its markets into Asian and European/United

States. The former being primarily a source of undergraduate and graduate students into higher education, while the latter attracted more short English language and language tourism students. The main emphasis in marketing was to be upon quality, with promotional activities designed to reinforce an image of high education standards and successful graduates.

3.7.1 Factors influencing student study destination choice:

A study by Clarion University of Pennsylvania in 1989 into factors influencing an international student's decision to go to the United States identified four criteria: 1. Cost of living; 2. The availability of scholarships or financial assistance; 3. Opportunities for employment; and 4. Academic entry requirements of the institution (Stewart, 1991). Similar findings were reported in the *International Competitiveness Study* that suggested that international students were also motivated by: 1. The cost of fees; 2. Cost of living; 3. Migration issues (e.g. relatives living in the host country); and 4. Success of friends, acquaintances or Alumni in careers post graduation (AGB, 1992). A further study conducted by the AIEF into the decision making of international students from Indonesia and Taiwan found that those students with adequate family financial support were motivated to study abroad in order to "learn more about western culture" and obtain a better quality education. Key factors influencing student choice were: 1. Prior knowledge and awareness of the country they chose to study in; 2. Geographic proximity to home country; 3. The "environment" there (eg. crime rate, climate); 4. Whether they knew other students who had studied there; and 5. Whether they received recommendations from family or friends (Mazzarol, Kemp and Savery, 1997).

The competitiveness of Australia's international education sector is likely to depend upon its ability to satisfy these factors. To this extent Australia is geographically close to many Asian markets, it has a reputation as a relatively safe and healthy environment, particularly for female and younger students. However, it is not as well known as the United States in terms of its institutions or qualifications, and is not viewed as the "centre of western culture" (Mazzarol, Kemp, Savery, 1996).

3.7.2 The price competitiveness of Australian international education:

The importance of cost to the international competitiveness of Australian education should not be underestimated. Given that the price sensitivity of the international education market is considered to be quite high over the longer term (Hughes, 1988 :232) any significant increase in the relative cost of Australian education is likely to reduce market share. Small changes, such as the rise in cost of Australian visa application fees, from A\$30 to A\$230, was reported to have been a deterrent for many potential overseas students (Smart, 1991)⁴. A British 3-Year Honours program is now comparable in cost to a 4-Year Australian one, leading the Singaporean Public Service Commission to send students to the UK rather than Australia (Smart, 1992a).

Table 3.4: Comparative costs of overseas study 1994

	Visa	Fees	Living costs	Medical	Total
Aust	\$130	Arts: \$7,546-13,499	\$8,999-14,000	\$220	\$16,768-27,719
		Sci/Eng: \$12,500-19,499			\$21,719-33,719
		Medicine: \$20,000-26,000			\$29,193-40,220
UK	\$31-67	Arts: \$12,693-16,985	\$8,999-13,385	n/a	\$21,692-26,078
		Sci/Eng: \$16,985			\$25,984-30,369
		Medicine: \$22,363			\$40,270-44,655
NZ	\$122	Arts: \$7,201-8,337	\$6,064-7,579	n/a	\$13,266-15,916
		Sci/Eng: \$9,855-14,859			\$15,919-22,438
		Medicine: \$22,363			\$28,428-29,941
US	\$147	Public: \$2,409-21,612	\$7,912-22,711	\$952	\$11,273-45,275
		Private: \$5,509-31,062	\$8,791-13,187		\$14,374-54,725
Canada	\$85	Arts: \$4,507-7,764	\$10,190-17,601	\$579	\$15,276-25,994
		Sci/Eng: \$4,507-7,764			\$15,276-25,994
		Medicine: \$7,514-12,525			\$18,283-30,705

Source: (IDP Ltd, 1994)

As Table 3.4 shows a study undertaken by the Department of Employment, Education, Training and Youth Affairs into the comparative costs and quality of post-

⁴ Australian visa charges for international students increased again in 1996 to A\$280 to cover the cost of maintaining the AIEF.

graduate education in Australia, Canada, New Zealand, the United Kingdom and United States, concluded that Australia's costs and quality were competitive (Davis, 1995).

Other advantages offered by Australia are the relatively generous work provisions within student visas. International students are entitled to undertake part-time employment while studying, and their spouses can work full-time. Australian institutions also tend to fix the levels of their fees for the duration of the course in most cases (Davis, 1995).

In addition to Australia's competitiveness in terms of quality and cost, the attractiveness of the country as a migration destination has also been emphasized (Nesdale *et. al*, 1995). Australia is promoted as having low crime, clean cities and a comfortable standard of living (Crean, 1994). It is also relatively close to many South East Asian markets in comparison to North America or Europe. Such factors also enhance its attraction as a place of future residence. For example, a survey of 2,019 international students at Australian universities in 1991 found that nearly half (47%) intended to immigrate to Australia at some later date (Nesdale *et. al*, 1995). The most cited motivation for wanting to immigrate was political and social conditions. Similar findings have been shown in other studies (Steadman and Dagwell, 1990; Gardiner and Hirst, 1990).

3.7.3 What will be Australia's future market share ?

According to a study of 25 selected source countries, by the year 2000 Australia could be host to 5 per cent of the world's international students, and this share could grow to 7.5 per cent by 2010 if current trends continue. This would see the total number of international students studying in Australia increase from 80,722 in 1995 to 125,000 in 2000 and 288,000 by the year 2010 (Blight, 1995 :45). The main competitors to Australian international education will be the United States, United Kingdom, Canada and New Zealand. Of these the United States is likely to be the most significant supplier.

The study concluded that Australia would need to maintain its current market share of international students from current markets such as Malaysia, Indonesia and Singapore, while building market share in China and India. Success in this will be conditional on three things: i) rebuilding confidence in the China market; ii) tapping the potential of the India market; and iii) enhancing Australia's image as a "world-class provider of high quality international education" (Blight, 1995 :45).

As noted earlier in this chapter the collapse of the China market in the late 1980s was the most significant crisis experienced by Australian international education since its inception. Furthermore, the strong link between international education and immigration is of critical importance. Any attempt to significantly expand the number of Chinese students in Australia will be likely to conflict with immigration policy. A massive 78 per cent of Chinese students surveyed in Australia expressed a desire to emigrate (Nesdale *et. al*, 1995 :39). This fact, coupled with the social and political strains likely to be experienced in China over the foreseeable future (Goodman, 1991) suggest that expanding the China market may not be a straightforward matter.

A similar problem may emerge for Australia in attempting to expand market share in India. There are 169 universities and 7,000 colleges in India, many of which are among the best in the world (Devi, 1994). During the 1950s the Indian government encouraged overseas study and offered scholarships for capable students. However, a high proportion of international students failing to return to their country of origin prompted a reversal of policy which has only recently been relaxed (Altbach, 1991). Unfortunately, lack of government funding, low rates of pay for academics and inadequate quality control has resulted in an erosion of standards among many Indian universities (Devi, 1994). These problems have been acknowledged by Australian universities who express concern over both the risk of immigration problems, and the difficulty in credit transfer for students whose Indian qualifications may be suspect ⁵.

⁵ Interviews were conducted with fifteen institutions throughout Australia in 1995 and further discussions undertaken in 1996. Chapter 8 provides a detailed account of the 1995 discussions.

3.7.4 Other challenges facing Australian education:

Finally, the ability of Australia to enhance its image as a quality supplier of international education will depend upon a combination of government and institutional policy. As noted elsewhere in this chapter the Australian tertiary education system has expanded rapidly during the period 1970-1990 and is now, more than ever before more accessible. Australia's tertiary education system plays host to a mix of students who are substantially more representative of the population as a whole than is the case in the United States, United Kingdom or several other European countries (Anderson, 1992). Australia's university students are now somewhat older than many of their counterparts in other OECD countries, and many are part time (OECD, 1987 :34-41).

This transition from an 'elite' to a 'mass' education system at the tertiary level has been driven by government policy which continues to dominate Australian higher education (Mahony, 1994b). Despite concerns that this trend would lead to a dissolution of quality and a 'lowest common' denominator model emerging within the system, the trend of the mid-1990s appears to be towards a highly competitive, market driven system (Mahony, 1994a). Faced with increased Government pressure to diversify their sources of income many Australian universities are now charging fees to domestic students for postgraduate courses (Wu and Waller, 1995). This market orientation is at its most pronounced in the field of international education. In seeking to attract international students Australian education institutions have been forced to expose their quality to the scrutiny of international markets. The success enjoyed by Australian institutions in recruiting students suggests that this quality has been assessed as adequate. The challenge for the successful marketing of Australian international education will be to focus on quality and the projection of a suitable image into targeted markets.

Chapter 4. Marketing Strategies for Education Services

4.1 Introduction

This chapter seeks to examine the specific problems associated with the marketing of international education. As a professional service it requires reference to a range of literature relating to the marketing of services. Much of the literature relating to the export of education, however, has been concentrated in the disciplines of education, psychology, economics and political science (Altbach, Kelly and Lulat, 1985; Altbach and Wang, 1989; Altbach, 1991; Smart and Ang, 1992b). Due to an absence of any substantive literature directly addressing the marketing of education, the chapter will aim to bring the theory of services marketing together with information gathered from field research and other relevant sources. The principal focus of this chapter is the marketing strategies that should be adopted by education institutions seeking to gain a competitive advantage in international markets. For the purposes of structure the “services marketing mix” model has been chosen as a framework for the discussion (Booms and Bitner, 1981).

4.2 A “Marketing Mix” for education services

In the development of marketing strategies a critical focus has examined the use of the “*marketing mix*” which did McCarthy (1971) first postulate. This identifies four elements (1. *product*, 2. *price*, 3. *promotion*, and 4. *place* or distribution); each provide the foundation of a marketing strategy designed to successfully position a firm within its market.

Although the “*marketing mix*” is widely accepted as the basis of most marketing strategy it has been criticized for lacking relevance to services (Cowell, 1984 :69). This criticism is based upon the view that the “*marketing mix*” is oriented towards tangible products. A revised marketing mix for services was developed by Booms and Bitner (1981), who retained the initial four “P’s” of product, promotion, price and place, but added a further three (“people”, “process” and “physical evidence”). The reference to “people” reflects the importance of employees to service enterprises.

“Process” highlights the need for service workers to be well trained or guided by common standards designed to avoid inconsistent service delivery standards. Finally, “physical evidence” recognizes the problems intangibility creates in attempting to communicate images of quality or efficiency in services (Shostack, 1977).

Alternative marketing mix structures have been suggested for use in the services. For example, Bevan and Scotti (1990) proposed a “SOAR” model comprising: i) *Service Scripts* - because services are performances with outcomes not outputs; ii) *Outlay* - as service consumers invest more than money as they frequently participate in the process; iii) *Accommodation* - meeting consumer needs; and iv) *Representation* - in recognition of the intangible nature of services for promotional reasons.

In seeking to develop a marketing mix for the export of higher education, Kinnell (1989) favoured a traditional approach as this “firmly anchored the elements of the mix to the needs of educational institutions”. Her model involved five elements: i) product design (education programs); ii) pricing; iii) distribution (availability and accessibility), iv) communication and advertising; and v) environmental structure. This last element took into account the local needs of the target market.

Despite the merits of these various frameworks the most widely accepted is that of Boom’s and Bitner’s (1981) “7 P’s Services Marketing Mix” (Dibb and Simkin, 1993:26). This seems an appropriate framework in which to examine the issues associated with international education as a service-marketing problem. In the following sections the seven elements of the “mix” are used to examine the marketing of international education.

4.3 The nature of product in education services

The intangible nature of services creates difficulties when attempting to define the nature of their product (McDougall and Snetsinger, 1990). This is particularly so for professional services, in which the degree of intangibility and complexity is often high (Schmenner, 1986). In its broadest sense a product is comprised of three distinct elements: i) *the core product* - which consists of the benefits or utility the product

transfers to the customer; ii) *the actual product* - the tangible elements of the product; and iii) *the augmented product* - the intangible elements, such as brand image (Kotler, 1991). Let us now examine education in terms of these three product attributes.

4.3.1 The Core Product - the Human Capital Model and social enhancement:

The benefits or utility that education transfers to the consuming student include both economic and social elements (Belohlav, 1984). Economists refer to the “human capital model” to describe the economic benefits a student gains from education (Rosen, 1980). This suggests that the additional income earned over the course of a student’s life will be higher as a result of his/her education. The income forgone while studying and any money spent on education will be recouped from the additional money earned (Harris and Jarrett, 1990 :13-17).

As discussed in Chapter 1, the post war expansion of the education systems in most countries accelerated the development of education as a commodity product that was then subject to business disciplines. According to Marginson (1986:92), the expansion in education during the post-1945 era was a major contributor to the acceptance of the human capital model. Criticism of the human capital approach suggests that it concentrates only on a narrow market function of education, ignoring the social and cultural aspects of the process, which are not easily measurable in personal income terms (Marginson, 1986).

Although the view that education offers more than purely economic benefits as part of its *core product* is valid, the power of the economic argument remains strong. In many of the developing countries from which international students are recruited, the financial benefits of an education are substantial and result in greater job security (Hobsbawm, 1994 :353-354). An examination of the returns to Malaysian students of an Australian university degree found that they produced higher rates of return than degrees from local Malaysian universities (Lewis and Shea, 1994). Singaporean students undertaking degrees in Australia also achieved positive rates of return (Lewis, 1992). However, the forces of the market may eventually place limitations on such returns to education if the supply of graduates exceeds demand. For example,

the attraction of lucrative employment following graduation has motivated many Asian students to undertake MBA programs, resulting in a glut in many countries (Blass, 1994).

In addition to the economic benefits offered by education there are also considered to be numerous social ones (Stanford, 1986). The cultural exchange that the education process entails has been well recognised (Spindler, 1974). Education may also have “transitional” (assisting the student to move from one state to the next), and “transformative” (changing attitudes) functions (Nash, 1974). For example, many Chinese students returning to China after completing their studies in the United States have been observed to possess more independent orientations than their colleagues educated at home (Wingrove, 1995). Female international students, in particular those from traditional cultures, have been found to experience more significant attitudinal change than their male colleagues (Rowe and Sjoberg, 1981; Goldsmith and Shawcross, 1985). Studies of international students in Australia have found that most enjoyed their time there (Harris and Rhall, 1993), and many took the opportunity to travel throughout the country (DCT, 1993 :48). Such findings indicate that international students are gaining more from their study experiences than just qualifications.

Students from Hong Kong have been found to view an international education on a variety of levels. Chinese families on one level, see the pursuit of higher learning as a pathway to a better life. However, on another level, an international qualification can be a sign of social status among the wealthy (Smart and Ang, 1993b :12-13). In Taiwan the picture is one of relatively intense pressure on families to put their children through tertiary education. A “loss of face” socially is the penalty for failing to gain access into university (Smart and Ang, 1995a). Recognition of the non-economic aspects of education among many Asian markets has resulted in a change of approach by education exporters. In recent years the social benefits to international students have been emphasized more by Australian policy makers and institutions eager to avoid criticism of being too commercially focused (Nesdale *et. al*, 1995 :75-76).

4.3.2 The Actual Product - courses and programs:

With respect to the *actual product*, this aspect of the education service is best described in terms of the courses and programs offered by the institutions. According to the Industry Commission these can be described as follows:

"Exports of education services are most commonly thought of as students coming to Australia to study but they can also include correspondence courses for overseas students, the electronic transmission of lectures and courses overseas, and Australians travelling overseas personally to provide various forms of education" (Industry Commission, 1991 :15)

Courses and programs offered within the international education industry vary dramatically and encompass a wide range of disciplines and levels. The main focus of the industry is on higher education with the university degree or higher degree being the principal qualification sought. However, students also seek diploma and certificate level qualifications from schools, vocational education and training colleges and other institutions. Courses vary in duration and cost as well as content and delivery medium. For example, in Australia during 1995 the median cost of an undergraduate Bachelor's degree was A\$10,950 per year and the duration was 3 years. By contrast, Diploma courses took two years and cost A\$7,500 per year; Certificates took one year and cost A\$6,950. Post graduate degrees took between one and four years and cost between A\$12,000 and A\$15,000 per year (DEET, 1996 :18).

Associated with this aspect of the education product are the facilities and teaching materials or equipment consumed by the student during his/her course of study. This aspect of the education service process will be addressed in greater detail in the section relating to physical evidence. Discussions with, and visits by the author to a range of educational institutions in Australia during 1995 found a keen awareness by these organisations of the importance of maintaining high standards of quality in their facilities¹.

¹ Fifteen case studies of international service providers were undertaken throughout Australia in 1995 as a follow up to a mail survey of 315 institutions in 1994. The findings of these case studies are outlined in Chapter 8 and accompanying appendix.

Although most educational institutions have traditionally made little attempt to modify their courses to suit the needs of international students this may be changing. Within many Asian markets there is a trend away from the standardized course towards more specialised programs. This is particularly noticeable at the post-graduate level with a growth in specialised Masters courses (Hamill, 1994). As the strength of East Asia's economies grow the academic hegemony of Western scholarship is likely to come under challenge. Western management practice, for example, has been questioned as a suitable model for the instruction of Asian managers (Jain, 1984). In order to maintain a satisfactory presence in many Asian markets it may become necessary for education institutions to increasingly tailor their courses to suit the demands of international students (Andreevski, 1993). Many institutions have begun to respond to this, establishing special programs aimed at attracting international students from Asia (Stening and Dodgson, 1995). Academic teaching practice may also need to adapt to the requirements of international students who come from a different education background to that of most "western" school systems (Morris and Hudson, 1995).

4.3.3 The augmented product - reputation and brand image:

The international student is also purchasing more than just their course. A host of other tangible and intangible items are purchased to comprise the *augmented product* element. The reputation of the supplier country or individual institution is a critical factor in motivating a student to select a given course (AGB, 1992). Kinnell (1989), for example, found many international students chose a university in the United Kingdom for the perceived quality of obtaining a "British Education".

Students, particularly those undertaking long courses at universities, consider the cost of living as being of importance to their decision (Davis, 1995; Mazzarol, Kemp and Savery, 1996). Factors such as the ability to undertake work while studying, or as an opportunity for migration have been noted as further motivations (Burns, 1990; Hyung and Crowley, 1990; Nesdale *et. al*, 1995). The physical environment of the host country (cleanliness, crime, scenic attractions, lifestyle) also play an important

role in particular to short language-tourism courses² (LTG, 1996). Australia's attractiveness as a centre of pilot training is due in no small part to its excellent weather and relatively open air space.³

The importance of the *augmented product* within the successful marketing of international education should not be underestimated. As will be seen in Chapter 6, the findings of a multi-country survey of education institutions highlights the importance of a "quality reputation" as a critical success factor for institutions seeking to recruit international students. Due to the intangibility of the education service it is likely that this aspect of the product may be the principal area over which institutions can demonstrate to potential students a competitive advantage.

Although the *core product* might be a principal motivation attracting a student to study (eg. the expectation for enhanced career prospects), it does not in itself determine which country or institution to select. The *actual product*, while important to many student purchase decisions, is not necessarily a powerful influencing factor for at least two reasons. The first is the difficulty a prospective student has in evaluating the merits of the courses and programs offered by the institution. These are generally highly complex and insufficient reliable information is available. The second reason the *actual product* may not influence the final purchase decision is the similarity that often exists among programs offered by institutions. For example, despite what are undoubtedly many subtle differences in the MBA programs available from universities throughout the world, these differences may not always be perceptible to the prospective student. By contrast the *augmented product* offers an opportunity for the institution to develop a recognizable differentiation in its service offering that can form the basis of a competitive advantage.

One of the most critical aspects of developing such a valuable differentiation via the *augmented product* is the development of a strong "brand equity" (Aaker, 1992) or brand image/reputation in the market. The intangible nature of services increases the

² Confirmed from discussions with three leading ELICOS Colleges during 1995.

³ According to Air Training Colleges interviewed during 1995 the main competitors to Australia in aviation training are operators in California and Florida due to their favorable weather conditions.

importance of successful branding strategies which can differentiate them from what are otherwise highly similar product offerings (Onkvisit and Shaw, 1989). Attempting to successfully brand a service has been linked to four strategies: i) focus on quality; ii) offer superior service; iii) be an early market entrant; and iv) differentiate the service from its competitors (Doyle, 1990). Branding within the services is well established, although it has not been common within the education sector (Dibb and Simkin, 1993). Education institutions seeking to develop “*brand equity*” in international markets must first raise their profile, something which is best achieved via effective use of promotional strategies.

4.4 The promotion of international education

Research into consumer behaviour has indicated that consumers search for services in a different manner to tangible goods (Zeithaml, 1991). This draws upon the notion that most goods contain two elements critical to the search behaviour of consumers. The first are ‘*search qualities*’, which are elements of the product that the consumer can evaluate prior to purchase. The second are ‘*experience qualities*’, which are those things that can only be known after purchase or during consumption (Nelson, 1970). Services, due to their intangible nature are generally low in ‘*search*’ qualities requiring consumers to rely more heavily on ‘*experience*’ qualities. A third set of elements ‘*credence qualities*’ are said to exist which consumers cannot evaluate even after purchase (Darby and Karni, 1973). These relate to such complex activities as medical diagnosis or motor vehicle repair, the quality of which many consumers cannot assess independently (Zeithaml, 1991). Services tend to be high in both ‘*experience*’ and ‘*credence*’ qualities making them difficult to evaluate prior to purchase.

As a professional service, education requires somewhat different treatment than more generic services (eg. fast food restaurants) when developing promotion strategies. Hill and Neeley (1988) have highlighted the differences between professional and generic services with respect to the consumer decision process. Professional services tend to be much higher in ‘*credence qualities*’ than generic services thereby increasing

the level of perceived risk of making an incorrect purchase decision. Consumers seeking professional services generally spend more time gathering information and evaluating alternatives than is common with generic services. Due to the high '*credence qualities*' and perceived risk associated with professional services the prospective consumer is more likely to seek reliable referral sources. Word of mouth referral therefore becomes an important source of information in the decision making and search process. Hill and Neeley (1988) propose three strategies to be followed when promoting a professional service: i) increase the available external information to the potential consumer; ii) increase the consumer's control over the decision making process; and iii) reduce the perceived level of risk. These aspects of promoting professional services will be considered later in this section when examining the various promotional strategies available to education institutions.

4.4.1 Promotion of services is different to promotion of goods:

Lovelock (1991 :250-254) has identified four essential ways in which the promotion of services differs from packaged goods. The first of these is the inability of services to store their product in inventory which results in them using promotion, plus other strategies, to smooth out the peaks and troughs of the demand cycle (Shemwell and Cronin, 1994). This has resulted in some United States colleges adopting an eighteen month admissions plan aimed at ensuring a regular flow of student enrolments at the commencement of each new academic year (Turner, 1978).

A second difference between services and packaged goods is the reduced use of intermediaries within the marketing channel (Lovelock, 1991). Whereas packaged goods producers tend to use a wholesaler-retailer network to distribute their products, services are usually delivered directly to the customer. This is certainly true of international education, which traditionally brings the student to the institution. A third difference is the enhanced importance of the service provider's own staff as contact personnel in touch with the customer. Many education institutions make use of their own staff to visit prospective students and promote their services. This can

also involve contacting such key people as student counsellors at high schools, or private recruitment agents (Weirick, 1978).

Finally, promoting services differs from that for packaged goods in the high level of customer involvement in the production of the service (Lovelock, 1991). Many service industries can make use of differing levels of customer involvement to assist with the segmentation of their market, and the differentiation of product (Kelley and Skinner, 1990). For most education services a high level of student participation in the production process is essential for success. However, the quality of the education service experienced by the student has been found to have an important influence on student willingness to serve as a future promotion source supplying word of mouth recommendations to prospective students (Allen and Davis, 1991).

4.4.2 The promotions mix for international education:

Marketing theory identifies five elements that comprise what is referred to as the '*promotion mix*': i) advertising; ii) direct marketing; iii) sales promotion; iv) publicity/public relations; and v) personal selling (Belch and Belch, 1995 :9). Use of all five elements in an '*integrated marketing communications*' plan has been advocated as the most effective way to enhance brand image within the market (Schultz, 1993; Ward-Fawcett, 1993). All five elements of the promotion mix have been used in the promotion of international education, however, not all elements are as useful to education as they are to other services or tangible goods.

Within Australia the methods which have been employed to promote international education have included such things as: i) advertising in the mass media; ii) employment of private recruitment agents; iii) staging trade fairs in selected overseas markets; iv) personal representations by staff from the institutions; and v) use of government managed information centres (eg. AECs) located in overseas markets (Industry Commission, 1991 :209-227). We will now consider three important elements of promotion as it relates to international education. These can be described as: i) advertising in the mass media; ii) personal selling and use of publicity; and iii) professional promotion (eg. word of mouth referrals, direct communication by

institution staff). Each of these incorporates the various elements of the “*promotion mix*” described earlier.

4.5 Advertising in the mass media

Advertising has been defined as “*any paid form of nonpersonal communication about an organisation, product service, or idea by an identified sponsor*” (Alexander, 1965:9). The specific characteristics unique to services (e.g. intangibility, heterogeneity, inseparability of production and consumption, and perishability) create difficulties for organisations seeking to advertise them (Zeithaml, Parasuraman and Berry, 1985). Legg and Baker (1991) note that consumers face at least three problems when searching for services. The first relates to what Bateson (1979) describes as ‘*understanding*’. This refers to the difficulty consumers often face in attempting to understand many services particularly complex ones such as education. The second is the ‘*Evoked Set*’, a term used to describe the situation facing consumers once they understand the service but find difficulty in identifying lists of potential service providers (Zeithaml, 1991). Finally, consumers face the dilemma of ‘*evaluation*’ whereby they find difficulty evaluating the quality of a service providers even after they have identified a potential list (Zeithaml, 1991).

In order to overcome these problems it has been suggested that services advertising should target both the prospective consumer and the employees of the service organisation itself (George and Berry, 1981). Use of staff rather than actors in advertisements helps to generate not only an image of the reality of the service offering to the potential consumer, but may also serve to project a desirable role model to employees (Lovelock, 1991 :248).

4.5.1 Provide tangible clues to quality and use student testimonials:

The intangibility of services makes it desirable that advertising seek to “tangibilize” (Shostack, 1977) their services via strategies aimed at highlighting the tangible clues evident in the service (Berry, 1980; George and Berry, 1981). Many education institutions have attempted to do this through the projection of images of their

students, buildings and facilities⁴. In the advertising of services it has been suggested that greater attention be placed upon using recognizable symbols, trade marks, credible spokespersons, and the use of testimonials (Lovelock, 1991 :249). Research into the promotion of community colleges in the United States highlights the value of student testimonials rather than advertisements featuring the college President or staff (Danko, 1986).

The use of testimonials in advertising education services aids understanding and may assist prospective students to evaluate the institution's programs and operations. It follows the principal of '*vividness theory*', or the dramatizing of service performance or benefits (Legg and Baker, 1991). As one student commented when asked to evaluate the merits of testimonials as an advertising strategy for a community college:

"When I was in high school there was this ad in the paper where this man who had six kids, worked all day and went to a Community College at night and then transferred and went to a private four year school. He was in school for ten years, night school, and came out with his degree. And it impressed me very much, I think it was a testimonial to him and he deserved it, and both schools deserved it ... it impressed me, and I've never forgotten it, I think it says a lot about the person and it says a lot about the school" (Danko, 1986 :176).

For many prospective students one of the most critical issues in evaluating the merits of an education institution is the reputation or quality it has. Attempting to measure the quality of an institution is a complex task which is difficult even for the experts (Johnes and Taylor, 1990 :185). A useful tool for measuring service quality is an instrument known as the SERVQUAL scale (Parasuraman, Zeithaml and Berry, 1988; 1991). This uses five broad dimensions to measure service quality: i) *reliability* - or the ability to perform the promised service dependably; ii) *responsiveness* - the willingness to assist customers and provide prompt service; iii) *assurance* - knowledge, expertise and courtesy of employees; iv) *empathy* - the provision of personal attention and care to the customer; and v) *tangibles* - the physical facilities and appearance of staff.

⁴ An examination of the brochures and promotional literature of fourteen institutions throughout Australia and representing all types of international education illustrates the prominence given to images of students, computer and library facilities, gardens and buildings.

In a survey of magazine advertising by service enterprises Day (1992) found education institutions made no reference at all to *reliability* or *responsiveness*. Most of their quality cues conveyed within the adverts were related to *assurance* (70.6%), followed by *tangibles* (35.3%), and *empathy* (29.4%). Accreditation of courses and staff (*assurance*) featured prominently, along with images of buildings and facilities (*tangibles*). The absence of *reliability* and *responsiveness* cues was not fully explained, although it may be assumed that education institutions did not consider they could easily demonstrate their ability to perform their service, and that promptness of service delivery was not relevant.

Day (1992) suggests that advertisements from education institutions might demonstrate *responsiveness* by showing their willingness to assist prospective students in designing suitable study programs. She also proposes that service enterprises might convey quality through advertising that seeks to emphasize how the service is to be provided. Advertisements that show the prospective consumer how the service will be delivered to them are likely to enhance the differentiation of the service offering. It may also assist the consumer's understanding and evaluation.

4.5.2 The value of mass media advertising to international education marketing:

Whatever the merits of mass media advertising it has not been widely used within education marketing and as will be shown in subsequent chapters is not viewed as being of much value to the promotion of international education. A survey of international students in Australia found that only some 3 to 8 per cent of respondents (depending upon type of institution attended eg. university, secondary, ELICOS) claimed mass media advertising to be their main source of information prior to selecting their institution (Harris and Rhall, 1993 :46).

Perhaps its most significant weakness is the perception that appears to exist among many prospective international students that institutions that advertise cannot be of high quality. A survey of prospective students undertaken throughout Asia, Europe and North America, found that heavy investment in advertising actually had a negative effect on the market (AGB, 1992). This was particularly pronounced in

Asia where education was viewed as something that should not be treated as a commercial product. This attitude was exemplified by the following response:

“Good schools do not advertise because students will know them by word of mouth. Credibility cannot go along with advertising. When I saw ads of an educational institute, I think that institute is not a good one” - Thai student (AGB, 1992 :4)

4.6 Personal selling and use of publicity

For many industries (e.g. insurance, retailing) personal selling is viewed as the most critical element within the ‘*promotion mix*’ (Stevens and Keane, 1980). The ability of a sales person to explain a product’s features and benefits directly to a potential consumer is often essential to the successful transaction of business within many industrial markets. At a minimum it should be used as part of an integrated marketing communications program (Belch and Belch, 1995 :550). Within the field of international education, personal selling generally takes the form of employing recruitment agents who advise prospective students on their study destinations and earn a commission from institutions for each successful enrolment. It also encompasses the use of other intermediaries such as government operated education information centres like the British Council and Australian Education Centres (AECs). Furthermore, it can involve participation in Trade Fairs and other publicity raising activities.

4.6.1 The use of recruitment agents:

The use of recruitment agents to promote international education has been one of the more controversial issues within Australia. Some commentators have criticized agents for giving false information and engaging in unethical practices (Davis, 1989). Others have indicated support for agents as a valuable form of promotion (Edwards and Browne, 1991). Some institutions favour the use of education agents and rely heavily upon them for recruitment. By contrast, others do not favour them and avoid their use. Surveys of international students in Australia support the view that agents are an important source of information. One study found 29 per cent of students surveyed had consulted an agent, and 20 per cent had relied heavily upon their advice

(Harris and Rhall, 1993 :62). Another study found nearly half the students surveyed had used agents (DCT, 1993 :49).

Private recruitment agents are located throughout most international education markets. Some agents represent single institutions or countries, while others serve as “multi-agents” who provide advice on a range of institutions from a variety of countries. Most agents assist prospective students by providing information and advice on institutions and courses, completion of documentation, plus arranging travel and even accommodation (Smart and Ang, 1992a :29). The main value of recruitment agents is their ability to provide face-to-face communication on the relative merits of a particular institution. As noted earlier, the consumer search process for services, particularly professional services, differs from other products (Zeithaml, 1991). The complexity and intangibility of the education service increases the importance of reliable sources of information and referral in the promotion process (Hill and Neeley, 1988).

Recruitment agents, if effective, will facilitate the student decision making process, guiding them through the substantial quantity of information and issues that must be considered prior to selecting a suitable institution. The agent may also be required to serve as a broker, negotiating the student’s entry into the institution and overcoming any bureaucratic obstacles such as visas and health checks. Information required for an effective purchase decision will frequently go beyond the courses themselves. Agents are usually involved in providing advice on banking arrangements, health insurance, housing and even part-time employment opportunities (Donohoe, 1989 :41).

4.6.2 The value of personal selling to international education marketing:

Personal selling within the professional services is generally underutilized. One reason for this is a reluctance on the part of many professional service organisations to engage in what is frequently viewed as a manipulative and unscrupulous activity (Morgan, 1991 :162-163). However, a more objective reason is the need for the sales representative to be sufficiently well trained so as to adequately assist the prospective

client to make an informed decision (Gummeson, 1979). Most professional services are complex and can only be successfully sold by people who can engender confidence by demonstrating their own expertise in the field. Selling skills alone cannot achieve this (Wittreich, 1966). This has been highlighted in the international education sector where a common complaint from students about recruitment agents has been the accuracy of their advice (Osmond, 1995).

Research into personal selling has emphasized the high cost of this form of promotion relative to other elements of the '*promotion mix*' (Cahners Research, 1992). The need to have highly trained and experienced sales representatives is likely to increase both the cost of personal selling, and the difficulties associated with its management. Institutions seeking to make effective use of recruitment agents will need to brief their agents in detail on their course offerings, and support them with regular visits by staff and provision of course information (Donohoe, 1989). Interviews with education institutions in Australia suggest that agent networks are managed quite differently throughout the industry⁵. Some institutions maintain close professional relationships with key agents, and reward their performance with subsidized trips to Australia. Others make little effort to develop effective working relationships and frequently view their agents with mistrust and suspicion.

Also important to the successful development of a recruitment agent network will be the initial selection of the agents. Any institution which associates itself with unethical agents is likely to suffer harm to its reputation (Smart and Ang, 1993b :47). For many institutions selection of agents is a "hit and miss" affair in which information enabling them to make an informed selection decision are unavailable (McEvedy, 1989). Research into the qualities desired in professional sales representatives has identified two important factors: i) empathy (the ability to understand the position of the prospective client), and ii) ego drive (the desire to achieve success) (Mayer and Greenberg, 1964). However, while these qualities may be useful predictors of successful sales performance, they do not adequately address the more sophisticated requirements of the professional service environment (Morgan,

1991 :164). The difficulties facing institutions seeking to find reliable recruitment agents have prompted a call for the introduction of a system of accreditation for agents (Smart and Ang, 1993b :47).

4.6.3 Using government promotion agencies:

In addition to using recruitment agents many education institutions seeking to recruit international students enlist the support of government information centres located abroad. The nature and role of such agencies as the British Council, United States Information Agency (USIA) and Australian and Canadian Education Centres (AECs/CECs) have been outlined in previous chapters. As noted in Chapter 2, the granting of management rights over the Australian Education Centres (AECs) to IDP Education Australian Ltd. by the Commonwealth Government in 1994 provoked a strong outcry from private recruitment agents (Rees, 1993). The most intense reaction appears to have emanated from Taiwan, a market in which Australian international education has not traditionally had a strong presence. According to Smart and Ang (1995a) there were a large number of agents operating in Taiwan prior to the establishment of the AEC in Taipei. Early tensions between the AEC and the agents in Taiwan has served to reduce the success Australian institutions might have had there (Mazzarol, Kemp and Savery, 1997).

The effectiveness of government information centres is difficult to gauge. A survey of international students in Australia found that 55 per cent had neither used nor heard of the AECs (located in ten Asia-Pacific capitals) (Harris and Rhall, 1993 :52). Another study found AECs recruited only 7 per cent of students sampled compared to 33 per cent from agents (Smart, 1993b :28). These findings were supported by another similar survey undertaken by the Western Australia government who found their own WA Education Offices (WAEOs) more effective in attracting students to that state (DCT, 1993 :49).

In addition to the criticism leveled at the AEC network from private recruitment agents, the main concern that has been expressed by education institutions is the

⁵ See Chapter 8.

ability of the centres to adequately represent their interests (DEET, 1993). Given the substantial number of institutions and courses available in Australia, it seems unlikely that any student counsellor, regardless of his/her ability, could adequately represent all institutions in an equal and unbiased manner. This view has been strongly felt by the small institutions such as private colleges, secondary schools and smaller universities (DEET, 1993). It was for this reason that the Commonwealth government reviewed and overhauled the AEC network in the early 1990s (Beasley, 1993).

During the early 1990s a review of the Australian AEC network considered the British Council's Education Counselling Service to be funded better and enjoy a "brand association" with the prestigious "Oxbridge" universities. The British ECS was reported as aiming to present itself as "a disinterested and non-commercial body" (DEET, 1993). This had not been the case with the AECs and this finding was the cause of calls for improved training programs for AEC staff to ensure the provision of impartial advice (Strickland, 1995 :83). The AEC network has been substantially reformed since the early 1990s and has been acknowledged as a role model for the Canadian CECs.⁶

4.6.4 Applying the sales process to international education:

Several models of the sales process as it applies to the services sector have been developed which may have application to international education (George and Kelly, 1983; George, Kelly and Marshall, 1986; Buttle, 1993). These suggest that an education institution should endeavour to "orchestrate the service purchase encounter" in such a way as to maximize customer satisfaction. This would involve careful preparation of agents and other recruitment staff to ensure that they fully understand the needs of their prospective students. In some markets, such as secondary education, the focus may be more upon a sound general education with social and cultural experiences rather than a more vocationally focused tertiary course (Leisch, 1989). In some situations the focus of the attention will be upon the prospective student, in others it will be on parents.

⁶ Based upon discussions with the Canadian High Commission in Canberra during 1996.

The sales process should also seek to “tangibilize the service” (Buttle, 1993). This can be achieved by ensuring that the sales representative is a highly credible source who commands respect for his/her knowledge and advice. Academic staff from the institutions is clearly a good example of this, although if agents are to be used they should themselves possess appropriate qualities. For example, if they are representing Australian universities they should ideally be graduates of an Australian institution. Other devices that might be useful in providing tangible clues are information booklets and brochures with maps of the institution, floor plans of classrooms or accommodation where necessary, and photographs of the institution. Some institutions are now using multi-media to assist this process⁷. The aim should be to assist the agent or sales representative to make the prospective student feel an active participant in the decision making process. Manipulation or coercion clearly have no place. More importantly is the need to convey to the prospective student/client that the institution is a quality service provider. As the agent or government information office staff member may be the first point of contact the institution using such people needs to ensure that the agent or representative is capable of delivering these qualities and impressions.

4.7 Professional promotion

The promotion of international education frequently occurs on two levels. The first involves “generic” promotion strategies aimed at increasing market awareness of the supplier country. Government agencies or collaborative groups of education institutions usually undertake this. The second involves the promotion undertaken by individual institutions to enhance their own image. As discussed above, participants in the field of international education have questioned the usefulness of advertising in the mass media. Of much greater prominence has been use of a range of media such as brochures and information booklets, student word of mouth referrals and presentations by staff to prospective students. These have been grouped under the

⁷ Queensland University of Technology has placed its student prospectus on the Internet in full colour with interactive software. New Zealand universities have produced a CD-ROM promoting their services to international students.

title “professional promotion”, to indicate their enhanced value to professional service enterprises in the education sector.

4.7.1 The importance of word of mouth referrals:

As discussed earlier in this chapter, the complexity and high intangibility of professional services increases the perceived risk of making a poor purchase decision (Hill and Neeley, 1988; Zeithaml, 1991). To overcome these difficulties the literature emphasizes the importance of personal sources of information rather than media advertising (Donnelly, 1980; Zeithaml, Parasuraman and Berry, 1985). This is best achieved by word of mouth referrals (Bessom and Jackson, 1975; Davis, Guiltinan and Jones, 1979; George and Berry, 1981). However, research suggests that while many service enterprises attempt to generate a constant flow of word of mouth referral is a difficult process to engineer (Zeithaml and Berry, 1985).

Limited research has been undertaken into the generation of word of mouth referrals in the professional services (Morgan, 1991 :44). Research undertaken in the fields of accountancy, legal, consulting engineering and banking services highlight the importance of word of mouth referrals to the final purchase decision (Sarkar and Saleh, 1974; Wheeler, 1987). This view is supported by research into the final enrolment decision of international students in Australia. For many Asian students the decision is influenced by a “close-knit circle of family, relatives and friends” (Hyung and Crowley, 1990 :52; Mazzarol, Kemp and Savery, 1996). Recommendations from friends and relatives, or the knowledge that a friend or relative has previously studied at a particular institution rate highly as motivations in the final enrolment decision (Harris and Rhall, 1993 :32). Far fewer students were found to be influenced by government information centres, trade fairs, or media advertising, although recruitment agents were also a fairly important influence (Hyung and Crowley, 1990; DCT, 1993; Harris and Rhall, 1993; ELICOS, 1995).

Allen and Davis (1991) have demonstrated a strong link between perceived service quality and the willingness of MBA students to provide referrals to prospective students. These findings are supported by surveys of international students which

indicate that institutional reputation was a key factor influencing the final enrolment decision (Harris and Rhall, 1993 :32). In later chapters we will examine the link between institutional reputation and success. It is apparent from the findings of this research (see Chapters 6, 8 and 9) that the reputation of an institution is critical to its success in an international market. What must be understood is that while service quality is more difficult to evaluate than for tangible goods (Parasuraman, Zeithaml and Berry, 1985), it can be communicated to prospective students through advertising (Day, 1992) and in particular by personal selling or direct communication (Buttle, 1993).

4.7.2 Use of brochures and direct mail:

In attempting to convey appropriate images to prospective students' education institutions will also need to carefully examine the literature they disseminate. Australia's international education suppliers have been criticized in the past for lacking adequate information and adopting a "glossy, 'touristy' approach" not adequately targeted at the "actual needs of potential students" (AGB, 1992 :4). Smart and Ang (1993c) have offered a set of guidelines on the preparation of printed materials for international education promotion. They suggest the need for such materials to avoid "commercialism" and emphasize or reinforce the quality and reputation of the institution. "User friendly" documents, simply worded and capable of "standing alone" without support from live institutional representatives is advocated. These recommendations are in keeping with the principles of conveying service quality through advertising discussed earlier (Day, 1992).

Recruitment tactics commonly employed by private colleges in the United States involve such measures as: i) personal letters mailed to prospects; ii) special telephone calls to follow up inquiries; iii) group presentations and information sessions; and use of Alumni networks for referrals and follow-ups (Turner, 1978). Research has suggested that campus visits rank as the most effect of these recruitment strategies. For most international education recruitment, however, it may be impossible to offer

campus visits. Within the United States direct mail has emerged as a key form of promotion for colleges (Bassin, 1985).

The value of direct mail - or more correctly direct marketing - to international education is difficult to assess. Research into the sources of recruitment used by international students in Australia suggests that many do so by direct contact with the institution (DCT, 1993 :47; Harris and Rhall, 1993; Smart and Ang, 1993b :28). The nature of this communication may, therefore, be important to the success of an institution's recruitment strategies.

Fielden, Hilton and Motes (1993) have proposed a system for developing personalized correspondence aimed at enhancing student recruitment. An important early consideration is whether the message is to be "positive-persuasive" or "negative-persuasive". The first type attempts to motivate the reader to take action that is in their best interests. For example, a message aimed at getting a person to "drive safely" is positive-persuasive because they generally agree with the message that they should do so. By contrast a negative-persuasive message attempts to motivate a reader to take action that they do not accept as necessary (eg. donate blood or buy life insurance). Any correspondence needs to be couched in straightforward language using short sentences short paragraphs and allowing a good deal of white space. Although there is no ideal writing style there is a preference for active rather than passive voice. The impression given is that the reader is being addressed directly. Barton and Treadwell (1978) also suggest that correspondence from education institutions to prospective students should "create an impression" of the institution and "accent the institution's unique strengths". It should leave the reader with sufficient information and enthusiasm to encourage a follow up response for more information.

4.8 Pricing strategies in international education

After promotion, the issue of pricing of education services is frequently viewed as a matter of some importance (Harris and Jarrett, 1990 :79-82). Pricing strategies within service industries are frequently complicated by the intangibility of their products

(Dearden, 1978). Unlike producers of tangible products who can accurately measure their cost-volume-profit relationships with a high degree of precision, service enterprises often experience difficulty placing precise estimates on the cost of individual service units (Thomas, 1978 :163). Many service enterprises face the problem of having separate demand curves for different segments of their market within a given time period (Lovelock, 1991 :136). For example, fees for courses within a United States adult education college were found to vary significantly from US\$31 for a four hour course on “how to buy a used car”, to US\$2,258 for a two-week travel tour of Australia (Schachter and Lovelock, 1991 :98).

A study of selected education institutions in the United States during the 1970's and 1980s found pricing strategies became more sophisticated over the two decades (St John, 1992). Most institutions in the 1980s began to link their tuition fees more closely to the actual cost of delivering their services. Among the factors influencing this change in strategy was a reduction in U.S. Federal Government financial support for education, and similar adjustments to State Government education funding. Such government policy shifts led to an increase in tuition fees in both the private and public education sectors in the United States.

The gradual removal of government financial support to education, particularly at the tertiary level, is a pattern common throughout many OECD countries during the 1980s (OECD, 1987 :19-20). In the United Kingdom the proportion of university revenues derived from government sources declined from 62.5 per cent in 1978-1979 to 52.6 per cent in 1988-1989 (Marceau, 1993 :26). Over the same period the proportion of funding sourced from international students grew from 2.5 per cent to 5.6 per cent. The net result of this has been the commercialisation of British tertiary institutions which despite their largely public ownership, operate essentially as “market-oriented service enterprises” (Williams, 1991 :25).

4.8.1 Price competition between international education suppliers:

Pricing of international education services varies both among and within supplier countries. However, a study of the cost of postgraduate courses for international

students in Australia, Britain, Canada, New Zealand and United States found a high level of competitiveness among fees charged for similar programs within the five countries (Davis, 1995). Table 4.1 illustrates the similarities and differences in the fee setting of these countries with reference to MBA courses.

Table 4.1: Range of fees for five supplier countries - MBA Programs

	Australia	NZ	UK	Canada	Ontario*	US public	US private
	\$A	\$NZ	£	\$C	\$C	\$US	\$US
Median Fee	\$14,000	\$25,500	6,770	\$ 7,424	\$ 8,943	\$ 8,214	\$17,520
Range of fees	\$10,100	\$14,940	5,500	\$ 2,635	\$ 8,201	\$ 5,760	\$10,700
	\$21,000	\$28,000	9,000	\$12,068	\$12,138	\$13,017	\$20,350
# of universities	32	5	40	22	8	32	12
	\$US	\$US	\$US	\$US	\$US	\$US	\$US
Median fee	\$10,360	\$15,402	\$10,710	\$5,546	\$6,680	\$ 8,214	\$17,520
Range of fees	\$ 7,474	\$ 9,024	\$ 8,701	\$1,968	\$6,126	\$ 5,760	\$10,700
	\$15,540	\$16,912	\$14,238	\$9,015	\$9,067	\$13,017	\$20,350

Source: (Davis, 1995). *Ontario fees increased by 20% in 1995/96.

Within Australia the policy governing fee setting for international students has served two aims. The first is to ensure that international students in a given institution displace no domestic students. The second is to avoid any direct Federal Government subsidy of international students. These guidelines have been based on the assumption that "fees should at least cover average costs of courses offered" (Harris and Jarrett, 1990 :79). This average cost was to also include the overheads of library facilities and support services.

Although the Department of Employment, Education and Training in Australia sets indicative minimum course fees for institutions to follow, these vary across fields of study (Davis, 1995). Many institutions, in particular the universities, charge above

the minimum course fees and their management have discretion over final fee setting (Industry Commission, 1991 :155). This has generated some complaint within academic circles that high demand courses such as Accountancy, are subsidizing other faculties with institutions that do not attract as many full-fee paying students (Industry Commission, 1991 :157). Approximately 81 per cent of Australia's universities follow a policy of fixing fees for the duration of the course, compared to institutions in other countries which review them annually (Davis, 1995).

Universities in the United Kingdom have set their own tuition fees for international students since 1992-1993 with guidance from government recommended minimum fee levels (Davis, 1995). The situation in the United States is one of two distinct systems, with private institutions charging high fees on the basis of peer pricing (Huber, 1992), while state controlled institutions follow mandated pricing strategies set by state authorities. Canadian practice is varies considerably between provinces making comparisons difficult (Davis, 1995).

4.8.2 Fee setting strategies:

Fielden and Dalrymple (1987) made a useful analysis of the options available for fee setting in education institutions. They offer five pricing strategies:

- i) **Full-cost pricing** - based on the average cost as marginal costs are too difficult to determine;
- ii) **Peer pricing** - based on top market rates set by prestige institutions;
- iii) **Economic value added pricing** - pricing based on the potential longer term benefits of the program;
- iv) **Mandated pricing** - charging a determined rate, usually set by government; and
- v) **Index-linked pricing** - where fees are linked to some external price index.

Full cost pricing, while desirable from a theoretical stand point, is difficult to accurately determine due to the complexities of measuring marginal cost within many

educational program settings. It also raises the complex and somewhat sensitive issue of the staff/student ratio of many courses. High student/staff ratios may have positive benefits in terms of marginal cost, but are usually negative in terms of educational quality and learning outcomes (Fielden and Dalrymple, 1987).

4.8.3 The total cost of education:

In addition to the actual fees charged for international education courses, the total price of an international education must also consider such things as the cost of living in the host country and additional non-fee costs such as books, medical care and travel costs. Cost of living, availability of scholarships and employment have also been found to be highly important to international students in the United States (Stewart and Felicetti, 1991).

The cost of health insurance for international students in Australia has been the subject of some debate regarding its effects on the competitive pricing of Australian international education (Smart and Ang, 1993a). However, by comparison with the United States the Australian health insurance system is competitive in terms of cost (Davis, 1995). Some American colleges have recently advised international students to take out "corpse insurance" so as to cover the high cost of repatriating their bodies from the United States in the event of death (Rubin, 1995).

4.8.4 Price sensitivity and perceptions of value in international education:

Hughes (1988 :232) has suggested that there is a large difference between the short and long-run price elasticity of education. In the short run demand is relatively inelastic, as students, once committed to a course, will tend to pay more just to finish. Over the longer term, the market is likely to be more elastic as local education opportunities improve and the range of international course increases.

The price sensitivity of the market will vary from country to country. Interviews with Australian international education providers suggest that such costs as visas and application fees do not serve to seriously deter students seeking to undertake long courses of one or more years duration. However, shorter courses such as the

language-tourism programs offered by private ELICOS Colleges do report being adversely effected by such costs as increased visa charges⁸.

Thomas (1978) has noted that services industries that are largely “equipment-based” (such as airlines), are able to measure their cost-volume-profit relationships more accurately than “people-based” services. In “people-based” industries the emphasis is placed more on “value” rather than cost. Under these circumstances “Value is generally determined by the customer and to some extent by competition” (Thomas, 1978 :163). This price-value relationship, therefore, becomes an important aspect of pricing services. Unfortunately the process is complicated by the ambiguous nature of the concept of “value” (Lovelock, 1991 :237-238).

Research into the way consumers’ perceive and evaluate value in services industries suggests that substantial individual differences may occur among consumers considering the same product category. Value is frequently measured in terms of either:

- i) low price,
- ii) perceived quality in relation to price;
- iii) benefits received for price paid; and
- iv) Idiosyncratic perceptions of the benefits of the service to the consumer (Zeithaml, 1988).

Differences also emerge in pre and post service use, whereby consumers will consider a service “poor value” if its price is higher than they anticipated or if they feel the benefits received were below anticipation (Lovelock, 1991 :237.) An important task for the management of services enterprises is to develop strategies that “enhance the perceived value of the service” (Thomas, 1978 :164).

⁸ Based on interviews with three leading ELICOS Colleges in Sydney during 1995.

According to Hamill (1994) the cost of foreign MBA programs offered by institutions in Hong Kong were double that of local universities. This difference in cost is partially explained by the higher delivery costs of the overseas institution. However, the higher fees are also likely to be an example of pricing strategies to improve the market prestige or image of the institutions (Lancinoi, 1989). High prices frequently signal quality to the market (Bedian, 1971). As such it is important that institutions seeking to convey quality in international markets do not adversely affect this image by discount pricing. Finally, it must be stated that while price may be an important signal of quality in services such as education, all other aspects of the service package (eg. physical facilities, publications) must support this perception of quality (McColl-Kennedy, Keil, Lusch and Lusch, 1994 :575).

4.9 Physical evidence, people and processes in international education

As mentioned earlier in this chapter the *services marketing mix* (Booms and Bitner, 1981) encompasses three additional elements considered critical to the successful marketing of service enterprises. These are the 'physical evidence' of the service and its quality, the people who are to deliver this service, and the processes they use. Onkvisit and Shaw (1989) point to the need for services to be effectively branded and positioned via promotional methods that generate tangible symbols of the desired qualities. This is true also for education services that frequently demonstrate their quality and success via their buildings. As one observer noted:

"While a community that builds new schools usually hires competent faculty as well, it is the school buildings rather than the scholarship that publicize the status of its educational program." (Corwin, 1975 :14).

In the marketing of professional services it has been suggested that the main objective for the enterprise is to consider what corporate image it wishes to convey to the market. Education institutions, like many other professional services providers, are offering relatively complex and often undifferentiated products (Bradlow, 1986). A degree from one university is likely to be measured less by the content of its courses, than by the reputation or 'corporate image' of the providing institution. For this

reason education institutions, like other service enterprises need to consider what their corporate image is to be and take steps to achieve it. They must nevertheless understand that this image should be consistent with the reality of their service offering or it will soon be exposed as a sham (Gronroos, 1990).

Physical evidence in the form of buildings, facilities, corporate logos, and promotional literature can all serve to enhance or develop corporate image. McDougall and Snetsinger (1990) suggest that service “tangibility” involves not just the physical facilities of the enterprise, but also the “ability to picture the service” on the part of the consumer. Services such as education are highly intangible and require a ‘two-stage’ strategy aimed at making the prospective consumer familiar and ‘comfortable’ with the service enterprise. Once achieved, the second stage can see the prospect brought to a point of purchase after they are sufficiently familiar with the nature of the services being offered.

In the marketing of education Turner (1978) describes the development of an “admissions funnel”. This notes that for United States colleges approximately 85 per cent of students seeking to enter tertiary education begin their search up to eighteen months prior to enrolment. Research in Australia suggests that a similar pattern is found here with around 99 per cent of students in Years 10 to 12 planning for post-secondary education (EIP, 1992). Assuming a similar pattern among international students, it would appear useful for institutions to adopt an “admissions funnel”. This would involve the establishment of a marketing communications program aimed at gradually increasing the awareness of the prospective student of the education institution and its services (Turner, 1978). In doing so the institution would need to shape its communication to ‘tangibilize’ its services and assist the student to develop a good image of what it has to offer (McDougall and Snetsinger, 1990). This is important as most prospective students lack the ability to accurately picture the educational services they are planning to consume (EIP, 1992).

From the moment contact has been established with the prospective student the institution needs to be fostering and reinforcing an image of quality. Achieving this

will often depend upon the behaviour of the institution's employees. Because services are delivered by people the quality of the service is frequently measured by a consumer's perceptions of the way in which the service was delivered (Mohr and Bitner, 1995). Research into the delivery of services in hospitals has indicated that employee perceptions of service quality can differ significantly from that of customers, with the employees being less favourable towards it (Mangold and Babakus, 1991). What is needed is the development of internal marketing strategies designed to raise both the skills of employees and their enthusiasm for the maintenance of quality service.

Much of the success of fast-food restaurants such as McDonald's is attributed to their ability to develop 'production line' methods in the delivery of services (Levitt, 1972). This has reduced the risk of variability in the service delivery thereby ensuring quality control (Levitt, 1976). Unfortunately, in services such as education it is problematic whether the service delivery process can ever be satisfactorily managed on a production line basis. As noted in the introduction to this study a key feature of education services is the high degree of customization and individual judgement by service staff required (Lovelock, 1983). Under such circumstances the employees of the service enterprise need to be given discretion over how the service is to be delivered, but may still achieve uniform service quality by fostering shared corporate values (Greene, Walls and Schrest, 1994).

This attention to internal marketing is critical in service enterprises and it has been suggested that approximately 70 per cent of the marketing manager's time in most large service enterprises is devoted to it (Flipo, 1985). The objective of the internal marketing strategies should be to develop an organisation culture that unites employees around a common vision or set of beliefs, guides their treatment of customers, and aids in hiring practices for new staff (Webster, 1992).

4.10 Distribution of international education

The final element of the marketing mix is the means by which the service is distributed or delivered to the market. Traditionally international education, like

tourism, draws students to the service provider rather than having the service delivered to the student. Given the attractions associated with studying abroad and the lack of adequate education opportunities in sending countries, it is unlikely that this pattern will change in the foreseeable future. Nevertheless, a growing trend has emerged in the development of offshore delivery of education services.

4.10.1 Offshore teaching programs:

In order to make their services more accessible, overcome capacity problems and gain a competitive advantage, many education institutions have established offshore teaching programs through strategic alliances. Known commonly in Australia as “*twinning*”, this process involves the formation of an alliance with an overseas institution that serves as a distribution channel for the primary service provider. International students undertake the Australian qualification in their own country frequently completing the last year abroad. In 1993 there were approximately fourteen Australian universities with “*twinning*” arrangements (Griggs, 1993).

Examining the situation in Singapore, Hong Kong and Malaysia during 1993/94 can see an example of the growth in such offshore teaching programs. At this time some twenty-six universities (17 British, 7 Australian, 1 Irish and 1 Dutch) were offering post-graduate business degrees in Singapore. In Hong Kong, at the same time, twenty-five universities (17 British, 3 Australian, 2 Portuguese Macau, and 3 American) offered similar programs (Hamill, 1994). Malaysia, with only eight public universities and a similar number of polytechnics, supported an additional 150 to 200 private colleges, nineteen of which had enrolments in excess of 1,000 students (Ng and Ho, 1995). The majority of such private colleges offered qualifications from foreign institutions who had established offshore programs via *twinning* agreements.

As a marketing tool, *twinning* offers many advantages. It provides greater accessibility to the education service, secures a regular supply of prospective students from the sister institution, and frequently lowers the overall cost of the education to the student (Smart and Ang, 1988 :28). However, a major problem with offering courses through such strategic alliances is the maintenance of the quality of the

service. Locally hired teaching staff must possess the same qualifications and skills as the Australian academics, and course content and teaching materials should be of equivalent standard (Nicholls, 1987), which can be difficult to assure.

The difficulties associated with maintaining service quality, due to the heterogeneity of services, make exporting services a more complex issue than exporting goods. Due to the high degree of producer/consumer interaction in services such as education, there is a strong desire for direct control and presence by the producer during the early phases of export development (Vanermerwe and Chadwick, 1989). Many service exporters prefer to retain control over the export channel until their experience within the overseas market increases (Erramilli, 1991). This has involved sending Australian academic staff overseas to teach on offshore programs, ensuring greater control over the operation.

4.10.2 Use of information technology for long distance service delivery:

Future developments in information technology may enable international education to be delivered through the use of Technologically Mediated Learning (TML) (Hosie, 1993). TML offers cost effective interactive learning for students over long distances while maintaining high quality outcomes (Lundin, 1993). Of all the TML available, interactive multi-media has the potential to have the most immediate impact on education. Multi-media is particularly effective for teaching mechanical and procedural skills (Fletcher, 1990). When used appropriately multi-media can reduce education time from 30 to 60 per cent compared with traditional education methods (De Bloois, 1982). The cost savings in using multi-media over more traditional teaching methods have been estimated to be around 64 per cent (Brandt, 1986).

As the workplace and homes throughout the world are linked by communications and information technology networks, greater use of open learning via multi-media will be feasible for higher education institutions (Lundin, 1993). Deakin University has been a leader in distance education within Australia for a number of years. In 1995 it was estimated to have 20,000 students studying externally and using advanced information technology to link them into the institution's teaching programs (Ashenden and

Milligan, 1995). Deakin offers a Bachelor of Applied Science (Technology Management) to external students in Australia, Papua New Guinea and New Zealand using TML systems. The technology used in this program were described in detail by Hamer (1993 :10):

"The programmes are supported by a comprehensive CML [TML] system; students are provided with laptop computers and modems to dial into the main-frame at Deakin. Some 340 laptops are in use at the present time, in addition to several computers owned by the students (which Deakin find more difficult to support when telecommunications problems arise). Software running on the main-frame enables the students to communicate with each other and with their tutors via electronic mail and also to access the assessment tasks set by their tutors. Thus students are able to access course material twenty-four hours a day, seven days a week, from home or from the workplace or indeed from anywhere a telephone is available. The computer generates and marks multiple choice tests and generally automates the management of the education programme".

The use of video conferencing by universities to link campuses both nationally and internationally has also grown in recent years. Although the first video conferencing facilities did not enter Australian universities until 1990-1991, by 1993 there were nineteen universities with them linking fifty campuses plus a further 20 located at TAFE Colleges (Latchem, Mitchell and Atkinson, 1993). Curtin University of Technology has made effective use of video conferencing to link staff and students in Perth and Singapore resulting in enhanced student outcomes and motivation (King and Hedges, 1995). Overall such technology may shape the distribution of international education services in the coming century (Ives and Jarvenpaa, 1996). Use of this technology within industry training is already growing. A recent study of computer based training activity and multi-media among 519 United States organisations in all industry sectors, found that an average of 10 per cent of all training effort was computer-based (Kemske, 1995). The Australian Federal government in the mid-1990s signalled its desire to shift the focus of universities from a 'people-based' to a 'technology-based' service delivery system (Healy and Illing, 1995). It seems only a matter of time before computer-based telecommunications media will increasingly deliver international education.

Chapter 5. Sustainable Competitive Advantage for Services

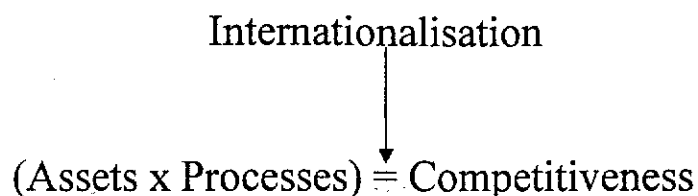
5.1 Introduction

The principal aim of marketing strategy is to successfully position an enterprise or its products within its markets so as to develop a competitive advantage. Faced with the new commercial realities of having to compete for students within overseas markets, education institutions are adopting the marketing strategies discussed in the previous chapter. However, the application of the principles outlined in the “services marketing mix” are only part of a more comprehensive range of strategies designed to produce and sustain a competitive advantage. A wider understanding is required of the factors likely to contribute to an institution’s competitiveness than can be answered by the marketing literature alone.

This chapter draws upon the literature of industrial economics and strategic management in order to gain a better understanding of how an education institution operating in international markets might achieve and sustain a competitive advantage. It outlines a theoretical model, developed from this literature, and a series of research propositions that form the basis of this study. It commences with an examination of the nature of competitiveness.

5.2 From Comparative Advantage to Competitive Advantage

The *World Competitiveness Report 1994* (World Economic Forum, 1994, :18) defines competitiveness as “*the ability of a country or a company to, proportionally, generate more wealth than its competitors in world markets*”. This definition suggests a formula involving the combination of “assets” (either natural or created) and “processes” (to transform the assets), leading to an outcome which is either positive or negative. Also included in this formula is the intervening variable of “internationalisation”. It recognizes that factor inputs and the transformative processes which occur within an industry or enterprise are insufficient to guarantee international competitiveness unless they are also able to withstand the pressures of international competition. This formula is shown in figure 5.1.



(World Economic Forum, 1994)

Figure 5.1 International Competitiveness

Traditional economic theory relating to international trade between countries adopted the paradigm of *Comparative Advantage* (Ricardo, 1817; Heckscher, 1919; Ohlin, 1933). The underlying assumption behind this theory was that nations possessed relatively similar processes, but had different access to assets. Such an assumption stresses the importance of assets over processes. It assumes that technology, product differentiation and labour skills are uniform across markets and nations. Of importance to a country's international competitiveness is its control over factor inputs (labour, capital and natural resources) (Hopkins and Cabalu, 1993).

More recently economists have recognised that more complex forces than the Comparative Advantage theory explains influence international trade. Chamberlin (1933) was the first to identify the concept of *Competitive Advantage*, while Posner (1961) in his '*Imitation Lag Theory*' recognised that differences do exist between countries in technology. This was extended by Vernon's (1966) '*Product Life Cycle Theory*' which assumed that a country's leadership in certain international markets was due to early home demand, with exports of products to overseas markets where such goods were unavailable. The supply of such goods in these overseas markets would shift to local manufacturers as technology transfer took place. Foreign competitors would eventually export back into the originator country leading to possible trade barriers being established. Krugman (1979; 1983) demonstrated that international trade in markets characterised by monopolistic competition is driven as much by consumer demand for differentiated goods as cost/price relativity between suppliers.

According to Porter (1990) the traditional theories of comparative advantage (Ricardo, 1817; Heckscher, 1919; Ohlin, 1933) are no longer relevant to understanding international competitiveness:

“Comparative advantage based on factors of production has intuitive appeal, ... There has been growing sentiment, however, that comparative advantage based on factors of production is not sufficient to explain patterns of trade. ... much world trade takes place between advanced industrial nations with similar factor endowments ... The assumptions underlying factor comparative advantage were more persuasive in the eighteenth and nineteenth centuries, when many industries were fragmented, production was more labour- and less skill-intensive, and much trade reflected differences in growing conditions, natural resources and capital” (Porter, 1990 :11-13).

Porter (1990) has suggested that competitive advantage is generated by a combination of factors occurring on both the demand and supply side. According to this perspective national competitiveness is determined by a “diamond of national advantage”, combining the four attributes shown in figure 5.2:

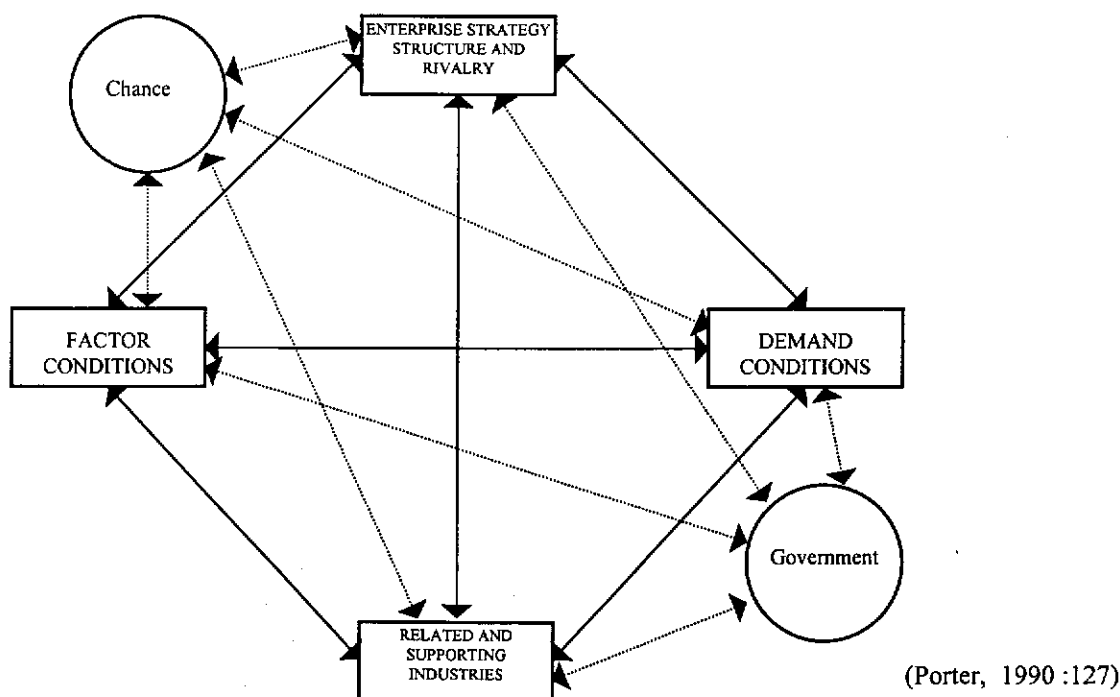


Figure 5.2: Porter's Competitive Diamond

The first of these elements is the availability of factor inputs. Traditional factors of production (e.g. land, labour and capital) are important to any industry and some countries possess these in greater abundance than others. Such factors can be enhanced through investment in plant and equipment, technology, and human capital. The second element is the nature and level of domestic demand. Japanese consumer demand for smaller television sets, for example, provided a stimulus to Japanese industry to produce miniature electronics and therefore develop an edge over their United States rivals (Porter, 1990 :100). The third element is the presence of related and supporting industries. The development of the personal computer industry in the United States was possible only with the cooperation of a variety of companies - IBM for the architecture, Microsoft for the operating system, Intel for the microprocessor and Lotus for the spreadsheet application (Heller, 1994). The fourth element is the nature of enterprise strategy, structure and rivalry. For example, the capacity of many Japanese and United States enterprises to gain a competitive advantage in their respective countries has been explained as a result of managerial willingness to form effective strategic alliances (Ohmae, 1994 :130-133).

These four elements interact in various ways to generate competitive advantages for certain industries within countries. Government influences can be brought to bear on each of the four elements. Individual national cultures, history and political-social conditions influence the way in which these factors interrelate.

5.3 From Competitive to Sustainable Competitive Advantage

Research into the field of competitive advantage has focused on the need to develop strategies that will enable an enterprise to achieve a superior market position within its industry. However, many enterprises that successfully achieve such a competitive advantage later experience an erosion of their position as competitors or market conditions change (McKee and Varadarajan, 1995). This was evident in the experience of IBM which dominated the international computer industry for some three decades from the mid-1960's to the late 1980's, only to experience dramatic losses and market share collapse during the 1990's (Heller, 1994).

The rise and decline of enterprises and industries has enhanced interest in identifying ways to achieve a competitive advantage that cannot be eroded over time. A “sustainable competitive advantage” has been defined as “the unique position that an organisation develops in relation to its competitors that allows it to outperform them consistently” (Hofer and Schendel, 1978; Swiercz and Spencer, 1992:35). According to Barney (1991 :102) “an enterprise is said to have a *sustained competitive advantage* when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors *and* when these other enterprises are unable to duplicate the benefits of this strategy”. The critical ingredient is the ability of the enterprise’s strategies to resist duplication by competitors (Porter, 1990).

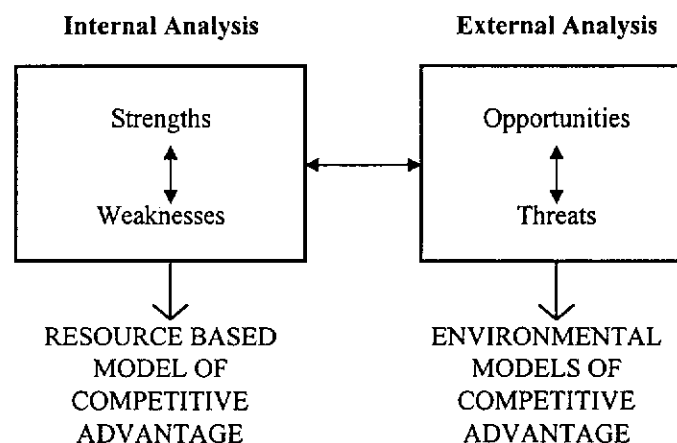
For a competitive advantage to be sustainable it needs to be tangible, measurable and capable of preservation over time (South, 1981). Barney (1991 :105-106) emphasizes the importance of four conditions that an enterprise’s strategies must possess before a sustainable competitive advantage can be achieved. First, the strategy must be *valuable*, or capable of either exploiting opportunities or neutralising threats. Second, it must be *rare* among its current and potential competitors. Third, it must be *imperfectly imitable*, or unable to be copied or duplicated, and finally, it should have no *strategically equivalent substitutes*.

According to Coyne (1985) the usefulness of a strategy in delivering a sustainable competitive advantage, is its ability to offer value to the customer. Enterprise strategies need to be both unique and capable of offering “product/delivery attributes that are *key buying criteria*” (Bharadwaj, Varadarajan and Fahy, 1993 :84). Such key buying criteria will differ from industry to industry and across markets. Of importance to enterprises operating in consumer markets is their ability to adapt to changing conditions to these buying criteria (Hamel and Prahalad, 1991; Boulding, Kalra, Staelin, and Zeithaml, 1993; Treacy and Wiersema, 1993)

Lado, Boyd and Wright (1992) observe that sustainable competitive advantage has been the subject of two competing schools of thought. The first, *environmental*

determinism, draws its origins from neoclassical economics (Chamberlin, 1933; Friedman, 1953), and industrial organisation literature (Bain, 1956; Hill, 1988; Porter, 1980; 1981; 1990). The second, *strategic selection* is based upon a resource based view of the enterprise which sees competitive advantage emerging from unique assets or skill developed within the enterprise (Barney, 1986c; 1991; Dierickx and Cool, 1989; Lippman and Rumelt, 1982; Reed and DeFillippi, 1990).

The first approach considers the environmental influences likely to impact on the enterprise. It is an outward looking approach that gives specific consideration to the external environment seeking opportunities and watching for threats. The second approach examines the internal strengths and weaknesses of the enterprise, seeking to identify those assets and skills that offer the best source of competitive advantage (Aaker, 1989). Figure 5.3 illustrates these two approaches:



(Barney, 1991)

Figure 5.3: Two perspective's of competitive advantage

5.4 The Environmental Determinist View of Competitive Advantage

The environmental determinist view of competitive advantage has been influenced by the work of writers such as Bain (1956), Hay and Morris, (1979), Caves (1980), Scherer (1980), Day (1984) and Porter (1980; 1990). Of these Porter has had the most significant influence on contemporary literature relating to environmental determinist thinking (Peters, 1993). Mintzberg (1990) categorizes Porter and the other environmental determinists into the "Positioning School", which he identifies as one

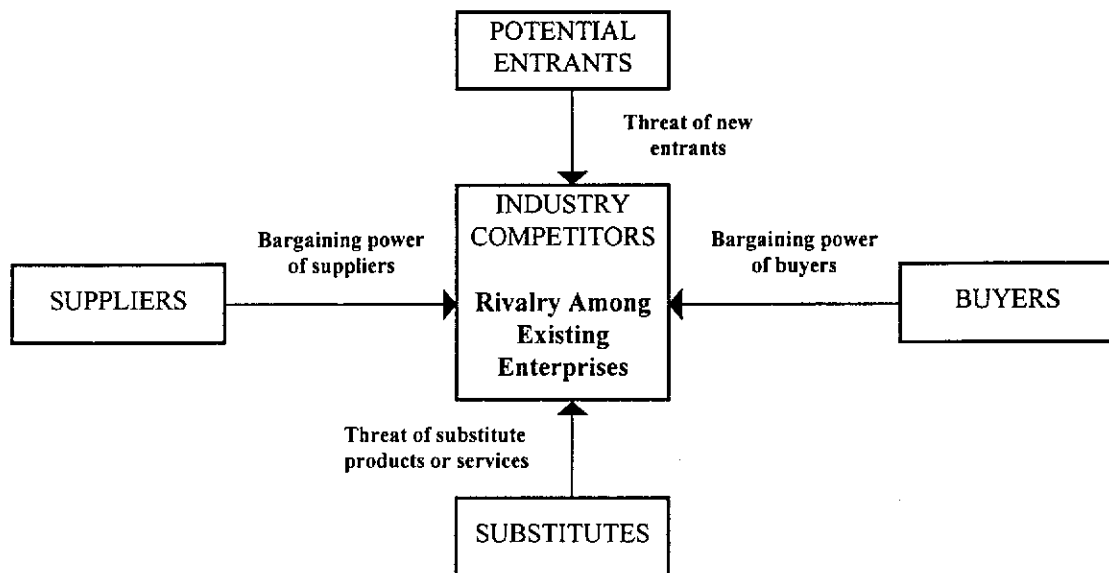
of ten separate “school’s of thought” on corporate strategy. According to Mintzberg the ideas of Porter and the others in the “Positioning School” suffer from a narrow strategic and analytic focus. They primarily address the economic influences effecting the enterprise and fail to appreciate the social and political context in which it operates.

In examining the process of competitive strategy Porter (1980) identifies the need to consider those factors both internal and external to the enterprise. The former comprises such things as enterprise strengths and weaknesses, and the culture or values of the management. The external factors consist of opportunities and threats, and the expectations of various external stakeholders. According to Porter (1980; 1990) there are five key influences within an enterprise’s external environment:

- i) ease of entry and threat of new market entrants into the industry;
- ii) the threat of substitute products or services;
- iii) the bargaining power of suppliers;
- iv) the bargaining power of buyers; and,
- v) The extent of rivalry among industry competitors.

The ability of an industry to generate attractive and sustainable profits will be contingent upon the nature of these factors (Peters, 1993). The main barriers to market entry within most industries are “economies of scale, product differentiation, switching costs, cost advantages, access to distribution channels, capital requirements, and government policy” (Porter, 1980 :132). Substitute products influence the ability of enterprises within the industry to charge prices beyond the level of those set for the substitutes (Porter, 1980 :23). Both IBM, Apple and Compaq faced this situation in the early 1990’s when the proliferation of cheaper low cost personal computers eroded their market share and profits (Heller, 1994; Sculley and Byrne, 1994).

Buyer bargaining power is determined by such factors as the volume of a enterprise's product purchased by the buyer, the level of product differentiation and price sensitivity within the market, the presence of switching costs and the degree of backward integration of the buyer (Porter, 1980 :24-25). Supplier bargaining power can be influenced by the amount of concentration within the industry, presence of substitutes, level of product differentiation, switching costs and degree of forward integration of suppliers (Porter, 1980 :27-28.)



(Porter, 1980 :4)

Figure 5.4: Forces Driving Industry Competition

Figure 5.4 illustrates Porter's industry structure model. In determining the level of rivalry among existing enterprises Porter (1980 :138-139) identifies four key factors. The first of these is the degree of market interdependence. This considers the extent to which enterprises are competing with each other for the same customers, or whether the market can be segmented. A second factor is the degree of product differentiation within the industry. The third factor is the size and number of competing enterprises within the industry. Some industries, such as electricity generation, are characterised by monopoly. Others, such as hairdressing, are closer to the economic model of perfect competition. Finally, the level of "strategic distance" between enterprises influences the degree of rivalry within an industry. This relates to the differences that exist between enterprises in their business strategies. Those industries, which have

considerable distance in certain key areas as pricing, technology or brand identification will experience less competition.

5.5 “Generic Positioning” for Competitive Advantage

A critical aspect of the environmental determinist approach to developing competitive advantage is the ability of an enterprise to position itself successfully within its industry. It is for this reason that Mintzberg (1990) adopted his description of the “positioning school” to describe the environmental determinists. Porter (1980 :35-41) argues that enterprises can adopt one of three “generic” positioning strategies. The first of these, *cost leadership* requires an enterprise to compete by achieving a lower overall cost structure to their competitors. The second, *differentiation*, “is the ability to provide unique and superior value to the buyer in terms of product quality, special features, or after-sale service” (Porter, 1990 :37). This enables the enterprise to attract a premium price for their product or service in return for these unique or superior features. Finally, the third strategy, *focus*, involves selection of a segment with an industry and attempting to compete within that segment on the basis of either a cost leadership or differentiation strategy.

		COMPETITIVE ADVANTAGE	
		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Focused Differentiation

(Porter, 1990 :39)

Figure 5.5: Generic Positioning Strategies

According to Porter (1980; 1990) there is no single “best” strategy for any particular industry. However, it is most important to follow only one strategy, to attempt to do otherwise risks becoming “stuck in the middle” which is likely to result in market

failure. Figure 5.5 shows the relationship between these generic strategies and competitive advantage and scope.

The ability of an enterprise to successfully adopt more than one generic positioning strategy at any given time has been the subject of debate and empirical measurement (Karnani, 1984; Miller and Friesen, 1986; Mathur, 1988; Miller, 1992). While some studies (Dess and Davis, 1984) have produced support for Porter's contention that generic strategies are mutually exclusive, others (Hambrick, 1983) have been more equivocal. Both Hall (1980) and White (1986), in empirical studies of small scale samples of enterprises in selected industries, produced equivocal results suggesting that while most enterprises successfully followed single generic strategies, some enterprises could successfully combine both low cost and differentiation strategies simultaneously.

Miller (1992) has challenged the notion that an enterprise should not adopt both a cost leadership and differentiation strategy simultaneously. Supporting this view is the work of the Profit Impact of Market Strategy (PIMS) (Buzzell and Gale, 1987), which suggests that low cost strategies provide surpluses for reinvestment in future differentiation of product or service (Johnson and Scholes, 1993 :241-242). Wright and Parsina (1988) have also questioned the assumption that only one generic strategy can be followed successfully at any time. By providing examples from corporate America they attempt to provide evidence of the ability of an enterprise (particularly a large one) to follow both a differentiation and a focus differentiation strategy simultaneously. They note that small firms may find focus (niche) strategies more beneficial, while the larger firm is more likely to adopt broad market differentiation strategies.

Hill (1988), in an attempt to resolve this debate, has proposed a contingency framework in which an enterprise can use differentiation to simultaneously achieve a cost leadership strategy. According to this view an enterprise can achieve both a low cost and a differentiation strategy when six conditions are met. These conditions are:

- i) when consumers' commitment to the products of rival enterprises is low;

- ii) when market growth is high;
- iii) when market structure is fragmented;
- iv) when the production process is new and complex;
- v) when economies of scale (particularly enterprise-level) are present; and
- vi) when economies of scope exist" (Hill, 1988 :409).

Not all six conditions are required for a combined low cost-differentiation strategy to be viable. However as Hill (1988 :409) states:

"It is not necessary that all of these contingencies exist concurrently for the strategy to succeed. However, some contingencies are critical if the strategy is to work. Specifically, if the enterprise's ability to differentiate the product is low, if switching costs are high, if the production process is well established, and if economies of scale and scope are negligible, the strategy will not work. Thus at a minimum, it must be possible to differentiate the product, switching costs must be reasonable, and there must be potential for cost reduction from some source, whether it is from learning effects, economies of scale, or economies of scope."

Murray (1988) also considered the validity of Porter's generic strategies concept producing a contingency model of the process. According to this view a cost leadership strategy is viable only when enterprises are faced with high transaction costs which can be reduced by either input factor reduction, or improvements in process technologies or employee learning effects. Input costs between rival enterprises can be varied via vertical integration, strategic alliance or some other means. This will enable the enterprise to achieve differential input factors thereby reducing its costs. The enterprise can also reduce its transaction costs by improvements in process technologies or learning effects. Finally, economies of scale usually need to be significant.

For a differentiation strategy to be viable it is critical that customers "attach weight to product attributes other than price when making purchase decisions" (Murray, 1988 :396). Furthermore, the enterprise should be able to achieve significant product

innovations by developing product technologies, and/or equally significant quality or service differentials that will distinguish their product from that of their rivals.

Focus strategies are viable only if the market is capable of effective segmentation, and if zero or negative synergies exist between different market segments (Murray, 1988). This is illustrated in the case of restaurants that usually seek to position themselves in niche markets (e.g. Chinese, Thai, French, Italian, and Indian). This focus strategy is frequently more successful than attempting to offer a comprehensive range of food styles and atmosphere in one venue.

According to Forster (1993) the problems associated with Porter's generic strategy concept are highlighted by the use of vertical integration strategies whereby an enterprise might adopt a combination of generic positioning strategies at the same time in different market segments. However, the weaknesses of the Porter generic strategy concept do not entirely exclude their value as a classification system. For this reason they will be used as a framework for further analysis in this study.

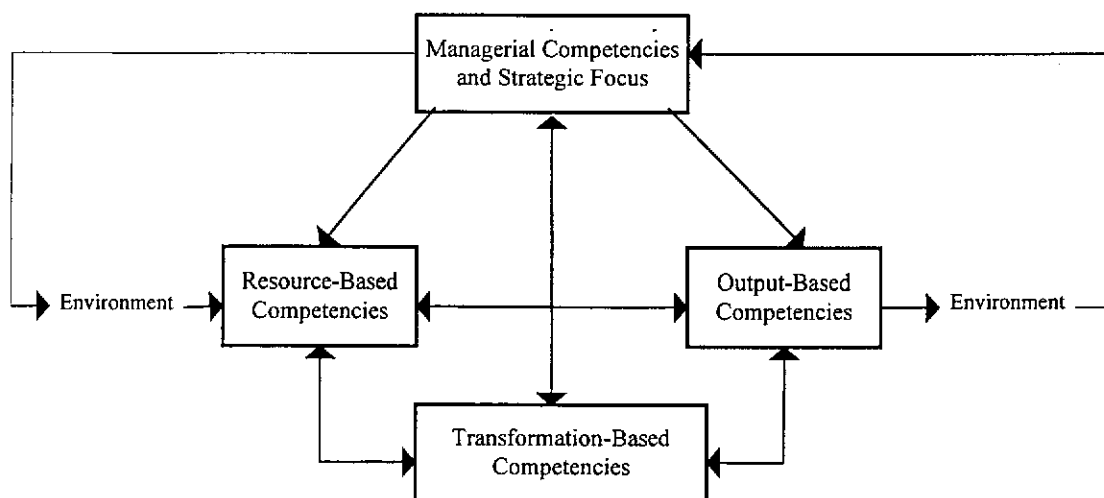
5.6 The Resource Based View of Competitive Advantage

Aaker (1989) identifies three elements of a sustainable competitive strategy. The first of these relates to the way in which an enterprise competes. It considers those marketing, financial and manufacturing strategies that comprise the activities of a enterprise. The second element is where an enterprise chooses to compete. This considers the markets and market segments into which the enterprise conducts its business. The third element is the "basis of competition", or the assets and skills that the enterprise possesses. It is these internal enterprise resources (skills and assets) that are considered to be the foundation of a sustainable competitive advantage. This *resource based view* of competitive advantage (also known as *strategic selection*) has emerged as a dominant paradigm for understanding competitive strategy (Collis and Montgomery, 1995).

Central to the resource based view of competitive advantage is the notion of "enterprise resources". These include all assets, skills, capabilities, organisational

processes, attributes, information or knowledge under the enterprise's control, that can be used to develop competitive positional strategies (Daft, 1983; Barney, 1991). Not all enterprise resources will be valuable to the development of competitive advantage (Barney, 1986a). Those resources which do offer competitive advantage are referred to as *distinctive competencies* (Lado, Boyd and Wright, 1992).

A enterprise's *distinctive competencies* were first described by Selznick (1957) with specific reference to managerial qualities. A variety of authors have examined the concept throughout the past three decades (Ansoff, 1965; Learned, Christensen, Andrews and Guth, 1969; Ansoff, 1976; Hofer and Schendel, 1978). Empirical examinations of the concept (Snow and Hrebiniak, 1980; Hitt and Ireland, 1985) generally conclude that distinctive competencies are sourced to internal rather than external environments, and derive from the way an enterprise uses its resources relative to its competition (Reed and DeFillippi, 1990). Further, they can be applicable to both large and small enterprises (Stoner, 1987).



(Lado, Boyd and Wright, 1992 :82)

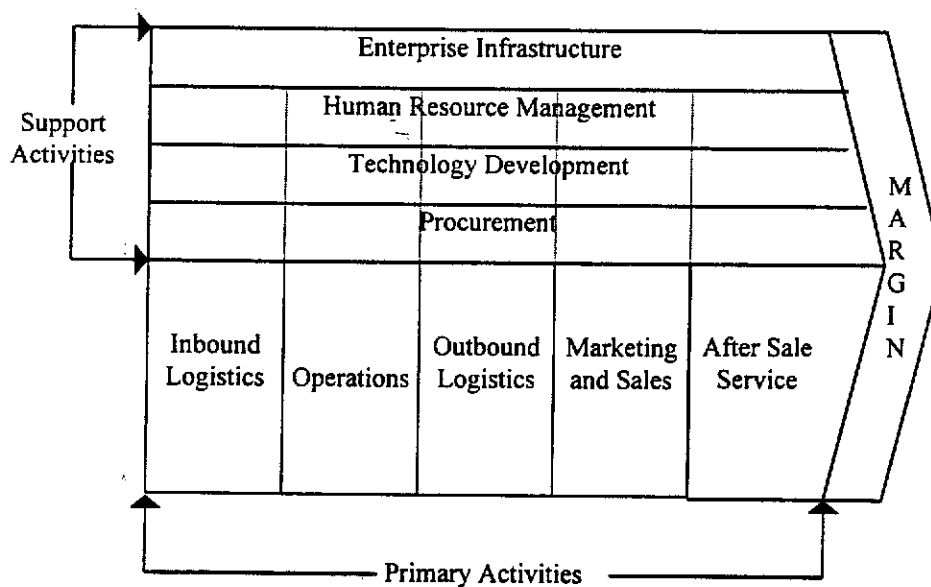
Figure 5.6: A Competency Based Model of Sustainable Competitive Advantage

Lado, Boyd and Wright (1992) have proposed a “competency-based model” of sustainable competitive advantage that identifies four areas of competency. Figure 5.6

illustrates this model. Managerial competencies and strategic focus have an influence on all the other elements of the model. Managerial skills or competencies and personal values have a significant effect on the strategic focus adopted by the enterprise (Guth and Tagiuri, 1965; Hambrick and Mason, 1984). As noted by Byrt (1989 :3):

"Management is the process through which an organisation's strategy is formulated and then implemented through the organisation of work, people, finance and technology".

Resource-based competencies are tangible and intangible resources such as financial, human, equipment or reputation that offer an enterprise an advantage over its competition (Wernefelt, 1984). These resources are generally identified as "core competencies", which are "a function of the tacit understanding, skills, and resources that an enterprise accumulates over time" (Mahoney, 1995). These competencies are linked to both the transformation and output based competencies (Lado, Boyd and Wright, 1992).



(Porter, 1990 :41)

Figure 5.7: The Value Chain

The transformation based competencies involve those resources and skills that convert organisational inputs into outputs (Day and Wensley, 1988). Porter (1980) refers to the “*value chain*” to describe this process of transformation through which an enterprise undertakes its activities. Originally developed by McKinsey and Co. (Lado, Boyd and Wright, 1992), the “*value chain*” provides a framework that can explain the elements of the transformation process. Figure 5.7 shows the *value chain* as conceived by Porter.

Within the *value chain* model the primary activities consist of inbound logistics where the inputs of the product process are received. From here the operations take place. Within manufacturing enterprises these are the factory processes that convert raw materials into finished products. The completed products are then moved through the outbound logistics process to the customer. Marketing and sales and after sales service efforts are also critical to the successful operation of many enterprises (Cravens and Shipp, 1990). Output based competencies refer to both the enterprise’s tangible product outputs, but also the intangible outputs such as reputation of product or service quality or corporate image (Itami, 1987; Lado, Boyd and Wright, 1992). For many enterprises these intangible resources may be of more importance to achieving competitive advantage than the tangible ones (Aaker, 1989; Hall, 1992; 1993).

Hunt and Morgan (1995) describe the current approach to inter-enterprise competition as *The Comparative Advantage Theory of Competition*. This assumes that an enterprise will gain a competitive advantage in relation to its external industry environment by first gaining a successful comparative advantage over its rivals through the development of unique and valuable distinctive competencies. A variety of potential sources of competitive advantage have been suggested. Of importance are those resources within the value chain that enable the enterprise to either differentiate its product or service, or develop a cost leadership position within its markets (Porter, 1980).

Aaker (1989), in a study of 248 United States enterprises drawn from a cross section of industries, found that managers attributed their sustainable competitive advantage largely to intangible assets. Managers were asked to rank the importance of 31 assets and skills. Those from High Tech industries attributed their sustainable competitive advantage primarily to “technical superiority”, “reputation for quality”, “customer service and product support”. Those in service industries rated a “reputation for quality”, “retention of good management and staff”, and “name recognition/market profile” and “customer service” significantly important.

Hall (1992) discovered similar findings in two separate studies of Chief Executive Officers (CEO's) in the United Kingdom during 1987 and 1990. Hall (1992; 1993) emphasizes the importance of intangible assets to achieving sustainable competitive advantage. In many cases they offer the enterprise with defensible resources that competitors cannot easily imitate, as measured by the estimated time it would take to replace the asset. Table 5.1 summarizes these findings.

Table 5.1: Importance of intangible resources to sustainable competitive advantage

Intangible resource	Ranking 1990	Ranking 1987	Replacement
Company reputation	1	1	11 years
Product reputation	2	2	6 years
Employee know-how	3	3	5 years
Culture	4	5	
Networks	5	4	3 years
Specialist physical resources	6	6	
Data bases	7	10	2 years
Supplier know how	8	7	3 years
Distributor know how	9	8	2 years
Public knowledge	10	9	

Source: (Hall, 1992)

5.7 A Model of Sustainable Competitive Advantage for Services

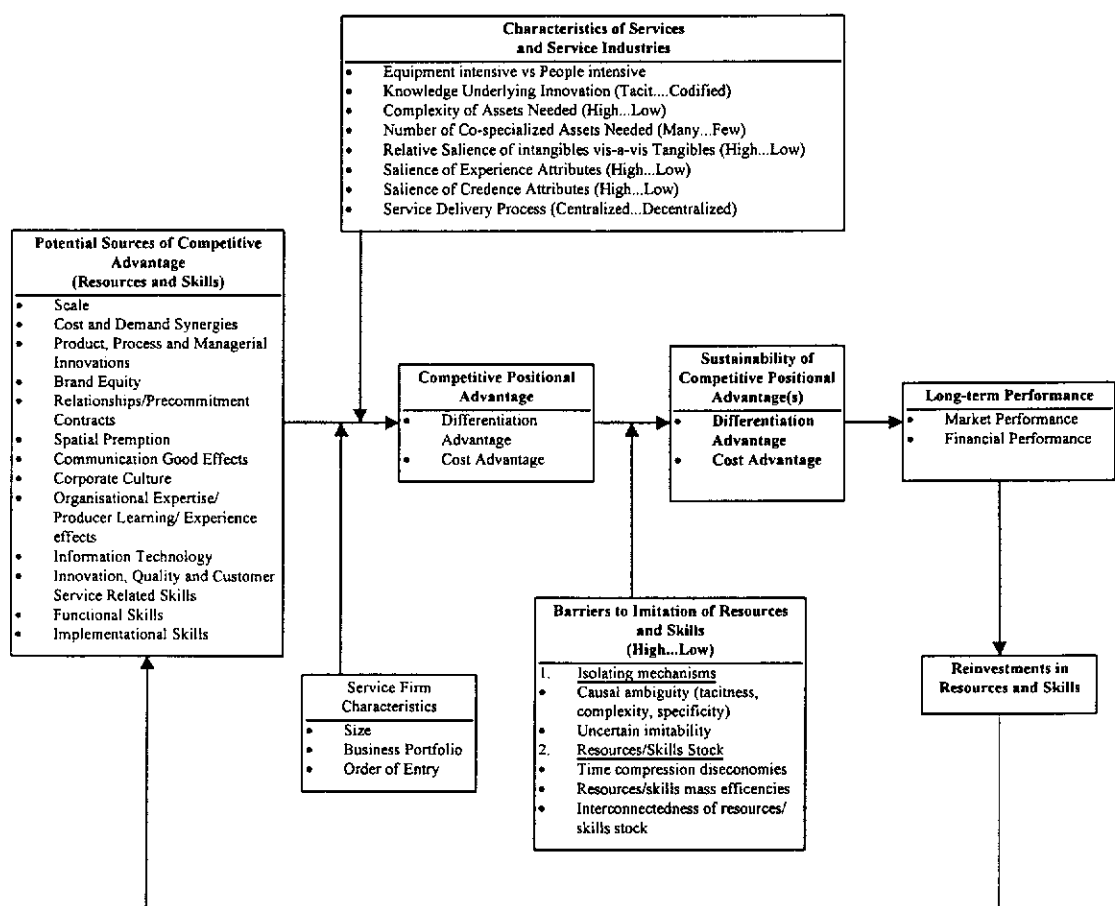
Bharadwaj, Varadarajan and Fahy (1993) have outlined a model of sustainable competitive advantage for services. This draw together much of the literature on sustainable competitive advantage with particular emphasis placed upon the “resource based view” outlined in section 5.6.

The model assumes that service enterprises possess certain potential sources of competitive advantage in the form of such things as economies of scale, brand equity or the expertise of their staff. These sources of competitive advantage can provide the basis for competitive positional advantages as identified by Porter (1990). Influencing this development of competitive positioning are such intervening variables as the characteristics of services, service industries and the service enterprise itself. For example “equipment intensive” service industries such as fast foods, create different circumstances to “people intensive” services such as education (Lovelock, 1983). Figure 5.8 illustrates this model.

The ability of a service enterprise to sustain its competitive advantage depends on the creation of barriers to the imitation of its resources or skills by competitors. This can be achieved either by “isolating mechanisms” (Rumelt, 1984) or “Resources/skills stock” (Dierickx and Cool, 1989). The former makes imitation difficult due to the inability of a competitor to fully understand what the source of the competitive advantage is. The latter achieves this either by the enterprise obtaining a lead over its competitors (‘time compression diseconomies’) which is hard to close, or by the sheer scale and scope of the resources and skills available to the enterprise.

If successful the service enterprise can achieve long term performance in terms of financial profitability and market share growth. If the enterprise is willing to reinvest in its resources and skills (the source of its original competitive advantage). Bharadwaj, Varadarajan and Fahy (1993) note in the conclusion of their paper that the model is designed to address the research needs highlighted in the existing services marketing literature. In particular they point to the need for empirical testing and refinement of the proposed model:

"However, for many of the constructs present in the model (e.g. brand equity, communication goods effect, and spatial preemption), psychometric scales are not currently available. Development and validation of psychometric scales for these constructs and empirical testing and further refinement of the proposed model constitute promising future research directions" (Bharadwaj, Varadarajan and Fahy, 1993 p.96).



(Bharadwaj, Varadarajan and Fahy, 1993)

Figure 5.8: A Contingency Model of Sustainable Competitive Advantage in Service Industries.

5.8 A Model of Sustainable Competitive Advantage for International Education Services

Figure 5.9 illustrates a model of sustainable competitive advantage for education service enterprises in international markets developed from the theories of sustainable competitive advantage and services marketing which have been outlined so far. As a model of sustainable competitive advantage it draws somewhat more heavily upon the environmental determinist view of competitive advantage than the resource based school. The development of the model shown in Figure 5.9 commenced prior to the publication of the model shown in Figure 5.8, but has adopted many aspects of the model proposed by Bharadwaj, Varadarajan and Fahy (1993).

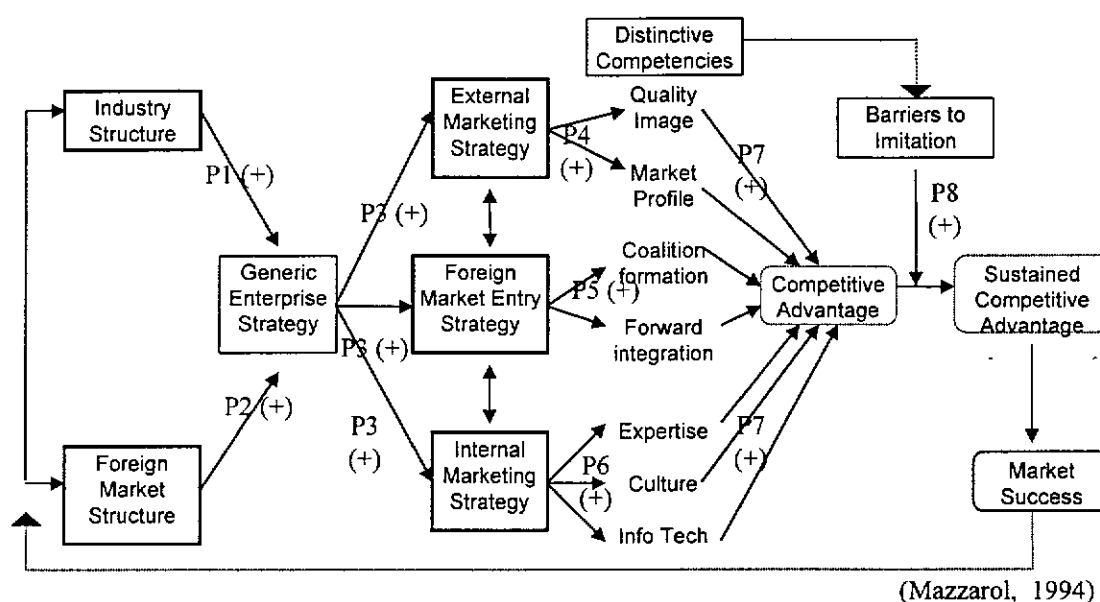


Figure 5.9: Model of Sustainable Competitive Advantage for Education Service Enterprises in International Markets

The model assumes that strategy is the result of both 'environmental selection' - responses by the enterprise to considerations of external environmental factors - and "strategic selection" - with consideration given to organisational resources and skills (internal environment). This process of strategic management is an iterative process and does not necessarily commence at any given point (Boseman and Phatak, 1989). Mahoney and Pandian (1992) point to the substantial literature surrounding the development of suitable "isolating mechanisms" from which a sustainable competitive advantage might be developed. They call for an integration of the approaches taken

by the resource-based and “industry analysis” (*environmental selection*) schools. It is in this spirit that the following theoretical model is presented.

In the sub-sections that follow the elements of this model will be explained with reference to the preceding discussion of sustainable competitive advantage. It commences with the institution’s considerations of the external environment as constituted by the overall industry structure and the structure of their foreign markets.

5.9 Industry Structure

As noted earlier in this chapter, Porter (1990) describes the external forces influencing the industry within which the enterprise operates as comprising the five factors: 1. Barriers to entry; 2. Supplier power; 3. Buyer power; 4. Threat of substitutes; 5. Industry competitiveness. Within international education there are a number of potential barriers to market entry. Some of the more prominent are economies of scale, government policies, brand equity and access to capital requirements. This is illustrated by the reforms of the Australian higher education system which took place during the 1980’s (Harman and Smith, 1972; Meek and Goedegeburne, 1989). This amalgamation of institutions and the removal of the dual system of universities and Colleges of Advanced Education was undertaken to achieve economies of scale and increase the longer term economic viability of the system (Baldwin, 1991; Mahony, 1994b). Despite the relative success of the newly emergent universities in Australia, the early financial troubles experienced by the privately owned Bond University in Queensland serve as an example of the barriers facing a new entrant into this industry.

In terms of supplier and buyer power the growth of the international education sector and increased mobility and affluence of international students enhances their power. Over the decades since 1970 the international flow of students has become driven more by market forces than government policy (Scott, 1994). This makes the education institution more subject to consumer needs and requires it to be responsive to competitive forces that might shift consumer focus away towards other institutions.

In terms of substitution threats, the growth of offshore programs, and the potential for education services to be delivered to students via interactive multimedia pose possible examples of such threats (Ives and Jarvenpaa, 1996). The expansion of the tertiary education sector throughout the world has led to debate about whether adult further education should be undertaken by education institutions or by industry groups and enterprises (Flint, 1991). The role of management education within universities (one of the growth areas of international education) has also been the subject of discussion as to whether it is appropriate to teach it there or within industry (Watson, 1993).

From this discussion we can put forward the following proposition about the role of industry structure to the development of competitive strategy in education service enterprises:

- P1. The greater the intensity of rivalry within the industry structure environment surrounding the education institution seeking a competitive advantage international markets the greater the importance of adopting a generic enterprise strategy of either cost leadership or differentiation.**

5.10 Foreign Market Structure

Enterprises operating internationally must also consider the structure of the foreign markets they enter. A problem facing service enterprises in international markets is the *"close cultural relationships between a society and the services offered in that society"* (Dahringer, 1991 :7). This can result in services facing a variety of non-tariff barriers not generally imposed on tangible goods (Onkvisit and Shaw, 1988). Developing strategies to deal with such barriers is equally important to achieving competitive advantage.

Two other important elements of foreign market structure are *'experience'* and *'psychic distance'* (Klein and Roth, 1989). The first relates to the level of knowledge exporters have about the foreign market they are entering. According to Erramilli and Rao (1990) market knowledge is the most critical factor in determining entry into foreign markets. This is consistent with Johanson and Vahlne's (1977)

internationalisation thesis. According to this, market knowledge, leads to market commitment, leading to enhanced market knowledge, resulting in increasing commitment. Where experience of the foreign market is low, service enterprises tend to seek greater control of the export channel until their knowledge of the market increases (Erramilli, 1991).

'*Psychic distance*' is the level of difference in "*attitudes and perceptions*" between the exporting enterprise and the foreign market. The greater the '*psychic distance*' the lower the level of forward integration into the export channel tends to be (Goodnow and Hansz, 1972). The traditional view is that the integration of export channels increases as experience falls, but Klein and Roth (1989 :37) found that experience and '*psychic distance*' "*have different effects under different environmental conditions*". A determining factor in this process being the overall efficiency of the market. Within an efficient market the use of non-integrated distribution channels can prove as effective as integrated ones. Of more importance is the level of commitment by the enterprise to its export market (Klein and Roth, 1989).

From this discussion we can put forward the following proposition about the role of foreign market structure to the development of competitive strategy in education service enterprises:

- P2. The greater the intensity of rivalry within the foreign market structure environment surrounding the education institution seeking a competitive advantage international markets the greater the importance of adopting a generic enterprise strategy of either cost leadership or differentiation.**

5.11 Generic Enterprise Strategy

This adopts Porter's (1980; 1990) theory that all enterprises must adopt one of three *generic* strategies in order to achieve a competitive advantage. Cost leadership, differentiation or focus strategies are likely to be appropriate for different types of education institution seeking to enter selected markets. By positioning the institution appropriately the basis of an effective competitive advantage can be achieved.

From this discussion we can put forward the following proposition about the role of generic enterprise strategy to the development of competitive strategy in education service enterprises:

P3 The greater the adoption of a generic enterprise strategy the greater the focus of the education institution on either differentiation or cost leadership within its marketing strategies in three key areas:

- external marketing strategy
- foreign market entry strategy, and
- internal marketing strategy

5.12 External Marketing Strategy

External marketing strategy relates to the '*marketing mix*' of: product, price, position, promotion and physical evidence outlined in Chapter 3 (McCarthy, 1971; Booms, and Bitner, 1981). Takeuchi and Porter (1986) view the role of marketing internationally as threefold. First, it needs to '*configure*' the elements of the marketing mix in such a way as to suit the needs of the foreign market into which the enterprise is operating. Second, it should '*coordinate*' the overall marketing efforts of the enterprise across the range of foreign markets it engages. Third, it must provide '*linkages*' between the external marketing effort and the various functional elements within the enterprise. This leads to the importance of internal marketing strategy.

Within international markets economies of scale and scope can be achieved via marketing strategy. By standardizing activities across international markets, and linking together other enterprise functions to support the overall marketing effort, economies of both scale and scope can be achieved (Takeuchi and Porter, 1986). For example, British and United States universities have enjoyed enhanced marketing effort by coordinating their activities through the British Council or USIA, Australian and Canadian institutions are seeking to do the same via the AIEF/AEC and APFC/CEC structures (Woodhall, 1989; DEET, 1993).

From this discussion we can put forward the following proposition about the role of external marketing strategy to the development of competitive strategy in education service enterprises:

- P4. The greater the adoption of an external marketing strategy based upon generic enterprise strategies, the greater the development of the distinctive competencies of a quality image and a high market profile.**

5.13 Foreign Market Entry Strategy

Because production and consumption are difficult to separate in services, location of service delivery outlets assumes a critical importance (Allen, 1988). For this reason the '*preemption*' of strategic locations becomes a source of competitive advantage within service industries (Bharadwaj, Varadarajan and Fahy, 1993).

In international markets spatial preemption is associated with foreign market entry strategies and in turn the channel structure adopted by the enterprise. According to Terpstra (1987 :333) foreign market entry strategy is "*one of the most critical decisions in international marketing*". Such decisions set the framework for channel structure and the level of control the firm will have over the marketing channel (Stern and El-Ansary, 1982 :509-542). Anderson and Coughlan (1987) suggest either an *integrated* (ie. joint venture) or *independent* channel structure. Determining which approach to take is a complex one, influenced by such factors as the level of intangibility within the service component or age of the product category. The cost of an incorrect market entry decision is high.

Cowell (1984) has identified six general strategies for foreign market entry by service enterprises: 1. Direct export; 2. Licensing; 3. Franchising; 4. Joint venture; 5. Acquisition; and 6. Management contracting. As the name implies, direct export can involve the service enterprise sending its representative's abroad. However, in the case of education and tourism it usually has the customer visiting the producer country. Licensing, franchising, joint ventures, management contracting, and acquisition strategies all involve coalitions of some kind. They also suggest a degree

of forward integration into the export channel requiring the establishment of offices or facilities overseas.

From this discussion we can put forward the following proposition about the role of foreign marketing strategy to the development of competitive strategy in education service enterprises:

P5. The greater the adoption of a foreign market entry strategy based upon generic enterprise strategies, the greater the development of the distinctive competencies of coalition formation and forward integration.

5.14 Internal Marketing Strategy

Internal marketing strategy is *"aimed at creating enthusiasm, consistent behaviour and respect for the general marketing strategy"* among the staff of the service enterprise (Flipo, 1985 :8). For service enterprises the linkage of the external and internal marketing strategies appears to be more important than within the tangibles sector (Gronroos, 1978). This is because service enterprises depend so heavily upon the quality and performance of their staff (Thomas, 1978). Internal marketing strategy involves the development of an organisational culture that is customer focused with an emphasis upon building long term customer relationships. *"This is achieved by a mutual exchange and fulfillment of promises"* (Gronroos, 1990 :138).

Another important aspect of internal marketing strategy is the development of an organisation culture that encourages innovation and a service orientation (Teare, 1992; Webster, 1992). Innovation of product, process or management is well recognised in the literature as a source of competitive advantage (Burns and Stalker, 1961; Kanter, 1982; 1989; Foster and Pryor, 1986; Ghemawat, 1986; Ansoff, 1987).

From this discussion we can put forward the following proposition about the role of internal marketing strategy to the development of competitive strategy in education service enterprises:

- P6. The greater the adoption of an internal marketing strategy based upon generic enterprise strategies, the greater the development of the distinctive competencies of staff expertise, innovation culture and effective use of information technology.**

5.15 Distinctive Competencies

If the marketing and market entry strategies achieve their desired purpose the result will be the creation of a series of *distinctive competencies* which provide sources of competitive advantage for the institution. Several *distinctive competencies* are assumed to be key sources of competitive advantage for institutions within international markets:

5.15.1 Brand Identity - Quality image and High Market Profile:

The attributes of a brand, name or symbol which confer image or reputation is referred to as '*Brand Identity*' (Porter, 1980) or '*Brand Equity*' (Aaker, 1991). The process of branding a product or service requires careful management (Park, Jaworski and MacInnis, 1986). The branding and positioning of services is made more difficult due to their intangibility (Dibb and Simkin, 1993). The intangible nature of services increases the importance of the enterprise name rather than its individual service products (Berry and Parasuraman, 1991). In order to overcome the problems associated with intangibility service enterprises need to '*tangibilize*' their services (Shostack, 1977). Services need to present tangible clues to emphasize the realities of their service and differentiate it from competitors (Onkvisit and Shaw, 1989 :17).

Brand identity is particularly relevant for professional services where the perceived risk of making an incorrect purchase decision is high (Hill and Neeley, 1988). In such services the image of the service provider is critical to the purchasing decision as a brand or name with an established reputation helps reduce the perceived risk (Levitt, 1986). Aaker (1989) found that managers of service enterprises ranked a "*reputation for quality*" and "*name recognition/high profile*" as significant sources of competitive advantage.

5.15.2 Coalition Formation:

Porter and Fuller (1986) note the importance of coalitions for international marketing. The primary benefits of coalitions being the ability to gain: '*economies of scale*'; '*access*' (to distribution channels, capital, local knowledge etc.); '*reduction of risk*'; and the ability to shape competition. Coalition activity can be a source of competitive advantage (Dunning and Pearce, 1985; Ohmae, 1985). The evidence of this is suggested by the recent growth in coalition activity among education services exporters (Scott, 1994). Within the international business community the trend has been toward the formation of strategic alliances, although care needs to be taken to ensure that the nature of the alliance is clearly understood with performance benchmarks established (Pekar and Allio, 1994). For the education institution seeking to achieve a competitive advantage in international markets, coalition formation is an outcome of its external marketing strategy. As such it is a distinctive competency capable of providing a source of competitive advantage.

5.15.3 Forward Integration:

Erramilli (1990) identifies two broad types of service enterprise - '*hard*' and '*soft*'. The former have the ability to separate the production and consumption of their service (eg. architecture), whilst the latter cannot (eg. education). '*Hard*' services are capable of being exported directly. By contrast, '*soft*' services require forward integration of some description if the enterprise is to establish a presence off-shore. Erramilli and Rao (1990) found services exporters divided into '*client following*' and '*market seeking*' firms. The first were services, which exported only because their clients had moved internationally, and they were obliged to follow. The second actively sought foreign market opportunities. Education might be classified as a '*soft*' service and most the institutions engaged in international markets as '*market seeking*'.

The inseparability of production and consumption increases the need for international services exporters to integrate forward into the overseas marketing channel and establish '*foreign manufacturing facilities*' (Nicouland, 1989). Because '*soft*' services such as education involve a high degree of '*consumer/producer interaction*' there is a

strong desire for direct control and presence by the producer during the early phases of export development (Vanermerwe and Chadwick, 1989). Erramilli (1991) supports this view. Service exporters prefer to retain a high control over the export channel until their experience within the market increases. The degree of forward integration may be a further source of competitive advantage for service enterprises in international markets.

An empirical study using the Profit Impact of Market Strategy (PIMS) data base undertaken by Bharadwaj and Menon (1993) found that forward integration increased the market share of service enterprises and had a significant positive effect on their financial performance. By contrast, backward integration strategies appeared to have little influence. Service quality was found to have a positive influence on lowering the enterprise's business risk. The reputation and service image of the enterprise served to increase market share and lower business risk. Financial performance was enhanced and business risk reduced by the development of synergies between business operations and marketing activities. Customization of service offerings was found to increase market share. Advertising was found to enhance market share but reduce profitability, while sales promotion reduced business risk levels. Although exploratory in nature, the study again highlights the importance of service quality and reputation, and the benefits of forward integration and the development of synergies between marketing and other business activities.

This desire for control over the marketing channel reflects the problems arising from the '*heterogeneity*' of services. Service quality is a significant issue within services marketing (Fisk, Brown and Bitner, 1993). Aaker (1989) found that the managers of service enterprises rated a '*reputation for quality*' above all other factors considered important to achieving sustainable competitive advantage (SCA). The measurement of service quality is a difficult process due to the likelihood of differences in consumer and producer perceptions and expectations (Gronroos, 1990; Zeithaml, 1988). Soutar, McNeil and Lim (1990) have suggested that service quality within education institutions is both measurable and desirable.

Education institutions seeking to achieve competitive advantages in international markets could be expected to benefit from forward integration. Possession of offshore programs is a distinctive competency that is an outcome of foreign market entry strategy.

5.15.4 Organisational Expertise/Producer Learning/Experience:

Bharadwaj, Varadarajan and Fahy (1993) highlight the importance of organisational learning and expertise as a source of competitive advantage. In the education services industry, for example, students select courses on the reputation of teaching staff (Hughes, 1988). Winter (1987) suggests that organisational learning is a source of competitive advantage if two criteria are met: 1. the learning is *'tacit'* and not easily copied by competitors; and 2. the knowledge underlying the expertise is complex (thus making imitation difficult).

Osbaldeston and Barham (1992) have proposed that management development can become a source of competitive advantage. By linking management training and development to business strategy, management can become a means of reshaping organisational culture, and implementing strategies. Swiercz and Spencer (1992) who propose that human resources, if managed correctly, provide a valuable source of competitive advantage echo this view.

A study of 190 senior managers undertaken by Day and Nedungadi (1994) identified four "mental modes" or "managerial representations of competitive advantage". The first of these - *self-centred* - involves an inner directed orientation with limited attention to the needs of customers or behaviour of competitors. Such managers were prone to adopting less stable and coherent strategies. The second "mental mode" - *competitor centred* - found managers who developed strategies in response to competitors' activities. Their strategic development tended to be unstable and reactive with minor adjustments being made to the actions of a small number of perceived major competitors. The third "mode" - *customer oriented* - concentrated managerial attention on the needs of the customer. Such managers did not actively track their competition and relied upon customer feed back to guide their strategies.

The fourth “mode” - *market driven* - described a management approach that attempted to balance between the customer and competitor orientations. Greater stability and managerial consensus marked strategy formulation within such enterprises. The study also postulated that the market driven orientation was associated with superior performance than the other three modes.

5.15.5 Organisation Culture and Innovation:

Closely linked to management performance is organisational culture (Tagiuri and Litwin, 1968). Management, in particular at senior levels, has a pronounced influence over the organisational culture adopted within the enterprise (Franklin, 1975). Organisational culture is defined as either “the dominant values espoused by an organisation” (Deal and Kennedy, 1982), “the philosophy that guides an organisation’s policy toward employees and customers” (Pascale and Athos, 1981), or “the basic assumptions and beliefs that are shared by members of an organisation” (Schein, 1985). Numerous other definitions of organisational culture exist (Smircich, 1983). Peters and Waterman (1982) have argued that organisations with strong cultures or commonly shared values also demonstrate superior performance. However, the ability for culture to be a source of competitiveness has been considered contingent upon the extent to which the organisation’s culture “fits” or matches the prevailing conditions within the enterprise’s external environment (Schein, 1984).

Managing culture for sustainable competitive advantage requires careful attention to be paid to the language and behaviour used within the enterprise, as well as the values and beliefs (Fiol, 1991). The symbols used to define the organisation’s structure and behaviour of its members can also play a decisive role in defining the nature of the culture (Barley, 1983). Johnson (1992) describes corporate culture as consisting of a “web” of interrelated elements. At the centre is *The Paradigm*, which is the overall frame of reference for the enterprise. Surrounding this are a range of elements such as *stories, symbols, power structures, organisational structures, control systems and rituals and routines*, which comprise the *cultural web*. Each of these elements needs

to be examined before a complete understanding of the enterprise's culture can be obtained.

The importance of organisational culture to sustainable competitive advantage has been outlined by Barney (1986a) who notes that while culture needs to be firmly based within the organisation, it should also be flexible to encourage innovation. Gronroos (1990) highlights the need for service enterprises to develop customer oriented service cultures in which the organisation chart is inverted and customer and front line staff becomes the primary focus. The ability of culture to provide a source of competitive advantage is also linked to its ability to generate strategically valuable innovation via the process of organisational learning (Williams, 1992). An enterprise needs to develop strong core values that emphasize innovation and flexibility in order to develop sustained superior financial performance (Barney, 1986a). Culture therefore has an important influence on an enterprise's ability to develop innovation:

"Specific corporate culture or climate is important for innovation. The enterprises that seemed most successful in the realm of innovation were those with a relatively high degree of internal competition to achieve and a willingness to experiment with and reward innovation" (Baran, Zandan and Vanston, 1986 :23)

Innovation can be viewed as "the development and implementation of new ideas by people who over time engage in transactions with others within an institutional order" (VanDenVen, 1986 :590). It involves the generation of new processes and products, and the implementation of these in order to develop competitive advantage for the enterprise (McIntyre, 1982). Tushman and Nadler (1986) identify three distinct levels of innovation: i) *incremental*, ii) *synthetic*, and iii) *discontinuous*. The first concerns gradual changes to products or processes. The second involves the combining of existing ideas in new ways. The third is the creation of radically new ideas. Innovation is also strongly linked to the concept of risk taking (Norris, 1981). Innovation, therefore, seems to involve not only new ideas and their development, but also change and risk. It is a positive force for any enterprise seeking to develop competitive advantage.

An important element in innovation is creativity (Raudsepp, 1987). This involves “the ability to process information such that the result is new, original and meaningful” (Badaway, 1985 :29). According to Takeuchi and Nonaka (1986) successful enterprises generate creative work environments through a “self-organizing capability”. In relation to new product development this involved project teams which displayed three attributes. The first was a high degree of autonomy. The second a capacity to set challenging goals for themselves. The third was a beneficial “cross-fertilization” of different skills, ideas and behaviours. Such an approach has been described by Quinn (1985 :79) as “interactive learning”.

In attempting to promote innovation via creativity it has been suggested that a enterprise seek to develop “internal corporate venturing” (Burgelman, 1984). This has been seen as achievable via the empowerment of middle management (Kanter, 1982), or via the formation of “innovation management task forces” that can motivate employees and implement strategies (Foster and Pryor, 1986). Creative organisations frequently possess a climate in which the line between work and play is blurred (Sonnenberg, 1991). Senior management within such enterprises are supportive of subordinate staff and encourage more autonomy and risk taking (Pearson, 1988). Such initiatives may be increasingly more important within industries where product and process technologies have reached the limits of further development. Under such conditions investment in human resources via training and skill development can become a source of competitive advantage (Pfeffer, 1994).

According to Quinn (1980; 1985) successful innovation requires three essential elements: i) a market orientation; ii) an internal management style (structure and culture) which fosters innovation; and iii) a planning process which is ‘*non-linear*’. This latter point refers to the ability of the planning process to remain flexible and permit all functional areas of an enterprise to contribute to the process (Takeuchi and Nonaka, 1986; VanDenVen, 1986).

The literature relating to innovation stresses culture as a critical variable in the innovation process (Baran, Zandan and Vanston, 1986; Lorsch, 1986). Gresov

(1984) suggests that culture and organisational structure are linked, and that an inverse relationship exists between the degree of homogeneity of an organisation's culture and the degree of innovation within that organisation. Of critical importance is the need to develop a balance between chaos and control when seeking to encourage innovation (Quinn, 1985). To achieve innovation requires the planning process (strategy formulation) within the enterprise to be '*non-linear*' or '*holistic*' (VanDenVen, 1986; Ansoff, 1987). This is consistent with Takeuchi and Porter's (1986) theory of the need for marketing strategy to be capable of coordinating and linking together all aspects of the enterprise's activities.

Bharadwaj, Varadarajan and Fahy (1993) note the importance of both complexity of assets and the number of co-specialized assets needed to achieve a particular innovation. The more complex the assets needed to market a service, the more sustainable is innovation as a source of competitive advantage. This is also true for services in which the number of co-specialized assets is high. Competitors will find it difficult to emulate the innovation if the process is highly complex.

5.15.6 Information Technology:

Technology refers to the "information, equipment, techniques, and processes required to transform inputs into outputs in the organisation" (Robbins, 1987 :125). Early research into effect of technology on business performance focused upon the impact it had on organisational structure (Woodward, 1965; Harvey, 1968). Perrow (1967) drew attention to the importance of "knowledge technology" as opposed to production technology. Thompson (1967) suggested a link between technology and organisational effectiveness.

Since the emergence of modern information technology the value of computers to the development of competitive advantage has been highlighted (Gerstein and Reisman, 1982). Information Technology has been viewed as offering enterprises the ability to adopt "generic" positioning strategies. Within manufacturing Computer Aided Design (CAD) or Computer Aided Manufacturing (CAM) has assisted in achieving cost leadership and differentiation strategies (Parsons, 1983). For education

institutions information technology is emerging as a critical source of competitive advantage as the Internet allows them to offer their services globally via its media (Ives and Jarvenpaa, 1996).

Porter and Millar (1985) point to the impact information technology can have on the “value chain” and the industry structure variables of buyer and supplier power, the threat of substitution and barriers to entry. The ability of information technology to make significant impact is contingent upon the level of information intensity within the value chain and information content of the product. Cement manufacturing, for example, is characterised by low levels of information intensity within both the product and the value chain producing it. By contrast, Banking has high information intensity within its product and value chains.

Earl (1988) has emphasized the importance of management commitment to the effective use of information technology. Unless senior management is willing to support the implementation of new technologies and accept the risks associated with it, the value of such technologies may be diminished (Leonard-Barton and Kraus, 1985). Research into technology and innovation suggests that enterprises who adopt new technologies when faced by external threats can be more successful if they recognise the different strategic requirements associated with the new field (Cooper and Schendel, 1976). Effective use of information technology can be a source of sustainable competitive advantage particularly where information is the critically important asset (Clemons, 1986).

With respect to these *distinctive competencies* we can put forward the following research propositions:

P7. The variables that strengthen the competitive advantage of an education institution within an international market are:

- **quality of image**
- **market profile**
- **coalition formation**

- **degree of forward integration into the export channel**
- **organisational expertise and quality of staff**
- **possession of a client oriented/innovative culture**
- **effective use of information technology**

5.16 Market Success and Barriers to Imitation

The research model assumes that it is not possible to directly measure competitive advantage or sustainable competitive advantage. What can be observed are the manifestations of these things that are usually translated into market success. The nature of market success varies from enterprise to enterprise. Bharadwaj, Varadarajan and Fahy (1993 :87) have suggested that the two major measures of success are: i) "*market place performance (e.g. market share, customer satisfaction)*", and ii) "*financial performance (e.g. Return on investment, shareholder wealth creation)*". These appear sufficiently comprehensive for the purposes of this study.

An important aspect of sustainable competitive advantage is the ability of a enterprise to develop strategies that will not be imitated by competitors (Bharadwaj, Varadarajan and Fahy, 1993). Whereas market entry barriers are generic to the industry within which the enterprise operates, barriers to imitation offer the enterprise the ability to sustain competitive advantage over the long term (Lippman and Rumelt, 1982; Rumelt, 1984; Coyne, 1985; Dierickx and Cool, 1989; Reed and DeFillippi, 1990).

One barrier to imitation is "*causal ambiguity*" (Bharadwaj, Varadarajan and Fahy, 1993). This is the degree of ambiguity, which exists over the causes of competitive advantage within a enterprise. According to Reed and DeFillippi (1990) the main determinants of causal ambiguity are: i) "*tacitness*", ii) "*complexity*", and iii) "*specificity*". The first relates to the accumulation of organisational knowledge and experience that is non-codifiable (Polanyi, 1962). As such it is difficult for competitors to ascertain the nature of that knowledge or experience and imitate it. The second determinant is the level of complexity resulting from the interrelationships between skills and assets within the enterprise (Nelson and Winter, 1982; Barney, 1991). Finally, *specificity* relates to the skills and assets that are specific to the

transactions used in the production and delivery of a service within an enterprise for specific customers (Williamson, 1985).

Another barrier to imitation is “*uncertain imitability*” (Bharadwaj, Varadarajan and Fahy, 1993). This assumes that the enterprise’s resources and skills can be so complex as to be difficult to imitate with any certainty (Lippman and Rumelt, 1982). A competitor may seek to imitate the behaviour of the successful enterprise, but as the scale and scope of the sources of competitive advantage are so great, its ability to do so is uncertain.

A further barrier to imitation is “*resources/skills stock*” (Bharadwaj, Varadarajan and Fahy, 1993). This relates to the ability of an enterprise to develop stocks of resources and skills that provide sources of competitive advantage. The accumulation of such stocks offers the enterprise an advantage over competitors, while making imitation difficult due to the time involved in building upon equivalent stocks. Dierickx and Cool (1989) identify three characteristics of this barrier: i) *Time compression diseconomies* - an enterprise may develop a reputation for quality that competitors will be unable to match in a short time period; ii) *Resource/skill mass efficiencies* - once an enterprise has accumulated a stock of resources and skills for competitive advantage, it is generally able to add to that stock more easily than competitors; iii) *Interconnectedness of resources/skills stock* - if resources and skills are interconnected in providing competitive advantage, it is more difficult for imitation to occur even if certain resources or skills are copied.

From this discussion we can put forward the following proposition about the role of barriers to imitation in the development of competitive strategy in education service enterprises:

P8. Barriers to imitation impact the sustainability of an institution’s competitive advantage, the most likely barriers are:

- **causal ambiguity**
- **uncertain imitability**
- **resources and skills stock**

5.17 Empirical Testing of the Model

The examination so far has considered the factors that are likely to contribute to the development of a sustainable competitive advantage for education institutions operating in international markets. In this chapter a theoretical model of the likely processes influencing the achievement of a sustainable competitive advantage has been described, along with a series of research propositions stemming from it.

In the remainder of this study the relevance of the model will be examined. A survey of education institutions throughout Australia, Canada, New Zealand, the United Kingdom and United States was used, in conjunction with a series of case studies, to evaluate the model. The next chapter presents the general findings of the survey.

Chapter 6. General Results of the Survey

6.1 Introduction

This chapter examines the general findings of a large-scale survey of education institutions taking full-fee paying international students. Education institutions in Australia, Britain, Canada, New Zealand, and the United States were surveyed in 1994. The sample included universities and other post-secondary colleges as well as a large number of secondary schools.

The survey was designed to test the theoretical model of competitive advantage for education services exports, as outlined in Chapter 5. It was targeted at decision-makers within the institutions that engage regularly in the decision making in and planning of international marketing activities.

6.2 The sample

Although the primary focus of this survey was the Australian international education industry, the survey was also sent to institutions in what might be described as “competitor” countries. Britain, Canada, New Zealand and the United States were selected due to their importance as major rivals to Australia in the supply of international education, and because of their similarity in educational service structure and culture.

6.2.1 The Australian sample:

The Australian sample was drawn from the Commonwealth Register of International Courses for Overseas Students (CRICOS) Register. This register is maintained by the Department of Employment, Education and Training (DEET) in Canberra and is a central register of all institutions that wish to offer services to international students. It represents a total population of Australian institutions engaged in international education.

At the time the Australian sample was taken the CRICOS Register contained 920 institutions throughout the country. A telephone survey was undertaken of all the institutions listed in the register that reduced the total population to 878 institutions. The forty-two institutions that were removed from the initial list were either no longer operating, multi listings of institutions registered under two or more names, or in a minority of case institutions that refused to participate in the study.

A questionnaire was mailed to an identified individual in each of the 878 institutions listed in CRICOS. A total of 258 Australian institutions returned useable questionnaires, giving a response rate of 30 per cent. A number of institutions, predominantly secondary schools, responded with uncompleted questionnaires explaining that they undertook no marketing and had no international students.

Table 6.1: Australian sample and institutions in CRICOS Register 1994

<u>Institution</u>	<u>CRICOS</u>	<u>Sample</u>	<u>%/CRICOS</u>
Universities/university colleges *	48	22	46%**
TAFE colleges†	16	13	81%
Private VET Colleges	89	21	24%
Private Secondary Schools	553	148	27%
Government Senior Colleges	12	6	50%
ELICOS Centres	70	23	33%
Air Training Colleges	42	10	24%
Other (includes Bible Colleges)	<u>90</u>	<u>15</u>	<u>17%</u>
Total	920	258	28%

[* includes Defence Force Academy, multi-site Australian Catholic University, and some university colleges of larger universities] [** There are 35 universities in Australia, therefore sample comprises 60% of these]. [† TAFE are usually represented centrally via TAFE International Offices].

Table 6.1 compares the Australian sample against the total population listed in the CRICOS. The final Australian sample was highly representative of the industry. It

comprised 60 per cent of all Australian universities; 81 per cent of Technical and Further Education (TAFE) colleges; 24 per cent of Australian private Vocational Education and Training (VET) colleges; 33 per cent of all English Language Intensive Courses for Overseas Students (ELICOS) centres registered with the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS).

6.2.2 The international sample:

In addition to the Australian institutions a further sample of 377 universities, polytechnics and other institutions in the United States, United Kingdom, Canada and New Zealand were also surveyed. The diplomatic missions of these countries were approached in order to provide a database of institutions engaged in international education.

The sampling frame selected for the United States comprised 100 institutions all at the tertiary level. It included the top twenty institutions in terms of total international student enrolments for 1992-1993, as well as a selection of institutions in the top fifty. Each of these institutions had over 1,000 international students enrolled (Zikopoulos, 1994). The remainder was institutions both large and small, selected so as to ensure a proportion of the institutions were drawn from each state within the U.S.A.

A sampling frame of 160 institutions in the United Kingdom was compiled from a database supplied by the British Council. It was representative of all parts of the U.K. The Canadian High Commission provided a listing of all Canadian universities (approximately 100). A sampling frame of 86 Canadian institutions was selected which covered all provinces. The New Zealand High Commission supplied a list of addresses for their universities and polytechnics. A total of 30 universities and polytechnics were identified as existing in New Zealand and all were included in the sampling frame.

A questionnaire was mailed to these 376 international institutions during 1994. The overall response rate to this survey was 15 per cent, with 57 useable questionnaires being returned. This level of response is less than was hoped for but low response

rates are common with mail surveys of this kind (Kerlinger, 1973 :414). Follow up approaches using faxed messages were undertaken but failed to lift the response rates substantially.

The best response rates were from the New Zealand institutions (37%), followed by those in the United Kingdom (17%). The British Council was able to supply the names of contact persons within most of the institutions. In the case of Canada and New Zealand these were unavailable and the letters were addressed to the "Director of the International Office". In the case of the United States sample contact names were available in most cases, but due to the size of many of the institutions it is possible that some of the surveys were misdirected. The lower response rate from Canada is also likely to reflect the absence of institutions from Quebec. The survey and covering letter were not translated into French and this may have served as a barrier. Table 6.2 shows the breakdown of the international sample and response rates.

Table 6.2: International sample

<u>Institution</u>	<u>U.K.</u>	<u>U.S.A</u>	<u>Canada</u>	<u>N.Z.</u>	<u>Total</u>
<i>Initial Sampling frame:</i>	160	100	86	30	376
<i>Final sample:</i>					
University/university college	22	11	7	5	45
Polytechnic colleges	-	-	-	6	6
Private VET colleges	1	-	-	-	1
Secondary Schools	3	-	-	-	3
ELICOS Centres	1	-	1	-	1
Total	27	11	8	11	57
Response rates:	17%	11%	9%	37%	15%

6.2.3 The overall sample:

The final sample comprised 315 institutions. A total of 151 (48%) were private secondary schools; 67 were universities; 19 TAFE Colleges or Polytechnics; 22

privately owned VET Colleges; 25 ELICOS Centres; 10 Air Training Schools; 6 Government Schools or management authorities; and 15 a collection of Theological Colleges and other institutions not classified elsewhere. Figure 6.1 shows the overall proportion of the sample within each institutional category.

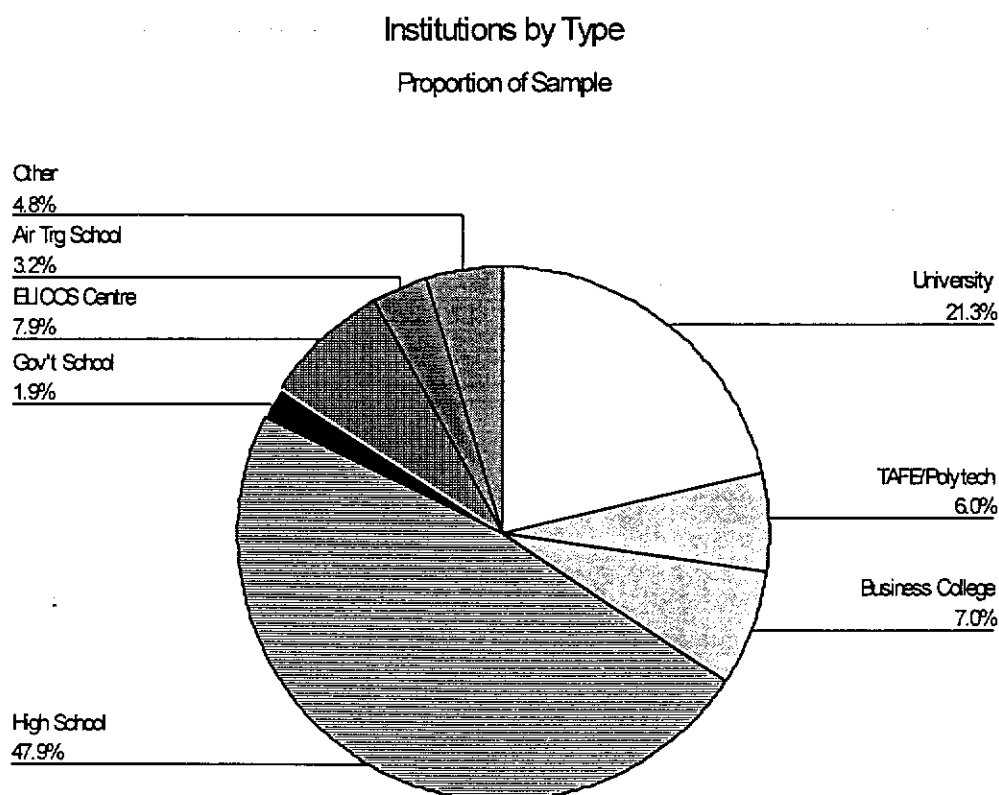


Figure 6.1: Institutions by type - proportion of sample

Although the number of secondary schools in the sample is high, this reflects the distribution of institutions within the CRICOS Register. As noted in Table 6.1 there were 553 secondary schools listed in the CRICOS in 1994, representing 60 per cent of all institutions registered to take international students in Australia. When compared against the CRICOS Register the final sample actually tends to be weighted more towards the higher education institutions. Overall, however, it is highly representative of the known population of education institutions engaged in international education

in Australia. It is also representative of the higher education sectors in the four other countries. This is particularly the case for New Zealand and the United Kingdom.

6.3 Development of the questionnaire

The questionnaire used in this study attempted to measure the theoretical model illustrated in Figure 5.8 and discussed in Chapter 5. Initial survey design was undertaken during early 1994 and the questionnaire was further refined after a pilot survey was undertaken (Mazzarol, 1994).

Prior to piloting the questionnaire interviews were held with a panel of eight individuals with expertise in the field of international marketing of education. These persons were drawn primarily from Curtin University of Technology particularly the Curtin Business School, International Office and International Student Services area. Other experts were consulted at Murdoch University in the School of Education and Asia Research Centre, and at the Australian Institute for University Studies a private university college affiliated with Curtin University. These experts provided input and guidance that facilitated the development of the questionnaire.

The final survey instrument comprised 40 questions in eight sections (see Appendix A). Most of the question items used in the study were itemized rating or Likert-scales, in which respondents were required to indicate their agreement or disagreement with a statement relating to each variable and rate their response on a seven point scale. This scale was chosen because of its adaptability to the type of perceptual questions being used in the survey (Sekaran, 1992 :169).

6.3.1 Items describing the organisation:

The broad range of institutions listed in the CRICOS Register (CRICOS, 1994) and their distinct characteristics (eg. a university compared to a flying training school), requires such differences to be considered within any future analysis. The first question examined was the type of institution responding to the survey.

The importance of scale in achieving competitive advantage has been highlighted (Upah, 1980). Two measures of institutional scale were used in the questionnaire. The first asked the total number of full-fee paying overseas students enrolled during the current academic year. The second asked for the total equivalent full time student population enrolled at the institution.

Other items in this section were the length of time the institution had been engaged in teaching full-fee paying overseas students, the markets from which they were recruiting these students, whether they were established specifically to export their services, and whether or not they possessed offshore programs. The nature of these offshore programs was examined.

6.3.2 The marketing environment:

Section two of the questionnaire measured the respondent's perceptions of their marketing environment. The first question in this section contained five items designed to measure the level of success the institution had enjoyed since entering the international market. These items measured respondent perceptions of growth, demand for places, financial benefits, the need for international student fees and the overall outlook for the industry over the next 3 to 6 years.

The next question examined the importance of various issues to the decision making of the institution when developing business strategies for its international markets. Seventeen items were included in this question covering such issues as government assistance, tax incentives, financial resources, availability of suitable programs to offer, competitor reactions, changes to government policies and the quality of rival institutions. Each of these items was developed from the discussions with the expert panel who suggested their importance to the decision making process.

A third question examined in this section was a measure of the level of threat perceived to exist from rival institutions in the home market of the institution, its international students, and third countries. Finally, a question examined the growth and degree of market saturation perceived to exist within the industry by the

institutions. This question (measured by four items) was in response to literature suggesting that the international education market was experiencing a slowing down or saturation (Agarwal and Winkler, 1985; Kemp, 1990; McMahon, 1992).

6.3.3 Marketing strategies:

Section three focused on marketing strategies. Discussions with the expert panel highlighted several issues considered to be of importance to education institutions seeking to market themselves overseas. The importance of fourteen factors to the decision making process of the institutions when operating in foreign markets were examined in one question. Respondents were asked to rate the importance of the fourteen items from 1 = of little importance to 7 = most important. The items examined consisted of such things as visa charges, distance to markets, immigration controls, and student fluency in English, differences between education systems and cultural differences.

Two additional questions were included in this section to examine the generic positioning strategies as identified by Porter (1990). The first of these asked whether the respondent institution was making deliberate use of the generic positioning strategies. These were operationalised as “competitive pricing” cost leadership; “uniqueness of programs” (differentiation); and “concentration on serving niche markets” focus. The second question then asked respondents to rate the advantage of each of these factors to their institution on a seven point scale where 1 = low advantage and 7 = high advantage.

This section also examined the promotional activities used by the institution within its international markets. Eleven different items measuring different forms of promotion were examined. These ranged from use of Television advertising to student word of mouth referrals. Each of these items was derived from the discussions held with the expert panel. The effectiveness of these promotional strategies were examined via a seven point rating scale where 1 = of little value and 7 = highly valuable.

The remainder of this section comprised four question items measuring the type of courses offered by the institutions, the fee setting arrangements and importance of international fees to the institution.

6.3.4 Institutional facilities:

Section four of the questionnaire examined institution facilities. The purpose of this section was to gain some measure of the physical evidence inherent in the institution. Given the importance place upon it in the services marketing literature (Booms and Bitner, 1981).

Two question items were used. The first of these examined where the institution was physically located. The scale ranged from a single purpose built campus, to multiple leased sites. The second question identified the type of services offered by the institutions. The availability of library and information services, live-in accommodation, restaurant and dining facilities, individual tuition and welfare and counselling services were examined.

6.3.5 Staffing issues:

The importance of people in the services market marketing mix has been highlighted in the literature (Booms and Bitner, 1981; Lovelock, 1983; Webster, 1992). In section five of the questionnaire staffing issues were examined. The total number of full and part time academic and non-academic staff was requested, along with the average staff/student ratio. Also considered were the level of training given to staff by the institution, and whether this training was designed to assist them to deal better with overseas students.

6.3.6 Distinctive competencies:

The sixth section examined the distinctive competencies as identified in the theoretical model and was designed to measure respondent perceptions of both the ideal success factors for any institution, and how their own institution was performing. Three questions, each containing a number of items, were used to measure these factors. All items were measured on seven point rating scales. The first question

examined the importance of fourteen items to the success of any education institution operating within international markets. The second question asked respondents to rate the performance of their own institution on these same items. The third question asked them to rate the performance of institutions from around the world, which were currently operating in their selected markets on these items.

The items used in this section six were derived partially from the literature and partially from advice received from the expert panel. Of the items contained in the questions, the following areas were examined:

1. **Quality of reputation and Level of market recognition/profile** - These two factors have been highlighted in several studies as being important to the development of competitive advantage (Aaker, 1989; 1991; Hall, 1992; 1993). They are not identical to each other although they are closely related.
2. **Possession of international strategic alliances or coalitions** - The importance of possessing international strategic alliances or coalitions has featured in the literature as a source of competitive advantage (Dunning and Pearce, 1985; Ohmae, 1985; Porter and Fuller, 1986).
3. **Possession of offshore teaching programs and recruiting offices** - Advice from the expert panel suggested that offshore teaching programs and offshore recruitment offices might also offer a source of competitive advantage to institutions engaged in international education. This was supported by research suggesting that service enterprises were more likely to integrate forward into the export channel due to the inseparability of production and consumption (Erramilli, 1990). Further, this forward integration was a potential source of competitive advantage (Bharadwaj and Menon, 1993).
4. **Quality and expertise of staff** - Bharadwaj, Varadarajan and Fahy (1993) highlight the potential importance of organisational learning and expertise as sources of competitive advantage. The ability of institutions to recruit and retain quality staff was examined as a critical success factor.

5. **Organisational Culture** - The role of culture in enhancing organisational performance has been widely supported in the literature (Peters and Waterman, 1982; Barney, 1986a), in particular the need to develop a customer oriented service culture (Gronroos, 1990). This was examined as a potential critical success factor.
6. **Innovation** - The degree to which an enterprise encourages innovation has been viewed as important to developing competitive advantage (McIntyre, 1982; Quinn, 1985 :79; Takeuchi and Nonaka, 1986; VanDenVen, 1986).
7. **Effective Use of Information Technology** - Porter and Millar (1985) have emphasised the importance of information technology to the achievement of competitive advantage. The effective use of information technology was considered as a potential source of competitive advantage. Also examined was the level of technical superiority within the institution.
8. **Financial resources** - The importance of financial performance as source of competitiveness has been highlighted in the literature (Buzzell and Gale, 1987).
9. **Ability to offer a broad range of courses/programs** - The possession of economies of scope has been suggested as a potential source of competitive advantage in international marketing (Takeuchi and Nonaka, 1986). Discussions with the expert panel suggested that an institution's ability to offer a broad range of courses and programs was a potential source of competitive advantage.
10. **Scale effects** - Scale economies have been viewed as a source of competitive advantage (Porter, 1980). Within the questionnaire the "possession of a strong alumni base, size of student population "," size of campus "and" possession of a large market share measured this".

6.3.7 Decision Making:

Section seven was designed to measure the level of centralization of decision making within the institution. The achievement of innovation and enhanced competitiveness

has been associated with increased decentralization of decision making within the enterprise (Kanter, 1982; Burgelman, 1984; Pearson, 1988). In order to measure this degree of centralization or decentralization respondents were asked to indicate (again using a seven point Likert scale) the degree of centralization/decentralization in decision making in five key areas. These were curriculum planning, administration, marketing, financial issues and staffing.

6.3.8 Demographics:

The last section examined the respondent's position, length of experience, education level and involvement in strategic decision making. It concluded with a request for the individual to participate further in follow up interviews that were undertaken during the following year. Institutions from all respondent countries agreed to participate however the subsequent interviews were all conducted in Australia due to cost limitations placed on the author.

6.4 Pilot testing

A pilot study was undertaken in Western Australia during June of 1994 involving 17 institutions (Mazzarol, 1994). This involved a comprehensive telephone interview with each of the respondents to confirm his/her understanding of the question items. The pilot testing confirmed that respondents from a range of institutional types (Universities, private VET colleges, ELICOS Colleges, TAFE Colleges and Secondary Schools) responded to the question items in a similar way and understood their meaning.

The pilot testing identified problems with a question designed to measure the respondent's perceptions of the performance of institutions from around the world currently operating within the same markets as that of the respondent's institution. Nearly half the pilot sample (47%) did not complete this question. Follow up discussions with them revealed that those who did not answer it did so on the grounds that they did not feel they had sufficient knowledge of their competitors in other countries to make meaningful comment. This suggested that many education

institutions in Australia might lack adequate market intelligence of their competitors in other countries (Mazzarol, 1994). It was felt that the question item should be retained in the questionnaire to see if this was the case for a wide sample and that of overseas institutions. Following the completion of the final field survey it was found that between 40 and 45 per cent of respondents did not answer this question. This question was subsequently dropped from the analysis, however, it serves to highlight both the lack of market knowledge available to participants within the industry, and the difficulty of attempting make comparisons between institutions around the world.

6.5 The respondents

The survey was targeted at people actively engaged in decision making relating to the export marketing of their institution's services. All questionnaires carried the following request on the front cover:

"Please ensure that the person completing this questionnaire is suitably placed within the institution to speak with some authority about the way in which the organization plans its overseas student programs and marketing efforts."

Table 6.3: Respondent function, expertise and involvement in planning

Function	number of respondents per function	proportion of total sample	average years in current position mean	proportion in education over 5 years	frequently engaged in strategic & marketing planning
Marketing	103	32.7%	4.69	65%	85%
Administration	159	50.5%	6.90	80%	69%
Finance/Accounting	6	1.9%	6.25	83%	67%
Academic/teaching	27	8.6%	7.54	85%	74%
Other	12	3.8%	5.67	75%	83%
missing	8	2.5%	-	-	-
Total	315	100.0%	6.15	-	-

A series of questions were included in the survey to assess the nature of the respondents. The majority (75%) had over ten years experience in education, and the

average length of time they had spent in their current positions was six years. Table 6.3 shows the nature of the respondents' functions. As can be seen, most described their function in the institution as either administration or marketing. Most of those who described themselves as "other" were school Principals or Chief pilots of flying training schools. A number of respondents, particularly those from the schools, listed more than one function. In these cases one choice was used.

The respondent group was generally well qualified. Seventy-seven per cent held a Bachelor's degree, 54.5 per cent a Post-Graduate Degree, 32 per cent reported having a Masters Degree and 9 per cent held Doctorates. As shown in Table 5.3 the majority of respondents said that they were frequently engaged in strategic planning decisions regarding their organization and its international marketing. A further 17 per cent said they were occasionally engaged in this activity. It can be concluded from this that the respondents were not only experienced and well qualified, but also in a good position to provide feedback on their institution's international marketing activities.

6.6 Characteristics of the institutions

Institutions were asked to specify how long they had been engaged in international education, the size of their campus in terms of full time equivalent students, the number of full-fee paying students enrolled, their campus facilities, courses and decision making processes.

6.6.1 Market Experience:

A distinction was found between the tertiary institutions from Australian and Canada, America, New Zealand and the United Kingdom (CANZUK) in terms of the length of time they had been engaged in teaching international students. Nearly half the Australian institutions (49%) had commenced taking full fee paying international students between 5 and 10 years ago. Thirty four per cent had commenced within the previous five years and only 17 per cent reported having more that ten years experience in international education. By contrast, all the United States and Canadian institutions and 89 per cent of the British institutions had been taking full fee paying

international students for over ten years. Only the New Zealand institutions demonstrated a relative lack of experience with 73 per cent having only entered the market within the previous five years.

Such findings are not surprising given the longer period of time in which American, Canadian and British institutions have been engaged in international education on a fee-paying basis. Given that Australia's entry into the market commenced in the mid-1980s, it would appear from these findings that only a relatively small proportion of Australian institutions were pioneers. Of the secondary schools surveyed 22 per cent reported taking fee paying international students over ten years before. Interestingly only some nine per cent of Australian post-secondary institutions had over ten years experience in international education. Table 6.4 provides a comparison between Australian and CANZUK tertiary institutions and shows the proportions for secondary schools.

Table 6.4: Australian and CANZUK tertiary institutions market experience

Commenced teaching full-fee paying international students	less than 5 years ago	5-10 years ago	over 10 years ago
Tertiary institutions:			
Australian	35%	56%	9%
Overseas (UK, US, Canadian, NZ)	15%	7%	78%
Secondary schools: (Australian)	32%	45%	22%

A chi-square analysis of the relationship between the Australian and CANZUK tertiary institutions market experience was found to be significant at the 0.05 level. Additional chi-square analysis of the relationship between secondary and post-secondary institutions and organizational type, and the date of entry into the international education market also showed relationships significant at the 0.05 level. This supports the earlier observation that British, Canadian and United States

institutions have been engaged in taking international students for more years than those in Australia and New Zealand.

The majority of the institutions within the sample was established to provide education for domestic students and had commenced offering places to international students as a secondary activity. Only 27 institutions (9%) were established specifically to provide services to international students. These included 19 ELICOS Centres, four private schools, a university college, a private VET college, a government school and an air training school.

6.6.2 Institutional size and number of international students:

In terms of organizational size the sample was divided into the universities (in particular the overseas ones) and the other institutions. The universities comprised some large institutions. Of the non-Australian institutions surveyed, 47 per cent had total enrolments of over 10,000 students (measured as full time equivalent students).

Table 6.5: Total full-time equivalent student populations all institutions

Institution	over 15,000	10,001 to 15,000	5,001 to 10,000	1,000 to 5,000	less than 1,000
University/university colleges	21	17	12	8	7
TAFE colleges/Polytechnics	2	1	2	8	5
Private VET Colleges	1				14
Private Secondary Schools			2	30	120
Government School (Senior Colleges)	2			1	7
ELICOS Centres				2	21
Air Training Colleges					9
Other (includes Bible Colleges)					16
Total	26	18	26	50	199

Table 6.5 shows the size of total enrolments for the institutions in the sample. In addition to the size of the total student enrolments at each institution, the sample was asked to provide an estimate of the total full fee paying international students enrolled

at the institution at both its main campus, offshore campuses and any affiliated campuses. The total figures for each of these campus sites were separately itemized.

As shown in Table 6.6, all types of institutions had one or more that had no international students. The largest enrolment of international students at a university in the sample was 6,030. ELICOS Centre maximum enrolments were 1,000 students. The largest TAFE/Polytechnic enrolment was 1,020 students and the largest private VET college, 493 students. Among the private secondary schools it was 265 students. One Air Training College reported having 110 international students enrolled at its main campus.

Table 6.6: International student enrolments all institutions

Institution	n =	range	mean
Universities/university colleges	64	0 - 6,030	921
TAFE colleges/Polytechnics	19	0 - 1,020	156
Private VET colleges	21	0 - 493	58
Private Secondary Schools	151	0 - 265	23
Government School (Senior Colleges)	6	0 - 160	79
ELICOS Centres	25	0 - 1,000	307
Air Training Colleges	10	0 - 110	18
Other (includes Bible Colleges)	15	0 - 20	6

Offshore campus enrolments were generally absent among all but the universities, TAFE/Polytechnics and private VET colleges. One Australian private secondary school reported having an offshore campus operation with 9 students enrolled.

6.6.3 Campus facilities, courses and fee setting:

Institutions were asked to indicate aspects of their campus facilities, courses and staffing. The majority of institutions (56%) were located in single site purpose built campuses, with another 25 per cent located in multi-site purpose built campuses. All institutions offered a broad range of facilities. Most institutions (90%) had library and information services, live-in accommodation (60%), welfare and counselling services

(88%), study facilities and equipment (78%) and individual tutition (63%). Just over half the sample (52%) had restaurant and dining facilities, but only 44 per cent had interpreter or language training.

Most institutions (96%) offered their courses to both international and domestic students with only the ELICOS Centres indicating that this was not the case. Despite this, a large proportion (76%) indicated that they had developed courses to suit overseas student needs. This was found to be the case among 19 per cent of universities, 20 per cent of private VET colleges and 42 per cent of TAFE Colleges and Polytechnics.

A cross tabulation and chi-square analysis of the relationship between Australian and CANZUK tertiary institutions found a significant relationship between country of origin and concern over recognition. Table 6.7 shows the results of this analysis. Sixty per cent of institutions said their courses and programs were subject to external evaluation and control, and 36 per cent stated that their own staff mainly prepared their courses. Only 36 per cent felt that their courses were recognised in all overseas markets. Secondary schools were generally confident of their programs being internationally recognised than were tertiary institutions. Australian tertiary institutions were significantly more pessimistic about their international recognition than were their CANZUK counterparts.

Table 6.7: Australian and CANZUK tertiary institutions market recognition

	Australian tertiary institutions	CANZUK tertiary institutions	Total
• recognised in all overseas markets	57%	77%	66%
• not recognised in all overseas markets	43%	23%	34%
Total	56	43	99

[chi square = 4.15, df = 1; p = 0.042]

In terms of setting fees and charges for their courses and programs 79 per cent of institutions totally controlled the process, while 16 per cent had them determined by government policy. Canadian institutions indicated that they were faced with the most government control over their fee setting practices. In terms of fee setting policy, 43 per cent of institutions said they were motivated primarily by profit when doing so, while 33 per cent were seeking to merely recover costs and 21 per cent ensure supply of their services.

6.6.4 Decision making:

Innovation within organizations has been linked by some authors with increased devolution of power and responsibility to subordinates within an organisation (Quinn, 1985; Takeuchi and Nonaka, 1986; Pearson, 1988). In order to gauge the level of decentralization of decision making within the institutions a series of questions were asked to gauge the extent of centralisation over the decision making process. The results of these questions are shown in Table 6.8.

Table 6.8: Decision making within institutions - level of centralisation

[Rating of questions: 1 = highly centralised, 7 = highly decentralised]. [* indicates a significant difference to a 95% level of confidence between the items above and below the line as measured by a *t*-test of the difference between the mean scores].

Questions	mean	std. dev	n =	t-value
1. Decisions concerning curriculum	5.32	1.39	305	
2. Decision concerning administration	4.50	1.40	306	10.67*
3. Decisions concerning marketing	3.75	1.46	304	8.88*
4. Decisions concerning finance	3.52	1.49	305	
5. Decisions concerning staffing	3.69	1.58	306	2.67*

It can be seen in Table 6.8 that decisions concerning curriculum were the most highly decentralised and significantly more so than those concerning administration which were in second place. Marketing and finance decisions were treated equally, with staffing decisions the most centrally controlled of the decision making processes. A

comparison of the differences in responses between institutional types to these questions using two-tailed *t* tests, found no significant differences between secondary schools and their tertiary colleagues except in the area of marketing. Tertiary institutions were found to be significantly more decentralised than were secondary schools with respect to their marketing decisions. This reflects the smaller size of the schools who usually task either the Principal or Registrar with marketing duties. Among the tertiary sector Australian institutions were found to be significantly more centralised than were their CANZUK counterparts. These results are shown in Table 6.9.

Table 6.9: Decision making - Australian vs CANZUK tertiary institutions

[Rating of questions: 1 = highly centralised, 7 = highly decentralised] [* indicates *t*-value is significant at the 0.05 level].

Level of centralisation in decision making in tertiary institutions	Australian institutions	CANZUK institutions	
	<u>mean</u>	<u>mean</u>	<u><i>t</i> - value</u>
• Curriculum planning	5.20	5.64	1.93
• Administrative decisions	4.44	4.63	0.77
• Marketing decisions	3.82	4.31	2.15*
• Financial decisions	3.18	3.91	2.88*
• Staffing decisions	3.55	4.14	2.24*

6.7 Target markets

In seeking to identify the international markets targeted by the institutions, respondents were asked to rank the order of importance of various regions from which they drew their international students. A list of eighteen countries and geographic regions were provided and respondents were asked to number the regions from which they currently drew their students. Additional countries were also permitted by use of an "other" column, something that was used by a number of institutions. Ranking was from 1 to 20 with 1 being the most significant or important source country or market. The mean ranking score for each of these markets were then calculated.

Table 6.10: Relationships identified by multiple comparisons test of key markets

[All differences cited refer to a significance level of 0.05] [* indicates significant at 0.0005 level] [** indicates significant at the 0.05 level].

<u>Country</u>	<u>Relationship</u>	<u>F-ratio</u>
Malaysia	more important to UK, NZ & Aust than to US	5.52*
Singapore	more important to UK, NZ & Aust than to US	7.79*
Indonesia	more important to Aust & NZ than to UK, US & Canada	29.24*
Thailand	more important to Aust, NZ & UK than to US & Canada	9.36*
Other ASEAN	more important to UK & Australia than to Canada	3.20**
Japan	not significantly different	1.57
Korea (south)	not significantly different	2.80
Taiwan	not significantly different	1.73
China	more important to US than to NZ & UK	4.65*
Hong Kong	more important to Canada, Aust & UK than to US & NZ.	16.42*
Pacific Islands	more important to NZ & Aust than to UK, US & Canada	11.52*
India & Pak	not significantly different	2.52
Middle East	more important to UK than to Aust.	4.36**
Africa	not significantly different	2.19
Nth America	more important to UK than to US	3.10**
Sth America	not significantly different	0.30
European U.	more important to UK than to Aust	5.43*
East Europe	more important to US than to UK & Aust.	3.14**
Other	not significantly different	0.72

Table 6.10 displays the *F* statistics and significance levels produced by this test. An examination of the variance between these means was undertaken using a one-way

Analysis of Variance (ANOVA) procedure within the SPSS software program (Norusis, 1993 :270-274). A multiple comparison test (Bonferroni) was also undertaken to perform paired sample *t* tests between the group means while controlling the overall error rate. Although a variety of such tests are available (Ott, 1993 :807) the Bonferroni test is one of the more common (Norusis, 1993).

Table 6.10 also summarizes the relationships found in the multiple comparison tests. This found no significant differences between the supplier country's ratings of the importance of the target markets of - Japan; Korea; Taiwan; India, Pakistan and the sub-continent; Africa; South and Central America and the "other" category. However, there were significant differences found for the other target markets.

The United States differed significantly from Australia, the United Kingdom and New Zealand with regard to Malaysia and Singapore. Not surprisingly these two countries were ranked as of much greater importance to institutions in these three Commonwealth countries than to those in the United States.

Indonesia stood out as being significantly more important to Australian and New Zealand institutions than their counterparts in the other three countries. Unlike many other countries within the Asia-Pacific region Indonesia has not had past colonial links with any of the five supplier countries. This factor, coupled with its close geographic proximity to Australia and New Zealand may have contributed to a somewhat unique association between it and these two suppliers.

These findings suggest that the sample is providing a pattern of target market ranking that is consistent with what is known about the past pattern of international student flows to these countries (Unesco, 1996). The importance of Asian markets to Australian education institutions is clearly demonstrated. China and Hong Kong's importance to Canada is also evident, as is the case for the United States that draws heavily from India and Pakistan. British institutional focus on Malaysia, Brunei (other ASEAN) and the European Union is highlighted.. The overall pattern shown in these results is consistent with that identified in student flows discussed earlier in Chapters 2 and 3.

6.8 Offshore teaching programs

An examination of the degree of forward integration among the sample was measured by the presence of offshore teaching programs. Table 6.11 details, the results showing the dominance of the university sector. As can be seen, the most common form of forward integration strategy was the joint venture or *twinning* arrangement.

Table 6.11: Offshore teaching programs by type and organisation*

[*Total Sample size n=315; some multiple responses counted]

Institution Type	Type of Offshore Teaching Program				Total
	<u>Solely Owned</u>	<u>Joint Venture</u>	<u>Licensed</u>	<u>Other</u>	
University	3	24	12	2	41
TAFE/Polytechnic		4	2	1	7
Pvt VET College	1	1	1	1	4
Private School			1		1
Gov't School					
ELICOS Centre		3	1	1	5
Air Training School				1	1
Other					
Total	4	32	17	6	59

Forty-nine institutions (15.6%) within the sample had offshore teaching programs. Several of these institutions had multiple offshore programs in a number of countries. A total of 59 programs were recorded of which the majority was either joint venture (54%) or licence agreements (29%). Only four solely owned facilities were identified and six institutions indicated some other offshore program. One British private Management College, for example, had affiliates in twenty countries through which it delivered its courses. A Canadian ELICOS Centre administered the assessment of English language examinations in Malaysia, Singapore and Hong Kong via locally based colleges. An Australian university-based ELICOS Centre provided distance

education to students in Hong Kong, Malaysia, Singapore, New Zealand and Portugal. Another example was that of an Australian TAFE College that supplied industry based training courses to students in Malaysia and Indonesia.

Table 6.12 shows the comparison between Australian and CANZUK universities in terms of offshore programs. Of interest is the similar pattern shown here in terms of the type of programs operated by the two samples. Australian universities appear to be similar to their CANZUK counter parts in terms of both the nature and extent of their forward integration.

Table 6.12: Offshore teaching programs Australian and CANZUK universities

[* Australian institutions (n=17), **CANZUK institutions (n=13); some multiple responses].

Country Type	Type of Offshore Teaching Program			
	<u>Solely Owned</u>	<u>Joint Venture</u>	<u>Licensed</u>	<u>Other</u>
Australian universities*	1	14	6	1
CANZUK universities**	2	10	6	1

These figures suggest a high degree of forward integration through offshore programs, especially among universities. Further, a predominant use of joint ventures as a means of achieving forward integration is evidence of international strategic alliances. Coalition formation by strategic alliances has been suggested by a number of writers as a potential source of competitive advantage (Dunning and Pearce, 1985; Ohmae, 1985; Porter and Fuller, 1986), and universities seem to understand this point.

6.9 Institutional success

Measuring success within the international education sector is complicated by a variety of influences. Recruitment success in terms of total enrolments is an unsuitable measure due to the differences, which exist between various types of institutions. For example, a university with total student enrolments in excess of 15,000 might consider themselves unsuccessful if they failed to recruit less than 100 international students. However, a private secondary school with international student enrolments of only 75 may view itself as successful, particularly if this is their annual quota set by government policy and they consistently fill it without difficulty.

In order to accommodate these problems a series of five questions were asked which were designed to measure the relative success of the institution in recruiting international students. Table 6.13 shows the nature of these questions along with the mean scores and standard deviations for the sample.

Table 6.13: Respondent rating of institutional success

[Rating of questions: 1 = strongly disagree, 7 = strongly agree]

<u>Question</u>	<u>mean</u>	<u>std. dev</u>
• Growth in overseas student body has regularly been high	3.68	1.91
• Demand for places from overseas students regularly exceeds supply	2.85	2.05
• The outlook over the next 3 to 6 years is for continued growth in overseas student numbers	4.33	1.83
• The financial benefits to the institution have regularly exceeded forecasts or expectations	3.22	1.93
• Without overseas student fees the institution would experience financial difficulties	2.58	2.07

An examination of Table 6.13 suggests that the overall sample did not rate their success particularly high with all mean scores below 5. This reflects the different perceptions existing between the secondary and tertiary level institutions within the

sample. In order to explore the differences between the institutions the sample was regrouped into secondary schools and tertiary level institutions. The differences in responses of the two sub-populations to the five items were then examined using *t*-tests.

The results of the *t*-tests found significant differences (at a 0.05 level) between the secondary and tertiary institutions on all but four of the five questions. No significant differences were found to the question relating to demand for places regularly exceeding supply. Table 6.14 shows these results.

Table 6.14: Comparison of means of institutional success - secondary & tertiary

[Rating of questions: 1 = strongly disagree, 7 = strongly agree] [* indicates significant differences between the mean scores of the two groups to 0.05 level].

Question	tertiary mean	secondary mean	<i>t</i> -value
• Growth in overseas student body has regularly been high	4.08	3.30	3.49*
• Demand for places from overseas students regularly exceeds supply	2.69	3.00	1.29
• The outlook over the next 3 to 6 years is for continued growth in overseas student numbers	4.91	3.78	5.51*
• The financial benefits to the institution have regularly exceeded forecasts or expectations	3.62	2.84	3.87*
• Without overseas student fees the institution would experience financial difficulties	3.16	2.05	4.71*

These findings suggest that the secondary schools have not experienced the same level of growth, as have the tertiary institutions. Their outlook is also somewhat more pessimistic than the tertiary institutions, and they apparently have not gained a financial benefit to quite the same degree. Finally, the secondary schools appear much less dependent upon international student fees than the tertiary institutions for their financial security. Few of these findings are surprising and reflect the

concentration of international student numbers within the tertiary sector of the industry.

A comparison of the differences between the Australian tertiary institutions and their CANZUK counterparts was also undertaken. The sample was re-grouped into Australian and CANZUK tertiary institutions. The differences between the responses from the two sub-populations were then measured via *t*-tests. Significant differences were found between the two groups on only one out of the five questions. This was perceptions of growth in international student numbers. Australian tertiary institutions had a mean rating of 3.85 as compared to 4.49 for their CANZUK counterparts. These results are shown in Table 6.15.

Table 6.15: Institutional success - Australia vs CANZUK tertiary institutions

[Rating of questions: 1 = strongly disagree, 7 = strongly agree]

tertiary institutions : Australian CANZUK			
<u>Question:</u>			
• Growth in overseas student body has regularly been high	<u>mean</u> 3.85	<u>mean</u> 4.49	<u>t -value</u> 2.04*

These results suggest Australian tertiary institutions are somewhat more pessimistic about the growth in their international student body than their CANZUK counterparts. The reason for this difference is difficult to assess. It might reflect the higher proportion of non-university institutions within the Australian sample. However, an examination of the rating means for different institutional types to the first question was undertaken using a *t*-test of the difference between the overall sample mean and those of each institutional type. This found no significant differences between the institutions, indicating that the institutional effect within the Australian sample may not be important. Given the relative late entry of Australia into the field of international education it may also be explained in terms of the higher expectations of

Australian institutions as compared to their counterparts from the United States, Canada or the United Kingdom.

6.10 Influences on business strategies

Initial discussions with the expert panel prior to the development of the survey instrument identified a variety of potential influences upon the decision making processes of institutions when developing business strategies targeted at the export of their education services. These influences were operationalized into a list of seventeen questions. Respondents were asked to rate the importance of these influences on their own decision making when developing business strategies. Table 6.16 shows the seventeen questions and the overall mean ratings and standard deviations for each question item.

A comparison of the means for each of the influence variables was undertaken using a paired-samples *t*-test procedure (Norusis, 1990 : 233). Those question items separated by a broken line have statistically different mean ratings (significant at the 0.05 level). As shown in Table 6.16 a quality image in the market place was viewed as the most important of these seventeen influences, that along with availability of facilities, teaching staff and suitable programs.

A *t*-test of the differences between the ratings of the secondary and tertiary level institutions found significant differences at a 0.05 level between the two types of institutions for all influence variables except "intermittent over capacity within the organisation". In all other cases the tertiary institutions were found to rate the influences significantly higher in importance than did the secondary schools. This finding is likely to be explained by the much greater level of commitment by the tertiary institutions to the international market.

Table 6.16: Influences on business strategies - mean ratings and standard deviation

[Rating of questions: 1 = unimportant, 7 = very important] [* indicates a significant difference at the 0.05 level between the items above and below the broken line].

<u>Questions</u>	<u>mean</u>	<u>std dev.</u>	<u>t-value</u>
1. The market's perceptions of your institution's quality and its delivery	5.64	1.91	
2. Availability of facilities or teaching staff	5.60	1.67	
3. Availability of suitable programs to offer	5.56	1.78	
4. Student knowledge and awareness of market offerings	5.07	1.81	4.20*
5. Financial resources	4.86	1.97	
6. Changes to Federal or State government policies	4.52	2.14	2.43*
7. Student sensitivity to changes in cost of fees	4.33	1.90	
8. The quality of rival institutions' services and their delivery	3.88	2.05	2.95*
9. The relative pricing of alternative programs at rival institutions	3.89	1.97	
10. The propensity of students to seek alternative programs at rival institutions	3.86	2.03	
11. Government assistance	3.22	2.22	
12. Intermittent over capacity within your organisation	3.17	1.91	4.12*
13. The strategies of your major competitors	2.99	1.89	
14. Overseas legal frameworks relating to business	2.53	1.84	3.31*
15. Tax incentives	2.29	1.87	
16. Overseas taxation policies	2.26	1.74	
17. The reactions of rival institutions to your actions	2.25	1.53	

Further *t*-tests was also performed on the responses of Australian tertiary institutions and their CANZUK counterparts in relation to the seventeen influence variables. These found no significant differences between the responses from the two sub-populations to all but three questions. These were all related to government policy and support. As shown in Table 6.17 the Australian institutions were significantly

more inclined to rate government support and policy as being of more importance than were their CANZUK counterparts.

Table 6.17: Influences on business strategies - Australia vs CANZUK institutions

[Rating of questions: 1 = unimportant, 7 = very important] [* indicates a significant difference between the two means at the 0.05 level].

tertiary institutions:		Australian	CANZUK	
Factors:		<u>mean</u>	<u>mean</u>	<u>t - value</u>
• Government assistance		3.86	3.02	2.30*
• Tax incentives		3.05	1.84	4.11*
• Changes to Federal or State government policies		5.27	3.96	3.96*

This concern by Australian tertiary institutions over government policy change is likely to be a reflection of the high level of control currently exercised over international education within Australia. More importantly, the many changes which have taken place in both Federal and State government policies within Australia since the mid-1980's have been keenly felt by many institutions engaged in international education (Mazzarol, 1995).

6.11 Perceptions of market threats

Porter (1990) has highlighted the role of threats, from new entrants and substitutes, to the shaping of industry structure. Organisations that can be aware of such threats are likely to be in a stronger competitive position than those who do not. Three items were included in the survey instrument to measure respondents' perception of possible threats emerging within their industry.

Respondents were asked how much of a threat did the three items pose to their institutions within their current international markets. As shown in Table 6.18 the overall importance placed upon these threats by the respondents was not high with no significant differences found between the mean scores for the three questions.

Table 6.18: Perceptions of market threats - mean rating's and standard deviation

[Rating of questions: 1 = little threat, 7 = serious threat]

<u>Question</u>	<u>mean</u>	<u>std dev</u>
• Availability of alternative programs at rival institutions in your domestic market	3.42	1.95
• Availability of alternative programs at rival institutions in your student's domestic markets	3.26	1.97
• Availability of alternative programs at rival institutions in other countries	3.38	2.05

Comparisons of the differences in the responses of the Australian and CANZUK tertiary institutions using *t*-tests found no significant differences between the mean scores on the three question items. This suggests that Australian tertiary institutions view market threats in a similar manner to that of their CANZUK counterparts. A very different picture emerged for the difference between tertiary and secondary institutions. Significant differences (at the 0.05 level) were found between the mean rating scores for the two sub-populations on all three-question items. Table 6.19 shows the results of the *t*-tests of the differences between the mean score rating's between the tertiary and secondary institutions.

Table 6.19: Perceptions of market threats - tertiary and secondary institutions

[Rating of questions: 1 = little threat, 7 = serious threat]

Questions:	institutional type:	tertiary	secondary	<u><i>t</i>-value</u>
		<u>mean</u>	<u>mean</u>	
• Availability of alternative programs at rival institutions in your domestic market		4.02	2.83	5.47*
• Availability of alternative programs at rival institutions in your student's domestic markets		3.85	2.66	5.37*
• Availability of alternative programs at rival institutions in other countries		4.09	2.68	6.25*

From Table 6.19 it can be seen that secondary schools were much less likely to perceive themselves facing threats than were the tertiary institutions. This is not surprising when it is considered that the majority of secondary schools had an average enrolment of only 79 international students as compared to 921 at universities, 307 at ELICOS centres and 156 at TAFE Colleges or Polytechnics. This reflects not only their smaller size but also their more passive approach to recruiting international students. This was supported by the interviews undertaken with secondary schools (see Chapter 8) who tended to be less concerned about their ability to fill their quotas for international students than were the tertiary institutions.

6.12 Perceptions of market growth and saturation

Future growth in the international education market is anticipated due to rising household income levels in Asia, which will increase the global participation rate in higher education from around 12 per cent in 1990 to 20 per cent by 2010 (Blight, 1995). Despite this anticipated growth, recent examination of UNESCO figures regarding the world flow of international students suggests that the industry may be reaching a mature phase in its life cycle or at least experiencing a slow down in overall growth (Kemp, 1990; Mazzarol and Hosie, 1996). To assess the level of awareness of such issues within the industry respondents were asked to consider the level of growth and market saturation. Four items were used to measure this awareness. Table 6.20 shows the results of these questions.

As shown in Table 6.20 the overall response to all four questions showed a mean rating above 5 indicating that most institutions generally agreed with all four questions. Tests of the differences in the mean rating's of the five supplier countries (Australia, Canada, New Zealand, United Kingdom, and United States) using a one-way ANOVA and multiple comparison test (Bonferroni) found no significant differences between them. Further *t*-tests comparing the responses of Australian and CANZUK tertiary institutions, and both secondary and tertiary institutions, also found no significant differences between these sub-populations.

Table 6.20: Perceptions of market growth and saturation

[Rating of questions: 1 = strongly disagree, 7 = strongly agree]

<u>Questions</u>	<u>mean</u>	<u>std. dev</u>
• The export of education services is an expanding industry.	5.78	1.02
• The number of institutions offering services into the overseas markets currently targeted by this institution has reached saturation level.	5.28	1.00
• The number of institutions offering services into the overseas markets <u>not</u> currently targeted by this institution has reached saturation level.	5.03	1.03
• Future growth in this industry will depend on careful segmentation of the markets.	5.34	1.05

These findings suggest that all institutions, regardless of country of origin or organisational type, generally view the international education industry as an expanding one, and are moderately concerned about growing market saturation, while feeling that future growth will depend on the need for segmentation. Interviews undertaken with fifteen Australian institutions indicate that many remain concerned about the long term security of such key markets as Hong Kong post-1997, and Malaysia in the face of that country's government's desire to reduce the flow of Malaysian students overseas (Ng and Ho, 1995).

6.13 Factors influencing marketing strategies

Preliminary discussions with the expert panel prior to the development of the survey instrument highlighted several factors likely to be of importance to educational institutions seeking to operate in international markets. Fourteen factors were identified and verified in the pilot study. Table 6.21 shows the overall mean ratings and standard deviations for these questions listed in order from the most important to the least. Also shown in the table are the results of *t*-tests showing that those questions that had a difference in mean ratings were significantly different to each

other at the 0.05 level. Those question items separated by a broken line have mean ratings that are significantly different from each other.

Table 6.21: Importance of key factors to marketing strategies

[Rating of questions: 1 = of little importance, 7 = most important] [* indicates a significant difference at the 0.05 level between the items above and below the broken line].

<u>Questions</u>	<u>mean</u>	<u>std. dev.</u>	<u>t-value</u>
1. Student fluency in English	5.68	1.72	
2. Professional recognition of your courses and qualifications within overseas markets.	5.32	1.97	2.66*
3. Cultural differences.	4.75	1.72	4.36*
4. Knowledge or experience of foreign markets.	4.64	1.99	
5. Comparability and acceptance of foreign education qualifications when accrediting students.	4.63	1.99	
6. Differences between local and foreign education systems.			2.50*
	3.96	1.80	
7. Immigration/visa restrictions.	3.80	2.06	2.67*
8. Higher fees for foreign students than domestic students.	3.80	2.08	
9. Distance to foreign markets.	3.49	1.93	2.25*
10. Visa charges for foreign markets.	3.13	1.92	3.05*
11. Quotas on places in programs.	3.12	2.08	
12. Availability of suitable foreign teaching staff to run offshore programs.	2.34	2.00	4.40*
13. Restrictions on use of your own teaching staff in offshore programs.	2.34	1.90	

It can be seen in Table 6.21 that student fluency in English was rated as the most important factor by the overall sample with a significantly higher mean score than the other twelve variables. Follow up interviews with selected institutions (see Chapter 8) found this was important to most institutions except the ELICOS Colleges which it not surprisingly. However, secondary schools, and higher education institutions considered this very important when deciding which countries to target with their marketing.

Recognition of the institution's own qualifications ranked second in importance highlighting the need for institutions to be able to have their graduates find acceptance in their countries of origin. This has been demonstrated recently in Singapore where the government has decided to only recognize law degrees from fifteen universities in the United Kingdom (Smart and Ang, 1995b :17). Singapore's decision in this regard has been motivated by staff planning concerns for an over supply of lawyers, but it serves to deny access to law schools from other competing institutions.

All other factors were rated as being either moderate or low importance to the strategic planning of the sample with mean scores below 5. A comparison of the responses of Australian tertiary institutions and their CANZUK counter parts was undertaken using *t*-tests. These found differences between the sub-populations significant at the 0.05 level on only three questions, as shown in Table 6.22.

Table 6.22: Importance of generic positioning strategies - Australia vs. CANZUK

[Rating of questions: 1 = of little importance, 7 = most important]

<u>tertiary institutions:</u>		Australian	CANZUK	
<u>Question:</u>		<u>mean</u>	<u>mean</u>	<u>t-value</u>
• Visa charges for foreign students		3.69	2.60	3.60*
• Distance to foreign markets		4.07	3.26	2.60*
• Immigration/visa restrictions		4.78	3.71	3.46*

These results suggest that Australian tertiary institutions are more concerned over government policy issues relating to visa charges and immigration/visa restrictions than their CANZUK counterparts. As noted in Section 6.9, Australian tertiary institutions were also found to be significantly more concerned over government policy changes than were institutions in other major supplier countries. The complexity of state and federal legislation governing international education in Australia is likely to be a contributing factor to this significant difference between tertiary suppliers (Mazzarol, 1995). The responses to these questions are also

explained by the recent history of Australia's international education industry, particularly the experience of the "China Crisis" of the late 1980s.¹

6.14 Application of generic positioning strategies

The importance of adopting appropriate positioning strategies in order to seek a competitive advantage was discussed in Chapter 5. In order to gauge the possible use of such positioning strategies within the international education industry the survey asked respondents to indicate whether their institution had deliberately sought to adopt any of three strategies in order to improve their position within the market. It can be seen in Table 6.23 that competitive pricing was the least popular strategy for the overall sample.

Although Porter's (1990) concept of cost leadership implies a lower operating cost rather than simply a lower price, it was considered too complex to seek to measure cost leadership any other way via the survey. Despite these limitations the response suggests that for many institutions price is not a strategy that is commonly used. It also needs to be considered that lower price may not necessarily result in improved enrolments given that prestige is frequently associated with higher cost.

Table 6.23: Use of generic positioning strategies by institutions

<u>Strategy</u>	<u>Yes</u>	<u>No</u>
• Competitive pricing	31%	59%
• Uniqueness of programs	47%	43%
• Niche marketing	46%	44%

The importance of these generic strategies was examined in a further question that asked respondents to rate the advantage following such strategies gave their institutions. Table 6.24 shows the results of this question for the overall sample. It

¹ See Chapter 3 on the immigration and visa problems associated with Chinese students in Australia during the early 1990's.

can be seen that uniqueness of programs and services or differentiation strategies was viewed as being of the greatest advantage.

Table 6.24: Advantage to institutions of using generic positioning strategies

[Rating of questions: 1 = low advantage, 7 = high advantage]

<u>Strategies</u>	<u>mean</u>	<u>std. dev.</u>
• Uniqueness of programs and services	5.32	1.73
• Concentration on niche markets	4.68	2.00
• Competitive pricing	4.26	1.71

No significant differences were found between the ratings of Australian tertiary institutions and their CANZUK counterparts over the generic strategies. However, this was not the same for the differences between the tertiary and secondary institution responses to the question. Although the overall importance of the three strategies was found to be the same for the two sub-populations, Secondary schools were significantly less likely to view these strategies as providing them an advantage. The results of the *t*-tests are shown in Table 6.25.

Table 6.25: Generic positioning strategies - tertiary and secondary institutions

[Rating of questions: 1 = low advantage, 7 = high advantage] [* indicates significant at the 0.05 level]

<u>institutional type:</u>	Tertiary	Secondary schools	
<u>Question:</u>	<u>mean</u>	<u>mean</u>	<u>t-value</u>
• Uniqueness of programs or services	5.84	4.77	5.38*
• Concentration on niche markets	5.28	4.07	5.21*
• Competitive pricing	4.55	3.96	2.85*

There is little doubt that students will pay higher fees to attend prestigious institutions. The United States, for example, is viewed by many Asian students as a superior destination for business and computing courses when compared to Australia, Canada,

New Zealand or the United Kingdom (AGB, 1992). It is, therefore, sensible for institutions to seek to compete via differentiation rather than cost leadership. Focus strategies may only be applicable to certain areas. ELICOS programs offer one such area as do flying training schools.

6.15 Promotional strategies and use of media

Table 6.26 shows the overall results of the institution's rating of the value of various promotional strategies. The table lists the mean rating scores and standard deviations for each of the promotional strategies. In the last column is shown the results of *t*-tests which show the significance levels of the differences between the means.

Table 6.26: Institution's ratings of effectiveness of different forms of promotion

[Rating of questions: 1 = of little value, 7 = highly valuable] [* indicates a significant difference at the 0.05 level between the items above and below the broken line].

Promotional strategies	mean	std. dev.	<i>t</i> -value
1. Student word of mouth referrals	6.48	1.01	
2. Brochures and information booklets	5.59	1.38	11.20*
3. Presentations and talks by staff to prospective students	4.88	1.92	7.08*
4. Use of public relations	4.08	2.12	6.08*
5. Newspaper advertising	3.91	2.03	
6. Use of private recruitment agents	3.80	2.16	
7. Participation in trade fairs	3.78	2.03	
8. Use of government information centres	3.69	2.01	
9. Magazine advertising	3.58	1.91	
10. Television advertising	2.22	1.85	10.30*
11. Radio advertising	2.19	1.67	

An examination of Table 6.26 suggests that the most effective form of promotion was student word of mouth referral, rated as significantly more effective than the next highest rated item, use of brochures and information booklets. The table suggests that education institutions do not find mass media advertising particularly effective in

promoting themselves. These findings are supported by other research which suggests that international students suspect institutions that advertise to be of inferior quality (AGB, 1992).

A further examination of the responses from Australian tertiary institutions and the other four supplier countries found significant differences (at the 0.05 level) in mean rating scores on five items. Table 6.27 shows these findings.

Table 6.27: Effectiveness of different forms of promotion - Australia vs. CANZUK

[Rating of questions: 1 = of little value, 7 = highly valuable] [* indicates significant at the 0.05 level].

<u>tertiary institutions:</u>		Australian	CANZUK	
<u>Question:</u>	<u>mean</u>	<u>mean</u>	<u>t- value</u>	
• Television advertising	2.83	1.83	3.27*	
• Radio advertising	2.74	2.03	2.41*	
• Magazine advertising	4.12	3.39	2.37*	
• Newspaper advertising	4.63	3.77	2.61*	
• Word of mouth referrals	6.53	6.30	1.34	
• Brochures and booklets	5.83	5.48	1.71	
• Trade fairs	4.55	4.52	0.10	
• Talks by staff	5.50	5.33	0.67	
• Use of private recruitment agents	4.89	3.45	4.21*	

These results may be explained by the presence of a higher proportion of private education institutions within the Australian sample, which may make greater use of agents than public ones. However, interviews with Australian institutions found agents actively used by both the largest universities, the smaller private colleges and secondary schools.²

A similar examination of the responses of secondary and tertiary institutions found significant differences between the two sub-populations on all but one variable. This

was the use of word of mouth referral as a successful promotion strategy. In all other cases the secondary schools were found to rate these promotional strategies as being of less value. These differences are most likely to be explained by the relatively small number of international students recruited each year by the secondary schools. Interviews with private schools found that they were able to fill their annual quota of places for overseas students primarily from word of mouth referral via a network of parents and former students. This was not a situation enjoyed by the tertiary institutions that required them to undertake a more active promotional effort.

Finally, a comparison of the responses from the tertiary institutions from the five supplier countries was undertaken using a one-way ANOVA and a multiple comparison test (Bonferroni). This found significant differences between the responses of British institutions and those from the United States and Canada over the value of trade fairs as a source of promotion. The institutions from the United Kingdom rated trade fairs a mean score of 5.29 suggesting they were considered quite valuable. By comparison the United States institutions rated trade fairs a mean of 3.09 and Canadian institutions a mean of 2.83. A significant difference was also found between institutions from Australia and the United States over the use of agents. Australian institutions rated agents a mean of 4.52 as compared to 2.54 by United States institutions.

6.16 Critical success factors

As discussed in Chapter 5, the literature suggests a variety of factors considered likely to provide sources of competitive advantage for service enterprises operating within international markets. Within the theoretical model used as a basis for this study were identified several “distinctive competencies” that are considered likely to offer a competitive advantage for any education institution operating internationally. These “distinctive competencies” were examined within the survey via two related questions. The first asked respondents to indicate the importance they would attach to a range of items considered likely to offer a competitive advantage for any education

² See Chapter 8 for an account of the interviews with fifteen Australian institutions.

institution. The second asked the respondents to consider how their own institution performed against this same set of items.

Table 6.28: Distinctive competencies - desired importance rating for any institution

[Rating of questions: 1 = low importance, 7 = high importance] [* indicates a significant difference at the 0.05 level between the items above and below the broken line].

<u>Success Factor</u>	<u>mean</u>	<u>std dev.</u>	<u>t-value</u>
1. A reputation for quality	6.71	0.61	
2. To be well known & recognised	6.25	1.09	8.36*
3. Quality and experience of staff	6.19	1.14	
4. Effective use of information technology	5.61	1.31	7.35*
5. Ability to offer broad range of courses & programs	5.58	1.39	
6. Possession of a customer oriented culture	5.56	1.53	
7. Possession of strong financial resources	5.42	1.43	
8. The encouragement of innovation	5.39	1.40	
9. Location of campus	5.15	1.50	2.27*
10. Technical superiority	4.90	1.53	2.51*
11. To have international strategic alliances and coalitions	4.73	1.75	
12. Overseas advertising & promotion	4.72	1.83	
13. Size of campus	4.41	1.55	2.47*
14. Possession of a strong Alumni base	4.30	1.86	
15. Use of recruitment agents	4.04	2.08	
16. To be a pioneer or early entrant to foreign markets	3.95	1.75	
17. Use of Government overseas promotion centres	3.87	1.91	
18. To have offshore recruitment offices	3.87	1.98	
19. Possession of a large market share	3.74	1.80	
20. To have a large student population	3.69	1.52	
21. To have offshore teaching programs	2.87	1.72	6.81*

Table 6.28 shows the responses from the entire sample to their perceptions of the importance of these distinctive competencies to any education institution operating

within an international market. The mean rating scores are listed in order from the most important to the least. Also shown are the *t*-values for *t*-tests of these means. Where a significant difference (at the 0.05 level) was found the *t*-value is shown and a broken line separates the items which have mean ratings that are significantly different from each other.

In Table 6.29 the “Desired” and “Perceived” mean score ratings for these distinctive competencies are shown. The “Perceived” rating indicates how the respondent’s viewed his or her own institution’s performance.

Table 6.29: Distinctive competencies - desired vs. perceived rating

[Rating of questions: 1 = low importance, 7 = high importance] [* indicates significant difference at the 0.05 level between the desired and actual rating].

<u>Success Factor</u>	Desired	Perceived	<u>t-value</u>
	<u>mean</u>	<u>mean</u>	
1. A reputation for quality	6.71	5.32	17.34*
2. To be well known & recognised	6.25	3.87	22.08*
3. Quality and experience of staff	6.19	5.64	5.69*
4. Effective use of information technology	5.61	5.20	4.66*
5. Ability to offer broad range of courses & programs	5.58	4.95	6.43*
6. Possession of a customer oriented culture	5.56	5.23	3.83*
7. Possession of strong financial resources	5.42	5.19	1.82
8. The encouragement of innovation	5.39	5.67	3.16*
9. Technical superiority	4.90	5.15	2.56*
10. To have international strategic alliances and coalitions	4.73	3.06	14.19*
11. Overseas advertising & promotion	4.72	2.59	19.89*
12. Possession of a strong Alumni base	4.30	3.52	7.00*
13. Use of recruitment agents	4.04	2.83	12.53*
14. Use of Government overseas promotion centres	3.87	2.68	9.80*
15. To have offshore recruitment offices	3.87	2.22	15.92*
16. Possession of a large market share	3.74	2.93	6.63*
17. To have offshore teaching programs	2.87	1.72	10.71*

It can be seen in Table 6.29 that significant differences were found between the “Desired” and “Perceived” ratings for the majority of the items. Further, in most cases the “Desired” rating was significantly higher than the “Perceived” rating.

In terms of the responses to “Perceived” performance, *t* -tests found significant differences between the mean score rating’s of Australian tertiary institutions and their CANZUK counterparts. These differences were in the areas of breadth of course offerings, use of recruitment agents, size of Alumni, and possession of offshore recruitment offices and teaching programs. The Australian institutions rated use of recruitment agents and offshore recruitment and teaching activities of significantly more importance than did their CANZUK colleagues. By contrast the CANZUK institutions recorded a significantly higher rating on breadth of courses offered and size of Alumni. Table 6.30 shows these findings.

Table 6.30: Distinctive competencies - “actual” rating Australia vs. CANZUK

[Rating of questions: 1 = low importance, 7 = high importance] [* Indicates significant at the 0.05 level].

<u>tertiary institutions:</u>			
<u>Success Factor</u>	<u>Australian mean</u>	<u>CANZUK mean</u>	<u>t -value</u>
• Ability to offer broad range of courses/programs	4.61	5.36	2.54*
• Use of overseas recruitment agents	4.01	2.46	5.05*
• Possession of a strong Alumni base	3.18	3.96	2.75*
• To have offshore recruitment offices	3.26	1.95	4.72*
• To have offshore teaching programs	2.57	1.95	2.33*

An examination of the responses from the secondary and tertiary level institutions comparing the differences in their mean score rating's was undertaken using *t* -tests. These found significant differences between all but seven items these were:

- 1) reputation for quality;
- 2) the development of a customer oriented culture;
- 3) effective use of information technology;
- 4) possession of strong financial resources;
- 5) ability to offer a broad range of courses/program;
- 6) technical superiority; and
- 7) Possession of strong Alumni base.

Both the secondary and tertiary institutions rated their performance on these success factors in the same way.

A further comparison of the responses from the tertiary institutions from the five supplier countries to these questions was undertaken using a one-way ANOVA and multiple comparison tests (Bonferroni). Significant differences were found over the use of recruitment agents. The "Desired" importance rating Australian tertiary institutions placed upon the use of agents was significantly higher (Aust mean = 4.75) than that of United States institutions (US mean = 2.82). This was also found with their rating of the "Perceived" performance of their own institutions. Australia institutions rated their use of agents a mean of 3.72, which was significantly higher than United States institutions with a mean of 1.63.

Australian tertiary institutions also rated the use of offshore recruitment offices in a "Desired" sense significantly higher (Aust mean = 4.64), than did either American (mean = 2.73) or British (mean = 3.42) institutions. In their "Perceived" performance rating over size and activities of Alumni, Canadian (mean = 5.0) and United States

(mean = 5.45) tertiary institutions rated their Alumni significantly higher than did their colleagues from Australia (mean = 3.19), New Zealand (mean = 3.27), and the United Kingdom (mean = 3.21).

6.17 Summary and conclusions

In summary at least six key findings appear to have emerged from the survey data which are worthy of special note:

1. Australian tertiary institutions were less confident about their international market recognition than were their CANZUK counterparts

This is possibly a reflection of more limited time the Australian institutions have been engaged in international education. It takes time to develop market acceptance. As noted earlier only 9 per cent of the Australian tertiary institutions had been engaged in international education for more than ten years compared to 78 per cent of the CANZUK sample.

2. Significant differences were found to exist between the five supplier countries in their importance rating's of target markets

This should not be surprising and it is confirmed from an examination of international student flows to these supplier countries (Unesco, 1996). It does suggest, however, that the international education market may be capable of greater segmentation than has sometimes been acknowledged.

3. Australian tertiary institutions were somewhat more pessimistic about the growth in their international student body than were their CANZUK counterparts

This finding is difficult to fully explain. Australia has enjoyed a substantial growth in international student enrolments since the late 1980's. It may reflect once again the relative immaturity of the Australian industry as compared with the other supplier countries.

4. Australian institutions were significantly more concerned over government support and policy than were their CANZUK counterparts:

As discussed earlier in this study, Australia's international education industry is subject to a complex web of state and federal regulations and has been effected by government policy since the 'China Crisis' of the late 1980's. The governments of the other four supplier countries also regulate their industry, and in the case of Canada and the United States there are multiple levels of government control. It appears, however, that the Australian institutions are more sensitive to government influence than their CANZUK colleagues.

5. Student word of mouth referral was identified as the most effective form of promotion for international education

The importance of word of mouth referrals in the promotion of professional services has been outlined in detail in Chapter 3. It is of little surprise, therefore, to find it rated as the most effective medium of promotion. The difficulty will be for education institutions to ensure regular word of mouth referrals as a means of promotion. While advertising in the mass media or use of recruitment agents is controllable by the institution, word of mouth referral is not. Institutions may need to consider use of Alumni networks or similar activities to facilitate word of mouth referral. Critical to the success of this will be the quality of the institution's services.

6. Australian tertiary institutions were significantly more positive about the value of recruitment agents and mass media advertising than their CANZUK counterparts

Australian institutions have been criticized in the past for being somewhat too aggressive in their marketing activities. Much of this criticism relates to promotional strategies. The finding that Australian tertiary institutions appear to view use of recruitment agents more positively than those institutions in the other

four supplier countries tends to support this image of Australians as more willing to use commercial promotion strategies.

7. A Reputation for Quality was considered to be the most significant critical success factor for education institutions in international markets

The critical importance of a quality reputation for a service enterprise is emphasized throughout the literature and has been discussed in detail in Chapter 3. This finding is, therefore, not surprising, however, it raises the important question of how does an institution obtain and maintain such a reputation? Answering this question is likely to be of critical importance to achieving a sustainable competitive advantage.

What can we conclude from these results so far? Perhaps the most important finding for the purposes of further analysis is the absence of significant differences between institutions on so many of the variables. This was particularly so with respect to the rating of the distinctive competencies for any institution engaged in international education. This suggests that there is a common degree of activity and understanding among education institutions throughout the five supplier countries. Despite differences over some aspects of government policy and promotion the consensus of opinion, particularly among the tertiary level group is encouraging. It enables further findings to be extrapolated across national boundaries.

The significant differences found between the tertiary and secondary level institutions are not unexpected. Secondary schools enroll much smaller numbers of international students than their tertiary colleagues. Most do not depend upon international student fees to the same extent as the tertiary institutions, and due to their smaller enrolments do not need to be so active in recruitment. As a general observation the secondary schools might be described as being less “marketing oriented” than their tertiary counterparts. However, it should be noted that this is not true of all secondary schools, and as will be shown in Chapter 8 the more successful schools may have achieved more competitive positions than many of the tertiary institutions.

Chapter 7. Exploratory Factor Analysis

7.1. Introduction

In the previous chapter the descriptive results of the survey were outlined. This chapter examines the findings of an exploratory factor analysis of various items within the survey. Stewart (1981:56) noted that exploratory factor analysis is appropriate “when the underlying dimensions of a data set are unknown”. A factor analysis was undertaken to identify latent dimensions within the variables included in the survey. This reduced the large number of original variables into a smaller number of factors for use in subsequent data analysis (Hair, Anderson, Tatham and Black, 1992:225-226). Due to the study’s design a series of separate factor analyses were undertaken for each area of interest.

7.2. Overview of the approach taken

Factor analysis examines interdependence among variables. An examination of the way in which different variables depend on each other makes it possible to determine which variables are measuring the same thing and which measure something else (Holbert and Speece, 1993). Such an analysis can reduce the many variables outlined in Chapter 6 to a relatively manageable number of multiple item dimensions. The data reduction process in this case reduced the number of variables within the study from ninety-nine to twenty-four in ten areas relevant to the theoretical model.

Not all items within the survey were subject to factor analysis. However, ten separate factor analyses were undertaken on sections of the data. These were:

- i) perceptions of market success (measured by five variables);
- ii) influences on strategic planning (measured by seventeen variables);
- iii) perceptions of market threats (measured by three variables);
- iv) market outlook and need for segmentation (measured by four variables);

- v) influences on marketing strategies (measured by fourteen variables);
- vi) generic positioning strategies (measured by three variables);
- vii) promotional strategies (measured by eleven variables);
- viii) critical success factors (measured by twenty one variables);
- ix) institutional performance on the critical success factors (measured by seventeen variables); and
- x) Decision-making (measured by five variables).

All the items used in the factor analyses were measured on seven point Likert scales. Depending upon the nature of the scale one was lowest or least important while seven was highest or most important. As already noted a total of ninety-nine variables were contained in the ten sections of interest to the present analysis.

The analysis was undertaken using the factor analytic procedure in the SPSS statistical software program (Norusis, 1994). The Kaiser-Myer-Okin (KMO) measure of sampling adequacy (Kaiser, 1974), which is acknowledged as one of the best measures of determining the suitability of a set of data for subsequent factor analysis (Stewart, 1981), was used to examine the data in order to determine whether a factor analysis should be undertaken. Small measures of sampling adequacy (MSA) suggest that a factor analysis should not be undertaken. According to (Kaiser, 1974) MSAs above 0.90 are '*marvellous*', those above 0.80 '*meritorious*', above 0.70 '*middling*', in the 0.60's '*mediocre*', and 0.50's '*miserable*'. Any result below 0.50 is unacceptable. The MSA measures from the ten separate factor analyses ranged from 0.58 to 0.88.

Principal components analysis procedure with varimax rotation was used in all cases to provide the "simple structure" needed for interpretation. In keeping with the usual principal components approach, only factors with eigenvalues greater than one were returned (Hair, *et. al*, 1992:239).

7.3. Analysis #1 - perceptions of market success

The first factor analysis was on the five measures of market success. As noted in Chapter 6, the measurement of institutional success is complicated by the diversity within the industry. Institutions vary significantly in size, function and degree of commercial orientation “Success”, therefore, was measured differently.

Five independent variables were used in this case. These were:

1. Growth in overseas student enrolments;
2. Financial benefits from international students;
3. Demand for places from overseas students in relation to available supply;
4. The level of optimism for growth in enrolments for the next 3 to 6 years; and
5. The dependence of the institution on overseas student revenues for financial health.

As already noted in Chapter 6, respondents did not rate their success particularly high. Most institutions were optimistic about the outlook for market growth over the next 3 to 6 years. However, demand for places and the financial benefits from international students were generally rated as “modest”.

The Measure of Sampling Adequacy (MSA) for the five items was 0.75, suggesting suitability for further analysis (Kaiser, 1974). The five items measuring market success found two factors with eigenvalues greater than 1 that accounted for 70 per cent of variance. The rotated factor loading yielded clear results, with four of the five items grouping into the first factor which was labelled “*Market Success*”. The remaining item - “without overseas student fees the institution would experience financial difficulties”, loaded onto a second factor which was retained as an independent variable. Table 7.1 shows the results of this analysis. A test of the reliability of the factor was undertaken using Cronbach’s Alpha (Cronbach, 1951). This measure of the reliability of two or more construct indicators produces values between 0 and 1. Higher values indicate greater reliability among the indicators (Hair

et. al, 1992:618). In this case the reliability coefficient for the factor was 0.76, suggesting that the construct was reliable.

Table 7.1: Results of factor analysis of market success measures

Factor Label	Item	Factor Loading	Mean Scores
Market Success (alpha = 0.76)	Growth in overseas student enrolments	0.85	3.68
	Financial benefits from international students	0.79	3.22
	Demand for places regularly exceeds supply	0.74	2.85
	The outlook for the next 3 to 6 years is for growth	0.64	4.33
Independent Variable	Without overseas student fees the institution would experience financial difficulties	0.89	2.58

The preliminary examination of the responses to these five items in Chapter 6 found significant differences (at the 0.05 level) between tertiary and secondary institutions. Not surprisingly the secondary schools reported less success than did the tertiary institutions.

7.4. Analysis #2 - Influences on strategic planning

Seventeen variables were used to measure the likely influences on institutional strategic planning. In Chapter 6 it was reported that the three variables considered to have the greatest influence on institutional strategic planning were:

1. the market's perceptions of the quality of the institution;
2. the availability of facilities and teaching staff, and;

3. The availability of suitable programs to offer.

Table 7.2: Results of factor analysis of influences on strategic planning

Factor Label	Item	Factor Loadings	Mean Scores
<i>Market Factors</i> (alpha = 0.89)	Student propensity to search for alternative choices	0.81	3.86
	Quality of rival institutions	0.79	3.98
	Relative pricing of programs at rival institutions	0.78	3.89
	Market perception's of own institution's quality	0.69	5.64
	Student knowledge and awareness of market offerings	0.68	5.07
	Student sensitivity to changes in cost of fees	0.60	4.33
<i>Regulatory Factors</i> (alpha = 0.80)	Tax incentives	0.80	2.29
	Overseas taxation policies	0.77	2.26
	Government assistance	0.70	3.22
	Overseas legal frameworks relating to business	0.70	2.53
	Changes to federal and state government policies	0.50	2.26
<i>Resource Factors</i> (alpha = 0.70)	Availability of facilities or teaching staff	0.83	5.60
	Availability of suitable programs to offer	0.80	5.56
	Financial resources	0.50	4.86
	Intermittent over capacity within your organisation	0.47	3.17
<i>Competitor Factors</i> (alpha = 0.82)	The reactions of rival institutions to your actions	0.83	2.25
	The strategies of your major competitors	0.66	2.99

These items rated significantly above all other variables, with mean scores from 5.56 to 5.64 on a 7-point scale. Of secondary importance were the variables of student knowledge and awareness of market offerings, and institutional financial resources.

The MSA for these seventeen items was a "*meritorious*" 0.88, indicating their appropriateness for factor analysis. (Kaiser, 1974). The analysis of the seventeen variables measuring influences on strategic planning found four factors with eigenvalues greater than 1 that accounted for 66 per cent of variance. The results of this factor analysis are shown in Table 7.2. It can be seen that the reliability coefficients for the four scales ranged from 0.70 to 0.89, indicating an acceptable level of reliability (Cronbach, 1951).

The seventeen factor loadings yielded clear results with six of the seventeen items grouping into the first factor that contained items relating to student perceptions of the market and the quality and pricing of rival institutions. This factor was therefore labelled "*Market Factors*". Five items, all relating to Government regulation or influences on international education, were found to group into a second factor that was labelled "*Regulatory Factors*". A further four items relating to availability of teaching staff, facilities, courses and financial resources loaded onto a third factor which was labelled "*Resource Factors*". Finally, the remaining two items, dealing with competitor strategies and reactions were found to load onto a fourth factor which was labelled "*Competitor Factors*".

Of the four factors concerned with influences on strategic planning within education institutions, "*Resource Factors*" was found to have the highest aggregate mean rating followed by "*Market Factors*" suggesting that these two factors were viewed as having greater importance to strategic planning than either "*Regulatory* or "*Competitor Factors*".

7.5. Analysis #3 - perceptions of market threats

Perceptions of market threats were measured in the survey by three variables. The first measured threats from rivals in the domestic market of the respondent institution. The second measured threats from rivals in the overseas markets from which the international students were recruited. The third measured threats from rivals in other countries (i.e. the threat posed to Australian institutions by United States institutions).

As shown in Chapter 6 the overall response to these items suggested that the three forms of threat were viewed in a similar way, with all mean scores between 3.26 and 3.42 (on a 7-point scale). No significant differences were found between the tertiary institutions in Australia and other supplier countries, although tertiary institutions were found to be more conscious of threats than were secondary institutions.

Table 7.3: Results of factor analysis of perceptions of *Market Threats*

Factor Label	Item	Factor Loading	Mean Scores
<i>Market Threats</i>	Rival institutions in students' domestic markets	0.90	3.42
(alpha = 0.85)	Rival institutions in your domestic market	0.87	3.26
	Rival institutions in other countries	0.86	3.38

The MSA for the three items was an acceptable 0.72. As can be seen in Table 7.3, the analysis of the three items measuring perceptions of market threats produced one factor with an eigenvalue greater than 2 and factor loading greater than 0.86 for each variable, which accounted for 77 per cent of variance. This factor was labelled "*Market Threats*".

7.6. Analysis #4 - market outlook and need for segmentation

Market outlook and the need for segmentation of the market to ensure continued growth were measured in the survey by four items. As discussed in Chapter 6, the majority of institutions viewed the international education industry as an expanding one, but was somewhat concerned over market saturation.

Table 7.4: Results of analysis of market outlook and need for segmentation

Factor Label	Item	Factor Loading	Mean Scores
<i>Market Outlook</i> (alpha = 0.53)	Saturation of potential markets	0.78	5.29
	Saturation of existing markets	0.76	5.03
	Future growth will depend on careful segmentation	0.55	5.34

The MSA was a “*miserable*” 0.59, but still acceptable (Kaiser, 1974). The four items measuring perceptions of market growth and saturation produced one factor with an eigenvalue greater than 1, which accounted for 41 per cent of variance. Only three of the four factors loading yielded clear results with loading ranging from 0.55 to 0.78. The item “*The export of education services is an expanding industry*” produced a factor loading below 0.4 and was excluded from the final factor solution. The remaining three was included and the factor labelled “*Market Outlook*”. Table 7.4 shows the results of this factor analysis. It can be seen that the reliability coefficient for the scale was 0.53, suggesting that the construct was only barely reliable.

7.7. Analysis #5 - factors influencing marketing strategies

Fourteen items were used to measure those factors likely to influence institutional decision-making when developing marketing strategies. In Chapter 6 it was reported that student’s fluency in English rated as the most important consideration for

institutions. Its mean score of 5.68 (on a 7-point scale) was significantly higher than the other thirteen items. In second place was professional recognition of the institution's courses and qualifications in its overseas markets, with a mean score of 5.32. Third place was shared by three items. The first dealt with cultural differences between the host country and its target markets. The second concerned the institution's knowledge and experience of foreign markets. Finally, the third item dealt with comparability and acceptance of foreign education qualifications when seeking to accredit new international students. Each of these items had mean scores between 4.63 and 4.75.

The MSA for the fourteen items was 0.75. The fourteen items measuring factors likely to influence marketing strategies found four factors with an eigenvalue greater than 1, that accounted for 60 per cent of variance. All fourteen-factor loading yielded clear results with loading ranging from 0.44 to 0.90.

Table 7.5 shows the results of the factor analysis. It can be seen that the reliability coefficients for the scales ranged from 0.66 to 0.71 indicating their acceptability (Cronbach, 1951). Four items ("student fluency in English", "differences between local and foreign education systems", "accreditation/recognition of foreign qualifications" and "quotas on places in programs") grouped into the first factor, which was termed "*Foreign Market Factors*".

Another four variables relating to availability of teaching staff for offshore teaching programs, restrictions on use of teaching staff in offshore programs and scholarship funding grouped into a second factor labelled "*Forward Integration Factors*".

Four other variables, involving visa charges, distance to foreign markets, fee setting and immigration controls grouped together into the third factor, which was labelled "*Government Policy*". The remaining three variables grouped into the last factor. These concerned knowledge and experience of foreign markets, cultural differences between host and sender country and professional recognition of courses in overseas markets. This factor was labelled "*Experience and Psychic Distance*" after the

concept developed in export marketing literature (Johanson and Vahlne, 1977; Klein and Roth, 1989).

Table 7.5: Results of analysis of influences on marketing strategies

Factor Label	Item	Factor Loadings	Mean Scores
<i>Foreign Market</i>	Student fluency in English	0.77	5.68
<i>Factors</i>	Differences between local and foreign education system	0.75	4.36
(alpha = 0.70)	Accreditation/recognition of foreign qualifications	0.68	4.63
	Quotas on places in programs	0.46	3.12
<i>Forward</i>	Availability of suitable foreign teaching staff		
<i>Integration</i>	to run offshore teaching programs	0.90	2.34
(alpha = 0.71)	Restrictions on use teaching staff in offshore programs	0.89	2.34
	Availability of scholarship funding for overseas student	0.48	3.17
<i>Government</i>	Visa charges for foreign students	0.83	3.13
<i>Policy</i>	Distance to foreign markets	0.65	3.49
(alpha = 0.66)	Higher fees for foreign students than domestic students	0.60	3.80
	Immigration/visa restrictions	0.56	3.96
<i>Experience and</i>	Knowledge or experience of foreign markets	0.77	4.64
<i>Psychic Distance</i>	Cultural differences	0.65	4.75
(alpha = 0.69)	Professional recognition of courses in overseas markets	0.44	5.32

7.8. Analysis #6 - promotional strategies

Eleven items were used to measure the promotional activities of institutions. These encompassed use of mass media (e.g. television, radio and newspapers), as well as personal selling (eg. use of recruitment agents) and involvement in trade fairs. It was seen in Chapter 6 that student word of mouth referrals were considered the most effective form of promotion. Its mean score was 6.48 on a 7-point scale. In second place was the use of brochures and information booklets (mean = 5.59). In third place was the use of institution staff to give talks and presentations to prospective students (mean = 4.88). Each of these three items were significantly different from each other and significantly different to the other seven items.

The MSA for the eleven items was 0.83. The analysis of the eleven items measuring factors likely to influence marketing strategies found three factors with eigenvalues greater than 1, that accounted for 63 per cent of variance. All eleven-factor loading yielded clear results with factor loading ranging from 0.48 to 0.90.

Table 7.6: Analysis of promotional strategies

Factor Label	Item	Factor Loading	Mean Scores
<i>Mass Advertising</i> (alpha = 0.79)	Radio advertising	0.90	2.19
	Television advertising	0.89	2.22
	Newspaper advertising	0.55	3.91
	Magazine advertising	0.52	3.58
<i>Sales and Publicity</i> (alpha = 0.75)	Use of private recruitment agents	0.79	3.80
	Use of government information centres	0.76	3.69
	Participation in trade fairs	0.76	3.78
	Use of public relations	0.48	4.08
<i>Professional</i>	Brochures and information booklets	0.76	5.59
<i>Promotion</i> (alpha = 0.64)	Student word of mouth referrals	0.76	6.48
	Presentations and talks by staff to prospective students	0.60	4.88

Four items relating to the use of advertising in the mass media (television, radio, newspapers and magazines) grouped into the first factor, which was labelled “*Mass Advertising*”. Another four variables, dealing with the use of private recruitment agents, government information centres, trade fairs and public relations grouped together into the second factor, which was labelled “*Sales and Publicity*”.

The remaining three variables grouped together. These concerned word of mouth referral, presentations by institution staff and use of brochures and information booklets. This factor was labelled “*Professional Promotion*”. Table 7.6 shows the results of these factor analyses. It can be seen that the reliability coefficients for the scales ranged from 0.66 to 0.71 indicating their acceptability (Cronbach, 1951).

7.9. Analysis #7 - generic positioning strategies

Three items were used in the survey to measure the generic positioning strategies used by institutions. These encompassed “competitive pricing” (cost leadership), “uniqueness of programs and services” (differentiation), and “concentration on niche markets” (focus). It was seen in Chapter 6 that competitive pricing was used by only 31 per cent of institutions. By comparison, nearly half (47%) indicated that they used uniqueness of programs to gain a competitive advantage. Forty-six per cent also indicated that they made use of niche marketing as a strategy. No differences were found to exist between tertiary institutions despite their country of origin. The MSA for the three items was 0.58, while the Bartlett’s test for sphericity was a significant 116.60.

The three items measuring generic positioning strategies produced a single factor with an eigenvalue greater than 1, which accounted for 58 per cent of variance. The three factor loadings yielded statistics greater than 0.4. Competitive pricing was the lowest statistic at 0.58, while the other two statistics were above 0.8. It was decided to maintain the variable competitive pricing as an independent and conduct a factor analysis of the remaining two variables. These combined into a single factor with an

eigenvalue greater than one accounting for 77.5 per cent of variance. The reliability coefficient for these two items was 0.71. The factor comprised the two variables relating to use of differentiation strategies and was therefore labelled *Differentiation*. The independent variable was retained and labelled *Cost Leadership*. Table 7.7 shows these results.

Table 7.7: Analysis of generic positioning strategies

Factor Label	Item	Factor Loading	Mean Scores
<i>Differentiation</i> (alpha = 0.71)	Concentration on serving niche markets	0.88	4.68
	Uniqueness of programs	0.88	5.32
<i>Cost Leadership</i>	Competitive pricing	n/a	4.26

7.10. Analysis #8 - distinctive competencies (the desired case)

The questionnaire included twenty-one items that might be considered “important to the success of any education institution operating within international markets”. These included such things as institutional quality, market recognition, and possession of strategic alliances, offshore teaching programs, use of information technology, size of student body and market share.

In Chapter 6 it was shown that “a reputation for quality” was considered the most important success factor. This item had a mean score of 6.71 (on a 7-point scale.). A *t*-test found a significant difference (to a level of 0.05) between this item and the mean rating’s of the second most important item.

Table 7.8: Analysis of distinctive competencies - desired case

Factor Label	Item	Factor Loading	Means Scores
<i>Marketing Activity</i>	Use of private recruitment agents	0.83	4.04
(alpha = 0.89)	Use of overseas student offices (eg. AECs)	0.83	3.87
	Overseas Advertising and promotion	0.81	4.72
	To have offshore recruitment offices	0.79	3.87
	To have offshore teaching programs	0.65	2.87
	To be a pioneer or early entrant to foreign markets	0.62	3.95
	Possession of a large market share	0.56	3.74
	To have international strategic alliances and coalitions	0.50	4.73
<i>Technology and People</i>	Effective use of information technology	0.81	5.61
(alpha = 0.82)	The encouragement of innovation	0.77	5.39
	The development of a customer oriented culture	0.68	5.56
	Possession of strong financial resources	0.66	5.42
	The recruitment/retention of quality/experienced staff	0.65	6.19
<i>Campus and Courses</i>	Size of Campus	0.82	4.41
(alpha = 0.77)	Location of Campus	0.77	5.15
	Ability to offer a broad range of courses/programs	0.61	5.58
	Technical superiority	0.49	4.90
<i>Student Body</i>	To have a large student population	0.73	3.69
(alpha = 0.55)	Possession of a strong Alumni base	0.61	4.30
<i>Market Image</i>	A reputation for quality	0.81	6.71
(alpha = 0.55)	To be well known and recognised	0.77	6.25

Three items were rated in equal second place. These were market recognition (mean = 6.25), quality of staff (mean = 6.19) and effective use of information technology (mean = 5.61). In third place were three items: “ability to offer a broad range of courses and programs” (mean = 5.58); “possession of a customer oriented culture” (mean = 5.56); “possession of strong financial resources” (mean = 5.42), and “the encouragement of innovation” (mean = 5.39).

The MSA for the twenty-one items was 0.88. An initial analysis of the twenty-one items considered important to the success of any institution found five factors with eigenvalues greater than 1, accounting for 65 per cent of variance. Not all twenty-one factor loadings yielded clear results with one item (relating to technical superiority) producing a low 0.49 which was subsequently retained as an independent variable. Table 7.8 shows the results of the analysis.

Eight items, relating to institutional “*Marketing Activity*” loaded onto the first factor that was accordingly titled. Another five items, dealing with the effective use of information technology, encouragement of innovation, development of customer oriented culture, financial resources and quality of staff. This factor was termed “*Technology and People*”. Three items relating to size and location of campus, range of courses and technical superiority grouped into the third factor, which was labelled “*Campus and Courses*”. Two items, relating to the size of the student body and the strength of Alumni, loaded on the fourth factor, “*Student Body*”. The two remaining items, “a reputation for quality” and “to be well known and recognised” loaded onto the fifth factor, which was labelled “*Market Image*”.

Reliability coefficient measures for the five factors produced alpha scores ranging from 0.55 to 0.89. The factors “*Student Body*” and “*Market Image*” both had low reliability coefficients of 0.55. These factors were discarded and their indicators retained as independent variables.

7.11. Analysis #9 - distinctive competencies perceived performance

Institutional performance on the critical success factors was measured by seventeen items. These were derived from the original twenty-one items. Four items used in the original scale (location of campus, size of campus, market pioneer and size of student population) were excluded from the scale as they were considered difficult performance measures to self-evaluate.

Table 7.9: Analysis of institutional performance on distinctive competencies

Factor Label	Item	Factor Loading	Mean Scores
<i>Promotion and Recruitment</i> (alpha = 0.82)	Use of private recruitment agents	0.84	2.83
	Size of overseas advertising and promotion budget	0.77	2.59
	Possession of offshore recruitment offices	0.72	2.22
	Use of government information offices overseas	0.71	2.68
	Size of international student enrolments	0.54	2.93
<i>Image and Products</i> (alpha = 0.74)	Level of market profile or recognition	0.76	3.87
	Strength of financial resources	0.64	5.19
	Reputation for Quality	0.63	5.32
	Size and influence of Alumni	0.60	3.52
	Range of courses and programs	0.55	4.95
<i>People and Culture</i> (alpha = 0.77)	Level of innovation within the institutions' culture	0.80	5.67
	Level of customer orientation within culture	0.77	5.23
	Effective use of information technology	0.68	5.20
	Quality and expertise of staff	0.66	5.64
	Level of technical superiority	0.57	5.15
<i>Coalition and Fwdint</i> (alpha = 0.61)	Possession of international strategic alliances	0.78	3.06
	Possession of offshore teaching programs	0.78	1.72

In Chapter 6 it was suggested that most institutions considered their best performance occurred in their encouragement of innovation (mean = 5.67). This was followed by the quality and experience of their staff (mean = 5.64), and possession of a reputation for quality (mean = 5.32). Australian tertiary institutions were found to be significantly more likely (to a level of 0.05) to make use of recruitment agents and have offshore teaching or recruitment programs than their counterparts in other supplier countries. However, they were also less likely to feel their range of course offerings or Alumni were strong.

The MSA for the seventeen items was 0.83. The analysis of the seventeen items considered important to the success of any institution found four factors with eigenvalues greater than one, which accounted for 61 per cent of variance. All seventeen factor loadings yielded clear results with statistics ranging from 0.54 to 0.84. Five items relating to institutional "*Promotion and Recruitment*" loaded onto the first factor. A further five items, relating to institutional reputation, market profile and strength of finances and alumni loaded onto the second factor which was labelled "*Image and Products*". Five items relating to internal culture, staffing and use of technology grouped into a third factor, which was labelled "*People and Culture*". The last two items, relating to possession of international strategic alliances and offshore teaching programs, loaded on the fourth factor, "*Coalition and Forward Integration*". Table 7.9 shows the results of the analysis.

7.12. Analysis #10 - decision making and degree of centralisation

The survey examined decision making on five items that sought to measure the degree of centralisation-decentralisation of decision making in key areas. The five areas were curriculum, administration, marketing, finance and staffing. In Chapter 6 it was shown that decisions concerning curriculum were the most highly decentralised within the majority of institutions, while decisions concerning staffing were undertaken on a more centralised basis. Both marketing and finance decisions were ranked in a similar manner to each other and were generally centralised activities.

The MSA for the three items was an acceptable 0.75. The five items measuring decision making found one factor with an eigenvalue greater than 2, which accounted for 57 per cent of variance. The five factor loadings yielded clear results ranging from 0.61 to 0.82. This factor was labelled “*Decision Making*”. Table 7.10 shows the results of this analysis. It can be seen that the reliability coefficient for the scale was 0.85, indicating its acceptability.

In Chapter 5 the importance of organisational culture and climate to the development of competitive advantage was outlined. Innovation is the source of such competitive advantage and it is felt that this is achievable through decentralisation of control and power within the organisation (Kanter, 1982; Burgelman, 1984).

Table 7.10: Results of analysis of decision making and degree of centralisation

Factor Label	Item	Factor Loading	Mean Scores
<i>Decision Making</i> (alpha = 0.81)	Curriculum planning and decision making	0.61	5.32
	Administration planning and decision making	0.77	4.50
	Marketing planning and decision making	0.75	3.75
	Financial planning and decision making	0.81	3.52
	Staffing planning and decision making	0.82	3.69

7.13. The relationship between the factors and “Success”

In this section the relationships between the factors identified in the exploratory factor analysis and market success are examined. Although the cause-effect relationships between these factors and market success will be further tested in later chapters using multivariate regression modelling, some preliminary examination of the relationship between market success and those factors identified in this chapter appears appropriate. Knowing which factors that are likely to be associated with market success is beneficial to gaining an enhanced understanding of the factors likely to

influence the successful development of sustainable competitive advantage for education institutions in international markets.

In this chapter “Market Success” was measured as a factor derived from four variables relating to growth in overseas student enrolments, financial benefits from international student enrolments exceeding expectations, demand for places exceeding supply and a positive outlook for growth in the next 3 to 6 years. Taking this measure of market success as the dependent variable the sample was grouped into high and low success institutions. High success institutions were characterised by those who scored above 4 on the 7-point scale of “Market Success”. Low success institutions were those institutions that rated less than 4 on the scale. Sixty-five percent of institutions within the sample had mean success scores below 4, while thirty-five percent were classified in the high success group. Twenty-four institutions (8%) were found to have missing responses to this factor. Table 7.11 shows these results.

Table 7.11: High and low success institutions

Value Label	Frequency	Percent	Valid Percent	mean rating
Low success (= < 4)	188	59.7	64.6	2.70
High success (> 4)	103	32.7	35.4	5.21
Missing	24	7.6		
Total	315	100.0	100.0	
Valid cases	291	Missing cases	24	

Fifty-three percent of ninety Australian tertiary institutions within the sample were classified as “high success” while forty-seven percent of fifty-four overseas tertiary institutions was ranked as “high success”. A chi-square analysis of the relationship between levels of market success and Australian and Overseas tertiary institutions failed to find any significant association between the two groups. Perhaps not surprisingly a significant relationship (to a level of 0.05) was found between market success and institutional level. Tertiary institutions that were significantly more likely

to be within the high success group than were the schools. Fifty-eight percent of the 142 tertiary institutions in the sample were ranked as high success, while only forty-two percent of the 149 secondary schools in the sample were so classified.

Using this measure of market success to produce two sub-samples, a series of *t*-tests were undertaken to measure differences between the mean scores of the two groups on each of the factors identified in the exploratory factor analyses. In all cases the null hypothesis (that no differences between the means exists) was tested at a significance level of 0.05. The aim of the analysis was to identify the factors that were associated with high success institutions.

7.13.1. Success and influences on strategic planning:

In Section 7.4, four factors were found to measure influences on institutional strategic planning for international marketing. *T* - tests between the mean scores for high and low success institutions on these four factors found significant relationships (to a level of 0.05) on two of the four factors, as shown in Table 7.12.

Table 7.12: High and low success institutions and factors influencing strategic plans

Factor	High Success	Low Success	<i>t</i> - value
	<u>mean</u>	<u>mean</u>	
Market Factors	4.74	4.27	2.60*
Regulatory Factors	3.13	2.85	1.58
Resource Factors	5.17	4.58	3.79*
Competitor Factors	2.81	2.51	1.57

[NB: * Indicates that high and low success means were significantly different to a level of 0.05.]

Earlier research indicates that as environmental conditions become more complex or dynamic, the level of uncertainty facing the organisation increases (Duncan, 1972). Institutions facing such uncertain external environments require careful and systematic environmental scanning, with particular emphasis on competitor analysis

(Porter, 1980). These findings suggest that high success institutions are more likely to be influenced by both “*Market*” and “*Resource*” factors when developing strategic plans than are low success institutions.

The increased importance placed upon “*Market Factors*” by successful institutions may be an example of enhanced market orientation. A focus on the customer and their needs, wants and behaviours is generally associated with successful organisations (Payne, 1988; Gummesson, 1991). Institutions in the high success group were more likely to rate such market factors as important to their strategic considerations.

The significant relationship between high success and “*Resource Factors*” is not surprising because, as institutions become more successful, the likelihood that internal resources will be placed under pressure increases. However, this relationship may not be simply a reflection of increasing student enrolments creating capacity problems. As noted in Chapter 4, the “resource-based view of the firm” suggests that internal resources can become the basis of competitive advantage (Aaker, 1989; Hall, 1992; 1993; Collis and Montgomery, 1995).

7.13.2. Success and influences on marketing strategies:

As with influences on the development of institution strategic plans, the factor analysis identified four factors influencing the development of institutional marketing strategies. Table 7.13 shows the results of the *t*-tests examining the differences between the mean scores of the high and low success institutions on the four marketing strategy factors. It can be seen that significant differences were found on two factors - *Forward Integration* and *Psychic Distance*. High success institutions were more likely to be influenced by Forward Integration factors than were their less successful counterparts. These institutions were also more likely to be influenced by *Psychic Distance* factors.

Table 7.13: High and low success institutions and factors influencing marketing plans

[* Indicates that high and low success means were significantly different to a level of 0.05.]

Factor	High Success	Low Success	<i>t</i> - value
	<u>mean</u>	<u>mean</u>	
Foreign Market	4.68	4.39	1.83
Forward Integration	2.62	2.16	2.02*
Government Policy	3.67	3.57	0.60
Psychic Distance	5.13	4.72	2.26*

These findings support earlier research into services exporting, which indicates that successful service enterprises will be more inclined towards early movement into the export channel and therefore the establishment of forward integration strategies (Nicouland, 1989; Erramilli, 1990). Further, this research also suggested that market experience and knowledge is associated with export success (Erramilli and Rao, 1990; Erramilli, 1991).

The importance of *Forward Integration factors* to the development of marketing strategies among the more successful institutions can be further understood when a cross tabulation is made between the level of market success and the possession of offshore teaching programs. In Table 7.14 it can be seen that a significant relationship exists between high success and offshore teaching programs. Institutions with such programs are more likely to be influenced by Forward Integration than those without.

Table 7.14: High and low success institutions and possession of offshore programs

	High success	Low success	Total	n =
Has offshore programs	23%	13%	17%	49
Has no offshore programs	77%	87%	83%	242
	n = 103	n = 188	100%	

[Chi-square = 4.75; d.f = 1; signif = 0.03]

More successful institutions placed a higher level of importance on *Experience and Psychic Distance* factors when developing marketing strategies. As noted in Chapter 5, experience in the overseas markets and the “psychic distance” between the exporting organisation and its target markets are important elements of foreign market structure (Klein and Roth, 1989). Successful foreign market entry can be critically dependent on the level of market knowledge available to the exporting firm (Erramilli, 1990). Market knowledge and experience leads to more commitment and this, in turn, results in enhanced knowledge (Johanson and Vahlne, 1977). Finding a relationship between success and *Psychic Distance* factors (which includes market experience) supports these earlier studies.

Goodnow and Hansz (1972) found that, as psychic distance increases, the level of forward integration in the export channel decreases. The significant relationship between success and both *Experience and Psychic Distance* and *Forward Integration* may support this view. As institutions gain more experience in their overseas markets the level of their forward integration increases, there may be a subsequent enhancement in their market knowledge.

7.13.3. Success and promotion strategies:

In Section 7.8, three promotional factors were identified. An examination of the differences between the mean scores of the two success level groups and the importance they placed on these three promotional strategy factors found a significant difference on “*Sales and Publicity*”. Table 7.15 shows these results.

Table 7.15: High and low success institutions and promotion strategies

[* Indicates that high and low success means were significantly different to a level of 0.05.]

Factor	High Success	Low Success	<i>t</i> - value
	<u>mean</u>	<u>mean</u>	
Mass Advertising	3.06	2.98	0.46
Sales and Publicity	4.28	3.89	2.15*
Professional Promotion	5.04	4.79	1.70

The significantly higher importance placed upon "*Sales and Publicity*" by the more successful institutions may reflect a greater use of such strategies.

7.13.4. Success and generic positioning strategies:

The importance of developing generic positioning strategies for achieving competitive advantage has been outlined in Chapter 5. As shown in Table 7.16, a *t*-test of the differences between the mean scores for the high and low success institutions found a significant difference (to a level of 0.05) between the two groups.

Table 7.16: High and low success institutions and generic positioning factors

[* Indicates that high and low success means were significantly different to a level of 0.05.]

Factor	High Success	Low Success	<i>t</i> - value
	<u>mean</u>	<u>mean</u>	
<i>Differentiation</i>	5.39	4.79	3.12*
<i>Cost Leadership</i>	4.37	4.21	0.74

The higher mean score of the high success institutions indicates that these institutions are more likely to consider use of a generic positioning strategy (either differentiation or focus) of value. It should be noted that no significant differences were found between high and low success institutions over use of competitive pricing strategies. This suggests that more successful institutions may be more oriented towards seeking competitive advantage via concentration on niche markets or developing unique programs than simply competing on price.

Further examination of the relationship between success levels and use of different types of generic positioning strategies was undertaken using a chi-square analysis. Of the three forms of generic positioning strategy, identified by (Porter, 1980; Porter, 1990), only differentiation and focus strategies were found to be significantly related to success.

Sixty-two percent of high success institutions indicated they were using differentiation strategies to obtain a competitive advantage. By comparison forty-nine percent of low success institutions said they were doing so. Sixty percent of high success institutions indicated they were making use of this form of generic positioning, while only forty percent of low success institutions were apparently doing so. Table 7.17 shows the results of *t* - tests of the mean scores of the overall advantage of using each of these three generic positioning strategies. These results support the chi-square test findings that high success institutions are more likely to make use of differentiation and focus strategies.

Table 7.17: High and low success institutions and generic positioning strategies

[* Indicates that high and low success means were significantly different to a level of 0.05.]

Item	High Success	Low Success	
[1 = low advantage, 7 = high advantage]	<u>mean</u>	<u>mean</u>	<u>t - value</u>
Competitive pricing	4.34	4.25	0.42
Uniqueness of programs and services	5.72	5.13	2.98*
Concentration on niche markets	5.14	4.46	2.67*

That success should not be significantly associated with competitive pricing or “cost leadership” is unsurprising. As noted by (Murray, 1988) a cost leadership strategy is viable only when transaction costs are high and individual enterprises can reduce them by access to cheaper input factors, greater economies of scale or lower production costs. For most education institutions, these conditions are rarely achievable. Education is a labour intensive process where quality is often related to the expertise of staff and class sizes.

7.13.5. Success and performance on distinctive competencies:

The four factors measuring institutional performance on the distinctive competencies were examined in Section 7.11. As shown in Table 7.18, high success institutions

were significantly more likely to be performing strongly on all but one of these factors - *"People and Culture"*.

These results suggest that the successful institutions were more likely to be engaged in *"Promotion and Recruitment"* activities than were their less successful counterparts. Further, they were more likely to be engaged in *"Forward Integration and Coalition"*. Finally, more successful institutions were more confident of their *"Image and Products"* than were their less successful colleagues.

Table 7.18: High and low success institutions and performance on distinctive competencies

[* Indicates that high and low success means were significantly different to a level of 0.05.]

Factor	High Success	Low Success	<i>t</i> - value
	<u>mean</u>	<u>mean</u>	
People and Culture	5.49	5.29	1.72
Image and Products	4.90	4.08	6.60*
Promotion and Recruitment	3.08	2.37	4.50*
Coalition and Forward Integration	2.80	2.12	4.14*

Table 7.19 shows a more detailed examination of the differences between the two levels of institutional success and their performance on the thirteen items comprising the three factors which were found to be significantly related to success. It can be seen from the table that the more successful institutions were more likely to have a larger overseas advertising and promotion budget. These institutions were also more likely to be making use of government information offices, possess international strategic alliances and offshore teaching programs.

Successful institutions were also more likely to enjoy a higher reputation for quality and be better recognised in international markets. These institutions offered a broader range of courses and programs, made more effective use of information technology, had more international students, stronger financial resources and stronger and more active Alumni.

Table 7.19: High and low success institutions and performance on distinctive competencies

[* Indicates that high and low success means were significantly different to a level of 0.05.]

Factor	High Success	Low Success	<i>t</i> - value
	<u>mean</u>	<u>mean</u>	
Reputation for Quality	5.62	5.21	2.41*
Effective Use of Information Technology	5.60	4.98	3.78*
Strength of financial resources	5.55	4.97	3.19*
Range of courses and programs	5.57	4.59	4.84*
Level of market profile or recognition	4.80	3.39	6.87*
Size and influence of Alumni	4.02	3.27	3.45*
Possession of international strategic alliances	3.88	2.67	5.50*
Size of international student enrolments	3.71	2.55	5.49*
Size of overseas advertising and promotion budget	3.25	2.25	4.88*
Use of private recruitment agents	3.05	2.76	1.15
Use of government information offices overseas	3.06	2.52	2.42*
Possession of offshore recruitment offices	2.50	2.10	1.82
Possession of offshore teaching programs	1.97	1.60	2.03*

7.14. The factors in an international context

This profile of the successful international education institution is consistent with the literature outlined in Chapters 4 and 5. It can be seen from Table 7.19 that “reputation for quality”, “effective use of information technology”, “strength of financial resources”, “range of courses and programs”, and “level of market profile or recognition” all scored above 4.5 on the 7 point scales used to measure institutional performance on these success factors. These findings are supported by the PIMS research which found that market share and strong brand recognition were linked to long term profitability (Buzzell and Gale, 1987). Doyle (1990) has highlighted the importance of a focus on quality in attempting to develop a successful branding strategy for service enterprises. According to the PIMS research, the best combination for sustainable competitive advantage is for an enterprise to develop both high quality and high market share, although quality may offer a substitute for market share in some circumstances (Johnson and Scholes, 1993:264). The above discussion suggests that institutions who experience a high degree of success within their international markets are likely to be more sensitive to “*Market*” and “*Resource*” factors when developing their business strategies, and have more sensitivity to “*Experience and Psychic Distance*” factors when developing their marketing plans. Further, these same institutions are more likely to engage in “*Forward Integration*” strategies and have offshore teaching programs. More successful institutions are also more likely to consider use of “*Sales and Publicity*” promotional methods than their less successful counterparts. In doing so they may also be more likely to attempt developing a competitive advantage around differentiation strategies than competition based on price. These institutions generally report a higher level of performance on all critical success factors with the exception of “*People and Culture*” factors.

In considering the application of these findings to international education marketing it is important to consider whether any differences exist between institutions from different countries. If no institutional differences based on national origins exist it should be possible to apply these findings broadly across all countries and institutions.

To this end the following sub sections will examine the differences between these factors and country of origin and institutional type.

7.14.1. Market success, institutional type and country of origin:

A series of *t*-tests of the differences between the mean scores of tertiary and secondary institutions on the factor “*Market Success*” were undertaken. Tertiary institutions with an overall “*Market Success*” mean score of 3.89 were found to be significantly different (at the 0.05 level) to the secondary schools with a mean score of 3.31. By comparison, a one-way ANOVA test of the “*Market Success*” mean scores of tertiary institutions in the five supplier countries (Australia, Canada, New Zealand, United States and United Kingdom), found no significant differences. These findings are consistent with those outlined in Chapter 6 and suggest that “*Market Success*” is influenced more by institutional type than country of origin.

7.14.2. Influences on strategic planning, institutional type and country of origin:

Table 7.20 shows the mean and standard deviation results for the four factors associated with influences on strategic planning plus a comparison of Australian and CANZUK tertiary institutions rating's. All four factors were significantly different (at the 0.05 level) from each other. The only significant difference between Australian and overseas institutions on these four factors was in the area of “*Regulatory Factors*”. This was noted as an area of difference in Chapter 6 and explained in terms of the high degree of Australian government regulation of the international education industry following the collapse of the China market in the late 1980's.

An examination of the responses to the four factors from the tertiary institutions of the five supplier countries was undertaken using a one-way ANOVA test with multiple comparison tests (Bonferroni). These found no significant differences (at the 0.05 level) between the responses of the tertiary institutions from the five supplier countries. Significant differences (at the 0.05 level) were found between tertiary and secondary institutions on all four factors using an independent sample *t*-test. As with *Market Success*, these findings suggest that institutional type, rather than country of origin is of more importance to influencing institutional behaviour. Not surprisingly

the schools were less likely than their tertiary counterparts to rank these factors as important to influencing their strategic planning.

Table 7.20: Influences on strategic plans - Australian and CANZUK tertiary institutions

[NB: all factors had significantly different means at a level of 0.05. * Indicates that Australian and CANZUK means were significantly different to a level of 0.05.

Factors:			Aust	CANZUK	
1 = unimportant; 7 = very important	mean	std. dev	mean	mean	t -value
• <i>Resource factors</i>	4.84	1.35	5.18	5.26	0.51
• <i>Market factors</i>	4.48	1.57	5.16	5.07	0.65
• <i>Regulatory factors</i>	2.99	1.49	3.69	2.84	3.58*
• <i>Competitor factors</i>	2.64	1.59	3.43	3.12	1.17

7.14.3. Perceptions of market threats, institutional type and country of origin:

In Chapter 6 it was seen that tertiary institutions were not significantly different in their responses to perceptions of market threats. However, once again significant differences were found between tertiary and secondary institutions on the items with secondary schools viewing threats less seriously than tertiary institutions.

Differences between the perceptions of market threats by tertiary institutions from the five supplier countries were examined using one-way ANOVA and multiple-comparison tests. This found significant differences (at the 0.05 level) between tertiary institutions in the United States and United Kingdom. British institutions rated market threats on a mean score of 4.75, while American institutions mean score was only 2.50. This suggests that British universities and polytechnics may be more concerned by market threats than their counterparts in the United States.

Such differences might be explained by the decline in enrolment growth rates over the decade of the 1980s. In Chapter 3 (see Table 3.1) we saw that annual average growth rates during the period 1970-1980 was 8.4 per cent in the United States and 8.6 per

cent in the United Kingdom. However, during the period 1980-1990 these growth rates had fallen to 1.3 per cent in the United States, and 3.6 per cent in Britain (Kemp, 1995 :3). This decline in international student enrolment growth rates has been acknowledged by the British Council who recognize Australia as a major competitor in the Asia-Pacific region (DEET, 1993).

7.14.4. Market outlook and need for segmentation, institutional type and country of origin:

An examination of the responses to this factor by tertiary institutions from the five supplier countries using a one-way ANOVA and multiple comparison tests found no significant differences between them at the 0.05 level. A similar result was found for tertiary and secondary institutions using a two-sample *t*-test. It will be recalled from Chapter 6 that all institutions, regardless of country of origin or organisational type, generally viewed the international education industry as an expanding one, and were moderately concerned about growing market saturation, while feeling that future growth will depend on the need for segmentation. The overall sample mean score for *Market Outlook* was 5.17 which suggests a moderately high level of agreement with the view that markets have become saturated and will need segmentation to ensure continued growth.

7.14.5. Marketing strategy influences, institutional type and country of origin:

The most important of the four factors relating to influences on institutional marketing plans was the factor “*Experience and Psychic Distance*”. This measure of institutional experience and/or familiarity with overseas markets was rated statistically higher than the other three factors.

Table 7.21 shows the means and standard deviations for these four factors for the entire sample and a comparison of Australian and tertiary institutions from the other four countries. Once again the only factor where a significant difference existed was that of “*Government Policy*”.

Table 7.21: Influences on marketing plans - Australian and CANZUK tertiary institutions

[NB: all factors had significantly different means at a level of 0.05. * Indicates that Australian and CANZUK means were significantly different to a level of 0.05.

Factors:			Aust	CANZUK	
1 = unimportant; 7 = very important	mean	std. dev	mean	mean	<i>t</i> - value
Psychic Distance	4.91	1.49	5.37	5.27	0.45
Foreign Market factors	4.53	1.31	4.50	4.54	0.18
Government Policy	3.60	1.42	4.04	3.48	2.72*
Forward integration	2.37	1.85	3.06	3.05	0.04

7.14.6. Promotional strategies, institutional type and country of origin:

Consistent with the findings in Chapter 6 the factor ranked as most effective was “*Professional Promotion*” followed by “*Sales and Publicity*” and then “*Mass Advertising*”. Table 7.22 shows the means and standard deviations for the three factors relating to promotional strategies. It can be seen that significant differences existed between Australian and CANZUK tertiary institutions over their rating of the value of “*Professional Promotion*” and “*Mass Advertising*” factors. In both cases Australian institutions were more likely to rate these as valuable than their colleagues in other supplier countries.

A one-way ANOVA and multiple comparisons test (Bonferroni) was undertaken to determine if there were any significant differences between tertiary institutions from the five supplier countries. No significant differences (at the 0.05 level) were found. Significant differences were found between tertiary and secondary institutions in their ranking of these factors using a two-sample *t*-test of the differences in the means. Not surprisingly the tertiary institutions rated all three factors higher in effectiveness than did the secondary schools. As discussed in Chapter 6 this is explained by the lower

overall recruitment activity of the schools and a subsequently reduced promotional effort.

Table 7.22: Promotional strategies - Australian and CANZUK tertiary institutions

[NB: all factors had significantly different means at a level of 0.05. * Indicates that Australian and CANZUK means were significantly different to a level of 0.05.

Factors:			Aust	CANZUK	
1 = of little value; 7 = highly valuable	mean	std. dev	mean	mean	t - value
Professional promotion	4.92	1.20	5.33	4.88	2.58*
Sales and Public Relations	4.06	1.50	4.76	4.46	1.47
Mass advertising	3.02	1.51	3.61	2.91	2.92*

7.14.7. Generic positioning strategies, institutional type and country of origin:

An examination of the differences between Australian and CANZUK tertiary institutions using *t*-tests of the mean score rating's on institution perceptions of generic positioning strategies found significant differences to a level of 0.05. Similar findings were revealed in a comparison of tertiary and secondary institutions across all country types. Table 7.23 shows the results of these tests for Australian and CANZUK tertiary institutions.

Table 7.23: Generic positioning strategies - Australian and CANZUK tertiary institutions

NB: all factors had significantly different means at a level of 0.05. * Indicates that Australian and CANZUK means were significantly different to a level of 0.05.

Factors:			Aust	CANZUK	
1 = of little value; 7 = highly valuable	mean	std. dev	mean	mean	t - value
<i>Differentiation</i>	5.02	1.64	5.70	5.26	2.04*
<i>Cost Leadership</i>	4.26	1.71	4.60	4.39	0.81

These findings suggest that Australian institutions are more likely to view generic positioning strategies as valuable than were their colleagues overseas. This was particularly the case for tertiary institutions in comparison to secondary schools. It may reflect a greater desire on the part of the institutions seeking to make use of such strategies to achieve a competitive advantage. It will be remembered from Chapter 6 that differentiation and focus strategies were most favoured.

7.14.8. Distinctive competencies (desired case), institutional type and country of origin:

Of the five factors identified as representing the distinctive competencies for any institution (desired case) the most important was viewed as “*Market Image*” followed in turn by “*Technology and People*”, “*Campus and Courses*” “*Marketing Activity*” and finally “*Student Body*”. Table 7.24 shows the means and standard deviations of these items.

Table 7.24: Distinctive competencies - (the desired case) Australia vs CANZUK

[NB: The first three factors had significantly different means at a level of 0.05. “Marketing activity” and “Student body” were not significantly different. * Indicates that Australian and CANZUK means were significantly different to a level of 0.05.

Factors:			Aust	CANZUK	
1 = low; 7 = high	mean	std. dev	mean	mean	t - value
<i>Market image</i>	6.48	0.73	6.50	6.52	0.17
<i>Technology and People</i>	5.53	1.03	5.68	5.69	0.06
<i>Campus and courses</i>	5.02	1.15	5.08	5.12	0.23
<i>Marketing activity</i>	3.99	1.40	4.73	4.19	2.70*
<i>Student body</i>	3.93	1.29	4.33	4.41	0.44

These findings suggest that Australian tertiary institutions were significantly more likely to value marketing activities as a source of competitive advantage than were their counterparts in CANZUK institutions. It should be noted that a one-way

ANOVA test with multiple comparison (Bonferroni) tests did not identify any significant differences between the five supplier countries to a level of 0.05.

7.14.9. Distinctive competencies (perceived case), institutional type and country of origin:

An examination of the ranking of the four factors relating to institutional performance on the critical success factors found “*People and Culture*” rated the highest suggesting that institutions viewed this aspect of their performance to be most successful. “*Image and Products*” was ranked second followed in turn by “*Promotion and Recruitment*” and “*Coalition and Forward Integration*”. Table 7.25 shows the means and standard deviations for these four factors. It can be seen that Australian tertiary institutions rated their activity in the area of “*Promotion and Recruitment*” significantly higher than did their counterparts in the other supplier countries.

Table 7.25: Distinctive competencies - (perceived case) Australia vs. CANZUK

[NB: all factors had significantly different means at a level of 0.05. * Indicates that Australian and CANZUK means were significantly different to a level of 0.05].

Factors:			Aust	CANZUK	
1 = low; 7 = high	mean	std. dev	mean	mean	t - value
<i>People and Culture</i>	5.39	0.97	5.34	5.31	0.22
<i>Image and Products</i>	4.42	1.11	4.42	4.75	1.95
<i>Promotion and Recruitment</i>	2.65	1.37	3.49	2.93	2.91*
<i>Coalition and Forward integration</i>	2.38	1.41	3.06	2.89	0.72

It will be recalled from Chapter 6 that respondents rated the performance of their institutions in encouraging innovation (mean = 5.67), and recruiting and maintaining quality staff (mean = 5.64) higher than all other success factors. Furthermore, all institutions responded in a similar manner regardless of country of origin or institutional type. In terms of the responses to “Perceived” performance, ANOVA

tests found significant differences (at the 0.05 level) between the mean score ranking's of Australian tertiary institutions and their counterparts in the other four supplier countries. These differences were in the areas of breadth of course offerings, use of recruitment agents, Alumni size, and possession of offshore recruitment offices and teaching programs. This was discussed in Chapter 6 where it was observed that Australian tertiary institutions appeared to be significantly more enthusiastic about using private recruitment agents and offshore recruitment offices than were institutions in other supplier countries.

Tests of the differences in mean rating's by tertiary institutions using one way ANOVA and multiple comparisons tests, found no significant differences (at the 0.05 level) between institutions in the five supplier countries over "*Promotion and Recruitment*", "*Image and Products*" and "*Coalition and Forward Integration*". However, significant differences were found between Australian and United States tertiary institutions in the area of "*Image and Products*". This suggests that Australian institutions considered their performance in the area of market image and range of courses as being less successful than did their American colleagues.

An examination of the responses of tertiary and secondary institutions using an independent samples *t*-test was undertaken. This found significant differences (at the 0.05 level) between tertiary and secondary institutions over "*Promotion and Recruitment*" and "*Coalition and Forward Integration*". In both cases the secondary schools ranked their performance on these factors as less successful than did the tertiary institutions.

7.14.10. Decision making and centralisation, institutional type and country of origin:

An examination of the decision making of tertiary and secondary institutions using independent sample *t*-tests found no significant differences (at the 0.05 level) between tertiary and secondary institutions. However, a one-way ANOVA and multiple comparisons tests (Bonferroni) of the decision making among tertiary institutions within the five supplier countries found significant differences between Australian and

United States institutions. Australian universities and colleges had a lower mean (mean = 4.05) than did their United States counterparts (mean = 5.16), suggesting a greater degree of centralisation of decision making. This difference is likely to be due to the larger number of private business colleges within the Australian sample that had more centralised decision making processes than the universities.

7.15. Summary of key findings

The exploratory factor analysis undertaken in this chapter has indicated the existence of a series of underlying dimensions (factors) within the sample data. An examination of the relationships between these factors and both institutional type and country of origin suggests significant differences are more likely to be found between institutions of different types (e.g. secondary vs. tertiary), than between institutions from different countries. The following key findings can be drawn:

1. *Enrolment growth, financial benefit, high demand and optimism about future growth indicate market Success for institutions.* Market Success is more likely to be associated with post-secondary institutions and unaffected by country of origin.
2. Institutional strategic planning is likely to be influenced by consideration of *Market, Regulatory, Resource and Competitor* factors. Of these, *Resource* and *Market* factors are considered of most importance. These factors are viewed in a similar manner by institutions from different countries, but differently by secondary and tertiary institutions. The more successful institutions were also more likely to consider *Market* and *Resource* factors when developing their strategic plans than their less successful counterparts.
3. Four dimensions influence the marketing strategies of education institutions within their overseas markets: *Foreign Market, Forward Integration, Government Policy* and *Psychic Distance* factors. The most important of these are *Psychic Distance* and *Foreign Market* factors. *Market Success* was more likely to be associated with considerations of *Psychic Distance* and *Forward Integration*. Australian tertiary institutions were also more likely to consider *Government*

Policy issues important to their marketing plans than were institutions in other countries.

4. Promotional strategies followed by education institutions are likely to be of three kinds: 1. *Mass Advertising*; 2. *Sales and Publicity*; and 3. *Professional Promotion*. The most important of these according to the institution is *Professional Promotion*, however *Market Success* is associated more with use of *Sales and Publicity* than the other forms of promotion. ANOVA tests suggest that no significant differences in their perceptions of the value of these forms of promotion exist between institutions in different countries.
5. Market Success is more likely to be associated with use of generic positioning strategies based on differentiation and focus than use of competitive pricing. No differences were found between tertiary institutions of the five supplier countries in their perceptions of generic positioning strategies.
6. Four critical success factors were identified: 1. *Promotion and Recruitment*; 2. *Image and Products*; 3. *People and Culture*; and 4. *Coalition and Forward Integration*. Of these, all but *People and Culture* was associated with high *Market Success*.

In Chapter 8 these factors are examined via a series of discussions with fifteen education institutions at all levels throughout Australia. The nature of these dimensions and their understanding within the industry are outlined.

Chapter 8. The Industry View of the Factors

8.1. Introduction

This chapter presents the findings of a series of in-depth interviews undertaken with fifteen education institutions in Australia during 1995. Following the exploratory factor analysis, the results of which were outlined in the previous chapter, a series of interviews were conducted to examine in detail the industry's perceptions of the 1994 field survey findings. Each respondent was approached with a common set of open-ended questions relating to the key factors identified during the exploratory factor analysis.

During the field survey, respondents were asked to indicate their willingness to participate in follow up interviews. Of the 315 institutions who responded to the questionnaire 194 (62%) indicated a willingness to participate in future research. These respondents were examined against such criteria as size, function (e.g. university, secondary school), number of international students enrolled and performance levels. A cross section of institutions was selected and approached to participate in interviews and case studies. This group included 1. Six university international office managers; 2. Principals from three private ELICOS colleges; The principal of a Beauty Therapy College; A senior marketing officer from a large TAFE college; The Chief Pilot from one of Australia's largest flying training schools; and, The Principals or Registrars of three private secondary schools. All institutions were listed in CRICOS and were actively engaged in international education.

8.2. Profiles of the institutions

The fifteen institutions profiled are a representative cross section of the international education industry in Australia. Although some of the findings presented are specific to Australia, it is likely that many of the observations can be extrapolated to institutions engaged in international education in other countries. This assumption is based upon the findings from the survey, which showed that institutions within the

same sectors (eg. higher education) tended to respond to their marketing environment and undertake similar strategies regardless of their country of origin.

8.2.1. University #1:

University #1 is one of Australia's largest institutions with over 40,000 staff and students, and an annual operating budget in excess of \$350 million. This institution offers a full range of university programs including medicine, law, and commerce, computing, education and engineering. At time of interview University #1 was ranked among the top ten Australian institutions in terms of full-fee paying overseas student (FFPOS) enrolments. Of these students around 32 per cent were enrolled in offshore teaching programs in Asia.

8.2.2. University #2:

University #2 is also one of Australia's largest educational institutions with a high profile in the international education sector. The university has over 30,000 staff and students and an annual operating budget of \$400 million. As with most large institutions of its kind, University #2 provides a comprehensive range of programs in the arts, physical and applied sciences, engineering, law, medicine, commerce, economics and education. When interviewed the university had over 3,000 FFPOS enrolled throughout its teaching programs.

8.2.3. University #3:

University #3 was established under the higher education reforms which ended the binary system during the 1980's (Meek and Goedegeburne, 1989). With over 30,000 staff and students University #3 is one of Australia's largest institutions. The university's ethos is to provide practical, real world education for its students. It offers a broad range of teaching programs encompassing the arts, engineering and environmental sciences, business, education, health, information technology, law and science. During the time of interview University #3 had around 2,000 FFPOS, enrolled of whom 10 per cent were in ELICOS programs operated by the university.

8.2.4. University #4:

University #4 is also one of Australia's newer universities and like University #3 was established after the reforms of the 1980's. It combines both university and TAFE programs. With around 20,000 staff and students in both the university and TAFE sectors and an annual operating budget of \$100 million, University #4 is one of Australia's smaller universities. Despite its size and relative youth, University #4 has a broad range of programs across a wide spectrum of disciplines. Many of these are innovative and adopt a highly practical and applied focus. During the time of interview University #4 had around 1,500 FFPOS, of whom 35 per cent were enrolled in offshore teaching programs.

8.2.5. University #5:

An older institution, University #5 operates from a single campus site in the suburbs of a state capital city. In the mid-1990's University #5 had total student enrolments of 18,000 of who just over 1,000 were FFPOS. The University offers a full range of teaching and research programs including Arts, Commerce, Psychology, Science, Technology, Education, Law and Chemistry, and is recognised as a high quality institution.

8.2.6. University #6:

University #6 is one of Australia's larger universities and a major player in the international education sector. The university has around 24,000 staff and students of whom around 3,000 are FFPOS. At least one third of the university's FFPOS were studying in offshore teaching programs in 1995.

8.2.7. TAFE College:

This TAFE College is one of the largest in Australia and is an active participant in international education. The college has total full time equivalent student (EFTS) enrolments of around 22,000, with many students engaged in part time programs on the College's multi-site campuses. At time of interview the TAFE College had 400 FFPOS enrolled.

8.2.8. ELICOS College #1:

The ELICOS College #1 is a large and well equipped privately owned language training centre. Located in the CBD of a state capital city, the college offers a range of English language courses from beginner to advanced. Such courses include preparation programs for entry into Secondary School, Business English, TOEFL¹, IELTS² and Cambridge Certificates, and entry into university programs. At the time of interview the college had 214 FFPOS.

8.2.9. ELICOS College #2:

ELICOS College #2 is one of Australia's largest and best equipped private language training centres. Also located in the CBD of a major city, ELICOS College #2 is able to offer a comprehensive range of programs including Intensive English, English for Academic Purposes, TOEFL and IELTS exam preparation, Business and Secretarial English. At the time of interview the college had 328 staff and students with a capacity for 489 FFPOS.

8.2.10. ELICOS College #3:

ELICOS College #3 is also one of Australia's largest language training colleges, and is located on two campuses within the CBD of a major city. Established in the early 1980s by a group of English as Foreign Language (EFL) teachers, the college remains a cooperative in which academic staffs manage its operations. The college was one of the first commercial ELICOS centres opened in Australia. In 1995 the college had 480 students and staff. It is also a member of the ELITE Colleges of Australia, a group of independent ELICOS centres aimed at representing the best schools in the country.

8.2.11. The Beauty Therapy College:

Located in the CBD of a major city, the Beauty Therapy College is a small privately owned institution that was established in the mid-1970s. It provides a Diploma in

¹ Test of English as a Foreign Language

² International English Language Testing System

Personal Services accredited by its state government training accreditation board. This enables its students to obtain Austudy and Abstudy financial support for completing courses. The college is accredited with the Swiss based *Comite International D'Esthetique Et De Cosmetologie* (CIDESCO). Well equipped, the college has modern facilities and a staff of four for a total student population of 48. At time of interview only one FFPOS was enrolled.

8.2.12. The Flying Training School:

The Flying Training School is one of the largest institutions in the Southern Hemisphere. Established prior to the Second World War, it is also one of Australia's oldest flying training centres. Located at the main civil aviation airfield of a state capital city, the Flying Training School has fully equipped modern training facilities including flight simulators and recreation areas. Its 55 full and part time staff operate a large fleet of over 40 aircraft including both single and multi-engine types. Its teaching programs qualify the students in Commercial and Private Pilot's Licenses and Instructor Certificates on multi-engine and command instrument ratings. When interviewed the Flying Training School had 500 students enrolled of whom 12 were FFPOS.

8.2.13. Private School #1:

The Private School #1 is a large and well-established private school located in the suburbs of a capital city. In 1995 the school had just over 1,000 students and a staff establishment of 124. Founded at the turn of the century, Private School #1 enjoys a solid reputation as an elite private college. Located in well-appointed grounds the school also offers full boarding facilities. When interviewed the school had 37 FFPOS.

8.2.14. Private School #2:

Like Private School #1, the Private School #2 is an old, established and highly prestigious school located in the metropolitan area of a major city. Founded at the end of the First World War, Private School #2 has well appointed facilities that include

full boarding arrangements. When interviewed the school had 924 students of whom 57 were FFPOS.

8.2.15. Private School #3:

Private School #3 is another prestigious private institution located in the metropolitan area of a capital city. Founded in the 1920's, the school has 104 staff and total enrolments of 1,160 students. In 1995 it had 75 FFPOS enrolled at the secondary level and 12 FFPOS enrolled at a primary level making it the largest international provider among its state's private schools.

8.3. Motivations for market entry

The institutions were asked to explain the motivations that prompted them to seek entry to international markets. Despite the diverse nature of the fifteen institutions the financial benefits of taking in full fee paying overseas students (FFPOS) were viewed as the most significant factor motivating their decision. For the three ELICOS Colleges the decision to enter international markets was their reason for establishment. All had been founded in response to the growth in demand for ELICOS programs.

Among the six universities, the financial motivation associated with recruiting overseas students was tempered by a desire to see their campuses internationalised. Universities #1, #2, #5, and #6 plus the TAFE College were already taking large numbers of international students prior to the opening up of Australia's education sector to full fee students in the mid 1980s. The decision by the Commonwealth Government to remove the subsidy for international students under the *Higher Education Funding Act 1988* meant that these institutions would lose substantial funds. It was estimated that they were facing revenue shortfalls of between A\$2.5 million and A\$15 million unless they managed to attract fee-paying students. Just as British universities were forced to seek offshore revenues from fee paying international students in the early 1980s following removal of government subsidies, so also were many of Australia's larger and more internationalised institutions.

Not all the universities were enthusiastic about taking international students under commercial arrangements. University #5, for example, was reluctant to embrace the commercial recruitment of FFPOS. A variety of elements within the university were not in favour of taking FFPOS at all. Concerns were expressed that they would deny places to Australian students. A close vote was eventually taken to open up to FFPOS by the university council during the late 1980's. Despite this decision debates over the merits of FFPOS continued to occur at University #5 until the mid-1990s.

Among the three schools the main motivation for taking FFPOS was demand pressure from international markets. Either the school's Principal or Registrar (or both) coupled this in most cases with an enthusiasm for recruiting overseas students. Unlike the universities, the schools had always required their students to pay commercial fees for their education. Further, each had taken in small numbers of international students from time to time throughout their long history. Private Schools #1 and #3, for example, had taken in a small number of international students during the 1970's. During the 1980s the expansion of Australia's international education sector resulted in an increase in demand by FFPOS for places at the schools. As well established high quality institutions with boarding and pastoral care facilities, these schools were an attractive option for Asian families seeking to educate their children abroad ³.

At first the schools were reluctant to accept FFPOS out of a concern that they would deny places to Australian students. Each school had limits on the number of boarders it could take and felt it should give priority to the local community. However, during the recession of the early 1990s the schools' enrolments declined and the number of Australian rural families seeking to board their children fell sharply. FFPOS then became an attractive option for topping up the shortfall in local student numbers.

For the Flying Training School the motivation to enter international markets was purely financial. The School had been taking fee-paying students for over twenty years. Although it did not maintain clear records, many of these students were from overseas. It was not until 1993 that the School made the decision to actively seek

FFPOS. The additional revenues from such students were viewed as “cream on the cake” for an organisation that was already secure in its local domestic market. More strategic concerns related to the development of a new airfield. This facility was designed to attract international tourists who would use the park for flying related vacations. It would have a 5-star hotel and resort and golf course and be a single destination. International marketing of this facility was essential for its success and provided a useful synergy to the marketing of the Flying Training School to FFPOS for flying training programs.

8.4. Perceptions of market success

In Chapter 7 the *Market Success* factor was identified as being related to: 1. Growth in overseas student enrolments; 2. Financial benefits from international students; 3. Demand for places regularly exceeds supply; and 4. The outlook for the next 3 to 6 years is for growth. During the interviews this dimension was explained and each institutional representative was asked to consider whether they considered this a useful measure of success and if their institution was itself “successful”.

Most of the institutions considered *Market Success* to be a useful measure of institutional performance. Success was generally measured in terms of size of enrolments, financial benefit and a more intangible concept best described as “internationalisation”. The two largest institutions noted the number of their overall FFPOS as a measure of their success. However, both institutions were keen to point out that other factors were also important. University #2 explained that FFPOS comprised between 12 to 13 per cent of total student enrolments. This ratio had not altered greatly over the previous two decades. The Vice Chancellor did not wish to see FFPOS rise above 15 per cent of total enrolments. Whatever the financial benefits of FFPOS the issues of quality of service delivery and social integration of such students were more important considerations. It was observed that few universities in the United States had more than 20 per cent of their total enrolments made up of FFPOS.

³ Between 1983 and 1993 23,200 primary and 12,800 junior high school students from Taiwan were

Among the ELICOS Colleges success was measured in terms of enrolment growth, financial returns and future outlook. The ELICOS College #1, for example, had seen its FFPOS enrolments grow from 120 to 210 in the nine-month period prior to the interview. The ELICOS College #2 had experienced growth rates of around 50 per cent over the same period and had seen its FFPOS numbers grow from 7 to over 450 students from the late 1980's to the mid-1990's. ELICOS College #3 had experienced growth rates of around 100 per cent during the twelve months prior to the interview.

For the three schools success was measured less in total enrolments (all three schools had enrolments ceilings of between 60 to 80 FFPOS) than in terms of the social and financial goals they had set for themselves. Both the Private Schools #1 and #2 measured success in terms of their ability to meet capacity targets for FFPOS enrolments regularly and their ability to integrate overseas students and service their needs.

These views suggest that market success for education institutions is a multi-dimensional concept requiring measurement of more than just size of enrolments or financial returns. The factor *Market Success* identified in Chapter 7 would appear to be a useful measure of success and is consistent with the findings from these interviews.

8.5. The importance of market factors

In Chapter 7 four factors were identified as measuring a range of variables relating to things likely to influence the strategic planning of institutions when developing business strategies for international markets. The first of these - *Market Factors* - was identified as comprising several variables. These included those relating to the propensity of prospective students to search for alternative choices, the knowledge and awareness students have of market offerings, the quality of rival institutions and their relative pricing, student sensitivity to changes in fee levels and the market's perception's of own institution's quality.

The overall importance of this dimension to the decision making process of the institutions when developing their business strategies was quite high (mean = 4.48). Of the six indicator variables for the factor, the one considered to be of greatest importance was the market's perception of the institution's quality (mean = 5.64). This was closely followed by the level of student knowledge and awareness of market offerings (mean = 5.07).

In discussions with the fifteen institutions these two issues were highlighted. University #6, for example, noted that the market's perceptions of its quality were critical to its approach to markets. Where the university enjoyed a high reputation it drew strong enrolments of international students and was even able to raise its fees without any negative effect on demand. By contrast, the TAFE College found that its biggest challenge was getting students to become aware of the value of TAFE qualifications. In Hong Kong the level of market awareness of the TAFE system was high, resulting in a steady flow of enrolments from that country. Other countries knew little of TAFE, viewing it as something similar to the American Community College system.

For University #4 the level of student awareness or knowledge of market offerings was important to strategic planning. As a small institution, University #4 did not have unlimited resources to engage a wide range of overseas markets. For this reason University #4 sought to target those markets where it could obtain the best return for its investment in marketing and promotion. Malaysia and Hong Kong were viewed as "saturated" and therefore unattractive. By contrast India and Indonesia were viewed as offering greater potential return. Their large populations and growing middle class offered potential opportunities for growth. Australia was well known in Indonesia. University #2 echoed this view that did not consider it worthwhile investing large sums of money or time in attempting to develop Taiwan or Korea given the strong student orientation in those two countries toward the United States.

For the Flying Training School *Market Factors* were considered highly important to their strategic planning. Their key competitive advantage lay in their location.

Australia offers good flying conditions almost year round. The weather is mild and there is a large area of airspace for training. An absence of mountains also assists this process. Australia is also closer to such markets as India, Indonesia, Taiwan, Singapore and Malaysia than its main competitors in Europe and North America. Aviation students were generally sponsored by their companies and were highly knowledgeable about pilot training programs offered around the world and their costs.

Little formal consideration of *Market Factors* was apparently undertaken by the three private schools. Only Private School #1 indicated that they had actively considered these issues when developing strategic plans. This had arisen after the school's Principal and Registrar had made several visits to Singapore, Hong Kong and Indonesia. The experience gained from these visits highlighted the need for the school to consider the differences between various countries as potential markets for international education.

It was shown in Chapter 7 that *t*-tests of the differences between the mean rating scores of high and low success institutions on the dimension *Market Factors*, found a significant relationship between high success and a relatively high rating on this factor. This suggests that as institutions become more market oriented they are also likely to become more successful.

8.6. The importance of regulatory factors

The second factor measuring influences on the strategic planning of education institutions was the dimension *Regulatory Factors*. This was indicated by five variables comprising such positive government initiatives as tax incentives and government assistance, as well as potentially negative ones like overseas tax policies and legal frameworks, and changes to federal and state government policies. The overall factors mean score was 3, suggesting that most institutions did not consider these issues highly important to their decision making. The explanation for the low importance placed on this factor is probably due to the small proportion of the sample (15.6%) had offshore recruitment or teaching programs. Most of the indicator

variables comprising this factor related to issues of concern to institutions with offshore programs.

The importance of *Regulatory Factors* was high among the ELICOS Colleges. This was partially due to the ESOS Act⁴ that required the colleges to guarantee student fees against institution closure and involved some compliance costs. The ESOS Act was viewed as both a positive and a negative by the colleges. It was felt that the Act gave the Australian ELICOS industry a greater image of integrity in overseas markets. Private colleges could assure students of their financial security with as much confidence as did publicly funded institutions.

For the three ELICOS colleges there was a perception that government regulation of the industry had not created a level playing field. ELICOS College #1 for example, expressed concern over the need to pay sales tax while government funded ELICOS Centres within the Universities and TAFE Colleges did not. It was not usually possible for the private ELICOS colleges to charge higher fees to FFPOS in what was an open and competitive market. This left the private colleges with less revenue to invest in capital or staff.

All three ELICOS colleges had received financial assistance from the Australian Government in the form of Export Development Grants. These enabled them to enhance their international marketing and they also made active use of the Australian trade promotion service AUSTRADE. In this regard they considered *Regulatory Factors* to be important to their planning.

By comparison with the private sector, the universities were less likely to consider *Regulatory Factors* as important to their strategic planning. It was generally acknowledged that the Australian Government allowed the higher education sector to regulate itself. Although this appeared to be working well concern was expressed over quality control. University #1 noted that the credit transfer policies of various Australian universities had caused problems in Singapore. Some institutions were accepting students with lower than average entry requirements into their degree

program. These same students would not be accepted into university courses in Singapore. Greater coordination of such issues within Australia was considered desirable.

Another issue raised by the higher education group was the level of support received by the institutions from State and Territory Government agencies. As noted in Chapter 3 the Australian education system is the responsibility of Federal, State and Territory Governments. While the Federal Government was generally lauded for its efforts in supporting the institutions, the same was not true of the State and Territory authorities.

University #3 did not feel that its State Government was supportive enough of international education. A marketing group of government institutions existed as a framework for conducting overseas promotion. This combined the universities, TAFE Colleges and Government schools. Despite having performed some useful work the impression University #3 had was that the State Government did not like the group and wanted to expand it to represent the private sector institutions as well.

The TAFE College was also critical of its State Government. According to the TAFE College the State Technical and Further Education authorities were frequently bureaucratic and obstructionist. Minor regulations were rigidly enforced by the State Government agency and this made the recruitment of overseas students more difficult than it need have been.

8.7. The influence of resource factors

The third factor found important to the strategic planning of education institutions was *Resource Factors*. This dimension measured the institution's ability to provide sufficient teaching staff, facilities and suitable programs and its financial resources. This factor was found to be quite important overall (mean = 4.84), and significantly associated with high success. The more successful the institution the more likely they were to consider *Resource Factors* important to their strategic planning.

⁴ See Chapter 3 for further details of the ESOS Act.

Availability of resources to meet growing demand was viewed as an important influence on strategic planning for all the institutions interviewed, although the degree of importance placed upon it varied. University #6, for example, had not experienced serious resource related problems. However, they noted that there had been a shortage of teaching resources and facilities within their business school during the early 1990's (subsequently resolved) which had caused some concern among prospective students and advisers in Singapore.

Resource related issues were also of importance to the other higher education institutions. The TAFE College had experienced capacity problems with its ELICOS program. Rapid growth in FFPOS enrolments had required the College to build new classrooms, but these too had quickly become inadequate. University #3 had concerns over the cost of conducting an active marketing program in Asia. The cost associated with maintaining a sophisticated offshore marketing program was rising, making it difficult for University #3 to respond to some opportunities. The university had deliberately established high entry standards for English language in its MBA program in order to avoid overcrowding. At University #2 quotas had been imposed on the number of FFPOS enrolling in the university's engineering and medicine programs due to a shortage of available laboratories. While staff numbers could be increased relatively easily, expansion of the university's physical resources required substantial injections of capital. University #4, while not experiencing major resource problems acknowledged that subject areas such as photography had been forced to establish quotas on places offered due to a lack of available facilities and equipment. University #1 also felt that limits to its growth would eventually be reached. Concern was expressed over the size of some undergraduate classes.

All the schools viewed *Resource Factors* as highly important, but did not feel they could do much to accommodate these. A major issue for the three schools was their capacity to provide boarding facilities for the students. Both Private School #1 and Private School #2, for example, had boarding facilities for 147 to 180 students. They took approximately 30 to 35 FFPOS as boarders and did not want to increase their numbers too much. The schools felt they had a commitment to providing places to

local students, and did not feel it socially desirable to have too many overseas students as a proportion of total enrolments.

Among the private sector institutions *Resource Factors* were less of a problem. The Flying Training School, for example, had no major concerns regarding these issues. It dealt with relatively small numbers of FFPOS and did not envisage them causing resource related problems. Like the private ELICOS colleges and the Beauty Therapy College, any major growth in FFPOS enrolments could be met by an expansion of staff and facilities. Unlike the publicly funded institutions, these colleges were housed in commercial premises and planned to lease additional floor space if required.

Only ELICOS College #2 had experienced major concerns over resource issues. This college was engaged in study tour programs, which involved large groups of students arriving for short courses of a few weeks. The ELICOS College #2 had been forced to find 39 new EFL teachers in a single month to service the needs of several large study tour groups. These same staffs were not required in subsequent months when there were fewer study tour arrivals. The College was considering ways to spread out the flow of such courses to provide better job security for staff and smooth out the peaks and troughs of previous years.

8.8. The influence of competitor factors

A fourth influence on the strategic planning of institutions was *Competitor Factors*, a dimension indicated by two variables: 1. The reactions of rival institutions to the institution's own actions, and 2. The strategies adopted by the institution's major competitors. As Chapter 7 indicated the overall importance to strategic planning placed upon this factor by institutions was low. Further, no significant differences were found between the high or low success institutions in this regard.

For most of the institutions the issue of competition was much less intense than would be the case with other industries. The TAFE College, for example, described its approach to this issue as "cooperative competitiveness". While the activities of other TAFE Colleges with which the TAFE College considered itself to in competition were

monitored there was also a good degree of information sharing. All three schools felt more cooperative with other similar institutions than competitive. The three ELICOS Colleges were of a similar view.

This view was consistent with University #5, which watched the activities of other institutions but also collaborated with them. University #3 did not view other Australian institutions as major competitors and wished to cooperate rather than compete. Universities #1, #2 and #6 held similar views and considered their competitors to be large State Universities in the United States, the “Red Brick” universities in Britain and the larger Provincial universities of Canada.

8.9. Perception of market threats

The institution’s perceptions of the level of threats facing them from rival institutions were measured in the survey by three question items. It will be recalled from Chapter 7 that these produced a factor - *Market Threats* - measuring the perception of threat from rival institutions in the students’ domestic markets, the institution’s domestic market, and third countries. In a similar manner to *Competitor Factors* the dimension of *Market Threats* was not viewed as being of high concern to the institutions.

The issue of external market threats was hardly considered at all by the three private schools and the Beauty Therapy College. With relatively small numbers of FFPOS these institutions did not apparently need to view external threats from competitors as a serious issue.

A similar view was found among the ELICOS Colleges. Although they depended totally upon FFPOS for their financial viability these institutions did not express strong interest in monitoring potential threats from their competitors. While all three colleges took an active interest in the pricing and other strategies of competitors both in Australia and abroad, they did not overly concern them.

Among the universities the issue of external threats was taken more seriously. Both Universities #1 and #6 considered the threat from North American institutions was likely to be significant over the medium term. Large State Universities in the United

States had not aggressively sought FFPOS, but this situation could quickly change if State Governments in the United States changed their funding arrangements for these institutions. The United States already held a strong position as a desired place for overseas study for many Asian students (Mazzarol, Kemp and Savery, 1997). University #4 considered its main threat was likely to come from rival Australian institutions rather than overseas, although the new universities in the United Kingdom that had recently converted from Polytechnics was of concern.

Universities #2 and #5 viewed the activities of Governments in their key Asia-Pacific markets to be a greater threat than rival institutional activities. The future of Hong Kong after the colony's return to China in mid-1997 was a concern due the relatively large number of FFPOS drawn from there. This was also a concern expressed by many of the other institutions.

8.10. Outlook for the future

The next factor to be considered was *Market Outlook*, a dimension indicated by three variables relating to the institutions' perceptions of whether potential or existing markets were saturated, and whether future growth would depend on careful segmentation. In Chapter 6 it was shown that most of the institutions surveyed were of the view that the international education industry was expanding. There was somewhat less agreement over the level of market saturation or the need for segmentation, but a moderate level of agreement was found that saturation was occurring and segmentation might be necessary.

All the fifteen institutions interviewed were optimistic about the future outlook for the industry. The three schools were somewhat uncertain about the degree of market saturation or the need for segmentation. Due to the relatively small number of FFPOS they enrolled, the issue of market saturation had not been previously considered in any detail.

For the three ELICOS Colleges market saturation was not viewed as a serious issue. With Asia being a key market there was a degree of confidence that the future of this

region was positive. ELICOS College #2, for example, expressed optimism that Asia would represent growth markets for ELICOS for at least another 10 to 20 years. Although it did not feel that its markets were saturated, ELICOS College #2 had commenced segmenting its markets. The College now offered a range of courses, such as “English for Academic Purposes”, which it offered in conjunction with Australian universities. ELICOS College #2 was also considering entering into university foundation studies. However, care had to be taken not to have too many students from a single country. ELICOS College #1 noted this point, giving an example of Korean students who would not enroll if they thought there were too many other Koreans at a particular institution.

The view that markets may have become saturated was more strongly held by the universities. Some institutions, such as Universities #3 and #6 were quite optimistic about the future outlook, although neither had particularly strong evidence to support this confidence. Universities #1, #2, #4 and #5 plus the TAFE College all saw saturation occurring in traditional markets such as Hong Kong and Malaysia. The outlook for Hong Kong after mid-1997 was uncertain and Malaysia was viewed as a potentially unstable market in which Government relations could quickly reverse any positive trends. Alternative markets being considered by these institutions included India, Indonesia, Viet Nam, Thailand, China and Taiwan.

8.11. Foreign market factors influence on marketing strategies

This is the first of four factors that related to influences on institutional marketing strategies. *Foreign Market Factors* was indicated by four variables: 1. Student fluency in English; 2. Differences between local and foreign education systems; 3. accreditation/recognition of foreign qualifications; and 4. Quotas on places in programs. This factor was rated as being quite important to institutional marketing strategies with an overall mean rating score of 4.53.

There was general agreement among the fifteen institutions interviewed that this factor was important to their planning when developing marketing strategies. Of high importance was the level of English fluency among the target market. University #3

gave the example of its MBA program. Due to high TOEFL/IELTS entry scores the program had attracted a substantial proportion of Indian students as compared to other Asian countries. This was a reflection of the high standard of English spoken in India. Universities #1 and #2 considered the issue of English fluency of such importance that they had established a foundation study program in Indonesia to help prepare Indonesian students for university entry.

Also of concern to the institutions was the issue of accreditation and recognition of Australian qualifications overseas. All the universities expressed concerns over the non-recognition of some of their degree programs in countries such as Hong Kong, Singapore, Malaysia and the United States. This was not a reflection of the quality of their programs, rather an attempt by the foreign authorities to regulate entry into the public service or certain professions. The TAFE College also noted the importance of overseas recognition of TAFE qualifications. In those countries where TAFE qualifications were recognised the College could attract students with little difficulty. The TAFE College believed that it was an issue that required the intervention of the Australian Government.

For the schools, the *Foreign Market Factors* that caused most concern were the differences between foreign and Australian education systems. Private School #1 explained that they frequently rejected 50 per cent of the applications they received from overseas students. This was due not only to the academic standard of the student, but to the absence of suitable support networks such as a guardian or other pastoral care in Australia. Private School #2 also found English language proficiency and comparability of previous schooling an important issue. The school had prepared its own entry test in order to ensure that it could objectively screen applicants. Private School #3 expressed similar concerns. It noted that students from Singapore were frequently able to enter directly into the Australian school system than students from Indonesia. This was due to the closer comparability of the Singapore and Australian education systems.

8.12. Importance of forward integration via offshore programs

The next factor measuring influences on institutional marketing strategies was *Forward Integration*. This dimension was indicated by the availability of suitable foreign teaching staff to run offshore teaching programs, restrictions on the use of teaching staff in offshore programs, and the availability of scholarship funding for overseas students. Only 16 per cent of the 315 institutions in the survey sample had offshore programs. These were mostly universities, TAFE Colleges or Polytechnics and a few other post-secondary institutions. Due to the relatively low degree of forward integration among the institutions the overall mean importance rating of this factor was 2.37.

For many of the fifteen institutions in the interview group the factor *Forward Integration* was of little consequence as they possessed no off shore programs. Among the universities the importance of the factor was much higher. University #6, for example, had offshore teaching programs in Singapore, Hong Kong and Malaysia. The university had experienced considerable growth in these offshore programs over the previous three to five years and viewed them as highly important to its future success. All of these programs were run in conjunction with an overseas joint venture partner and required University #6 academic staff to travel regularly overseas to teach. Concern was expressed over the need to supply teaching staff from Australia and recruit local staff in the overseas country.

The other universities shared these views. University #5 had offshore teaching programs in Singapore and Hong Kong. The need to maintain quality by sending academic staff offshore regularly was a key concern. University #5 was examining ways of delivering its programs through information technology, but felt they would still need to continue face to face teaching for the foreseeable future. University #4, which also had offshore programs in Singapore and Hong Kong as well as China, had experienced problems with recruiting suitable local teaching staff.

Universities #1 and #3 also expressed their concern over the need to maintain quality control of offshore programs. They felt that any collapse of an offshore program

would cause harm to the entire international education industry in Australia. University #1 believed many offshore teaching programs to be poorly managed and at risk of possible collapse. The choice of foreign partner was frequently the cause of many of these problems.

8.13. The role of experience and psychic distance

As discussed in Chapter 5 the term “*Psychic Distance*” refers to the differences in perceptions and attitudes between the exporting enterprise and the foreign market. Where psychic distance is greatest there tends to be less willingness for the enterprise to move forward into the export channel (Goodnow and Hansz, 1972). As shown in Chapter 7, the variables relating to knowledge or experience of foreign markets, cultural differences, and professional recognition of courses in overseas markets were all indicators of the factor *Experience and Psychic Distance*. This factor was the third of four factors relating to influences on marketing strategies and was considered quite important by most of the 315 institutions in the survey sample. It had an overall mean rating score of 4.91.

For the three private schools and the Beauty Therapy College this factor was either not considered or viewed to be of little importance. The schools had not actively considered widening their base of overseas markets beyond Indonesia, Malaysia and Singapore, and the Beauty Therapy College had insufficient experience of any market. Despite their perceptions the importance of this factor was still evident. The schools had attracted students from their three key markets without active planning. Australia’s close geographic proximity to Kuala Lumpur, Singapore and Jakarta had assisted the parents of their first few students to make the approach to the schools. Once these links were established their experience increased and the level of psychic distance decreased. The Beauty Therapy College was largely reactive to approaches from students and had insufficient resources to target a particular country or market.

The ELICOS Colleges felt that the *Experience and Psychic Distance* factor had played some part in their marketing strategies. Two of the Colleges (ELICOS Colleges #1 and #2) were owned by Japanese interests. For this reason the colleges

had a relatively high proportion of Japanese FFPOS enrolled and targeted Japan as a key market. ELICOS College #2 considered that its Japanese focus had actually cost market share in Europe. By contrast the third ELICOS College (ELICOS College #3) had a much stronger presence in Europe. The Marketing Manager of ELICOS College #3 had used her European background to advantage in developing new markets there. Her language skills had opened up new recruitment agent outlets in Europe. The College also had a Portuguese speaking staff member who had visited Brazil and attracted a flow of students from that country.

8.14. Government policy influences

The factor *Government Policy* was the last of four relating to influences on the marketing strategies of the institutions. This encompassed four issues relating to: 1. Visa charges for foreign students; 2. Distance to foreign markets; 3. Higher fees for foreign students than domestic students; and 4. Immigration/visa restrictions. The factor examined the importance of these items to the development of marketing strategies by the institutions.

As noted in Chapter 6, Australian institutions were found to be significantly more concerned over Government policy issues than their overseas counterparts. This was particularly so among the tertiary institutions. These concerns were identified in the discussions with the fifteen institutions that participated in the interviews. ELICOS College #3, for example, was unhappy with the current Australian government policy that restricted visas for students from some countries. Although the college received numerous applications from students in Algeria the Australian immigration authorities were reluctant to issue visas out of concern that these students would attempt to overstay and apply for refugee status. Both the Beauty Therapy College and the TAFE College had similar problems with students from China who frequently made applications only to have them refused by Australian immigration. The issue of visa abuses by international students' remains a concern for many countries. The nexus between immigration and international education has been identified in previous research (Steadman and Dagwell, 1990; Fraser, 1994; Nesdale *et. al*, 1995). While

acknowledging some problems with Government visa policy, the other ELICOS colleges generally felt that things had improved in recent years.

The view from the universities was different. Unlike the ELICOS colleges they were less concerned over visa restrictions. University #4, for example, noted that Australian visa costs or charges were nearly double those of competitor countries but this did not appear to affect demand. University #2 agreed and expressed the view that if a student wished to study in Australia for three to four years (spending tens of thousands per year) a few extra dollars for a visa would not be a serious deterrent. University #1 made the point that the cost of visas was more of an irritant than a barrier. It gave students the impression that there were “too many hands in their pockets” as they sought to get their education in Australia. This was not good for the country’s overall image.

8.15. Use of generic positioning strategies

The factors *Differentiation* and *Cost Leadership* were aimed at measuring the generic positioning strategies used by the institutions. As Chapter 7 shows, the factor *Differentiation* was indicated by two variables: differentiation and niche marketing. In Chapter 6 it was shown that 59 per cent of the survey sample did not use cost leadership as a strategy. Given the nature of education as a sophisticated professional service it is not surprising that differentiation and niche marketing should be used as the most common positioning strategies.

In the interviews with the fifteen institutions the nature of these strategies were explained and each was asked whether it used a particular generic positioning strategy. University #6 considered that its most applicable positioning strategy was niche marketing. The university had begun to identify opportunities for specific programs in the post-graduate area and was successfully offering them through offshore programs. University #3 used differentiation. It had established itself as a practical institution with appropriate positioning statements. University #4 had also used a differentiation strategy offering as it did entry into both TAFE and university programs, and ease of articulation between them. Its use of niche marketing was also

noted in its establishment of specialist courses in travel and tourism, catering and hotel management that were in high demand among international students.

Among the ELICOS Colleges the use of differentiation and niche marketing was also found. Because all such institutions offered English language instruction it was not easy to differentiate the service offering and price competition was a common strategy. ELICOS College #2, for example, was attempting to offer niche programs such as university foundation studies in Asian markets, and Cambridge English Certificates in Europe. ELICOS College #3 had relatively high fees and did not experience any demise in demand. It placed a strong emphasis on quality and was a member of the ELITE Group of ELICOS Colleges. This membership was tangible evidence of the institution's quality. The Beauty Therapy College was following a similar strategy. As one of the few fully CIDESCO accredited institutions in Australia it was able to charge slightly higher fees than its less qualified competitors.

8.16. Use of promotional strategies

Ranges of different promotional strategies were examined in the survey of institutions. As shown in Chapter 7 these produced three separate factors:

1. *Mass advertising* - measuring the importance placed upon radio, television, newspaper and magazine advertising;
2. *Sales and publicity* - measuring the importance placed upon use of private recruitment agents, government information centres, participation in trade fairs, and use of public relations; and
3. *Professional promotion* - measuring the importance placed upon use of brochures and information booklets, student word of mouth referrals, and presentations and talks by staff to prospective students.

Of these factors the first was rated as being of the least value, while *Professional Promotion* was rated the most useful. It will be recalled from Chapter 7 that the factor *Sales and Publicity* was the only one found to be significantly related to success, with

the more successful institutions more likely to consider this factor of value than their less successful colleagues.

8.16.1. Mass Advertising:

The interviews with the fifteen institutions supported these findings. Few of the institutions had made much use of mass media advertising. University #1 had done so several years before but had ceased such activity on the basis that it was not cost effective. According to University #1, the use of mass advertising signals to the market that the institution lacks confidence in itself. University #6 held similar views. Although University #6 continued to use press advertising it was more to publicize specific events, such as trade shows or visits of University #6 staff. Corporate advertising that promoted the institution in a “generic” way was viewed as having some merit. University #3 agreed with this view. The high cost of media advertising (particularly in Asia) was a severe limit to its use. Surveys by University #3 had shown that less than 3 per cent of FFPOS had heard of the university through mass media channels. Although the university had been approached by commercial organisations to advertise in various publications none of these had proven to be of much value. University #2 had also decided against using mass media promotion due to it not being cost effective. The university’s Vice Chancellor was considering use of Radio Australia to help raise the institution’s profile, but this was likely to involve generic corporate promotion.

The smaller institutions in the group made virtually no active use of mass media advertising. Cost was the main reason, although they also did not feel that the benefits justified the outlay. The three ELICOS Colleges noted that some of their private recruitment agents used newspaper advertising but the college did not endorse these. One of the three private schools interviewed had made limited use of the *Straits Times* for advertising but did not consider it of much value.

8.16.2. Sales and Publicity:

More use was made of *Sales and Publicity* promotion strategies. The larger universities made active use of the IDP Ltd. as a recruitment agent, as well as several

private agents in various countries. They also subscribed to the AIEF and therefore had access to information held in the AEC network throughout the Asia-Pacific region. University #3 was particularly professional in its use of private agents. Agents were selected as carefully as the university could, the agent needed to have a good quality image (both in terms of reputation and physical office facilities) and a sound knowledge of University #3 prior to being permitted to represent it. The university made regular visits to its agents and operated a reward system through which top producers were flown to Australia for discussions with University #3, and then given several days at a local tourist resort.

Other institutions such as Universities #1, #4, and #6 plus the TAFE College, made regular use of private agents, as well as the IDP Ltd. and the AECs. Like University #3, University #1 attempted to control the quality of its agent network and undertook background screening. They were supported in this by Australian government missions. In Viet Nam, Australian immigration authorities due to widespread visa abuse had drawn up for example, a "black list" of agents. Both Universities #1 and #6 were considering opening their own recruitment offices offshore in the longer term. According to the TAFE College much of its success was attributed to its agent network. The College operated a network of around 40 private agents of who at least ten were "regulars". They were visited as frequently as the College could afford and occasionally funded to visit Australia.

All the ELICOS Colleges made use of agents. ELICOS College #3 made use of a large network of agents in a range of countries. It classified its agents into four groups, Principal, Primary, Secondary and New. There were approximately 50 Principal agents and another 70 Primary agents with 400 agents in the other categories. The College was able to make regular visits to its Principal and Primary agents. ELICOS College #1 had 40 agents with many in Japan. Like most private education recruitment agents these individuals did not work exclusively for the college and sometimes needed servicing or financial incentives to ensure that they maintained their support.

Not all the institutions used agents. University #2 made no use of private agents and relied totally on the IDP Ltd. and the AIEF/AEC network. The university was concerned about the agents giving poor quality information to prospective students and like University #1 and University #6 was contemplating setting up its own offshore recruitment offices. The three private schools made limited use of sales networks. Private School #3 had one agent in Indonesia but the other two schools relied instead on Government trade offices.

There was general agreement among the institutions that Trade Fairs were becoming limited in their value. The cost of such promotions was quite high and it was a concern of many that the returns were not sufficiently attractive. They were viewed as a support mechanism for other promotional activities. University #3 described them as a “useful market entry strategy” but the university did not actively seek to recruit via them. This view was also put forward by the TAFE College who saw trade fairs as “an anchor” for other things. They gave the college a chance to network with agents, monitor other suppliers’ activities and raise the institution’s profile.

The use of publicity as a promotional tool was recognised by most institutions as valuable, however, few could give specific examples of how they had actively encouraged or used it. All the universities had their own publicity or public affairs staff. It was apparent that the activities of these elements of the institution were not effectively integrated with the international marketing groups.

8.16.3. Professional Promotion:

This factor was viewed by all the respondents as potentially of the greatest value. Unfortunately most were not using it extensively. All made use of brochures and other materials, but the leveraging of their Alumni for promotion and recruitment was limited. The universities were turning to the Internet as a medium for promotion and believed that it offered considerable potential. Use of interactive multi-media tools, such as CD-ROM programs, was also being considered. Students could access the universities’ handbooks and other materials on the Internet. University #6 had also produced its handbook on disk, which it was giving away overseas to agents.

University #2 had used the IDP Ltd. to facilitate opportunities for its staff to visit selected overseas markets and make presentations. The Vice Chancellor of University #1 was also active in networking in various Asian countries. University #1 regularly hosted banquets for leading business and government representatives where its Vice Chancellor would present a speech and meet attendees. These people would then be written to and their opinions sought over matters of importance to the university. The objective was to raise the profile of University #1 among key decision-makers and seek their views.

The three schools on a smaller scale were also undertaking this approach. The Principal of Private School #3, for example, made regular visits to Asia where he hosted dinners for the parents of existing students. These meetings were important in providing feedback to the parents about their children and showing them that the school was concerned about their welfare. The existing parents usually brought along their friends who were considering sending their children abroad and would themselves become future clients. This “endless chain” of word of mouth referrals was a key promotional strategy undertaken by the school. Given the relatively small number of FFPOS enrolled each year it was a cost-effective method. The three schools had attempted using a more traditional promotional approach using a consultant but, despite substantial outlays of money, little benefits were received.

All the institutions placed high value on word of mouth referral. Few had well-organized systems to ensure the flow of this form of promotion. The use of Alumni as a vehicle for word of mouth referral was viewed by all as a potential opportunity. Unfortunately few had what they considered to be effective Alumni networks. The larger universities had overseas Alumni chapters that were quite active, some of the ELICOS Colleges also attempted to maintain an Alumni network and sent their former students newsletters. The cost of maintaining active Alumni was high and insufficient resources were given to it within the institutions.

8.17. Distinctive Competencies

In Chapter 7 the factor analysis identified several *Distinctive Competencies* for institutional success. Five of these were for any institution in an international market. A further four measured the actual performance of the institutions on these competencies. These latter four were:

1. *Promotion and Recruiting* - measuring performance on use of private recruitment agents, size of overseas advertising and promotion budget, possession of offshore recruitment offices, use of government information offices overseas, and size of international student enrolments;
2. *Image and Resources* - measuring level of market profile or recognition, strength of financial resources, reputation for quality, size and influence of alumni, and range of courses and programs;
3. *People and Culture* - measuring level of innovation within the institutions' culture, level of customer orientation within culture, effective use of information technology, quality and expertise of staff, and level of technical superiority; and
4. *Coalition and Forward Integration* - measuring possession of international strategic alliances and possession of offshore teaching programs.

It will be recalled from Chapter 7 that high success institutions were found to rate their performance significantly higher on all these factors except *People and Culture*. Each of the fifteen institutions was asked to comment on these four critical success factors and indicate whether they considered any of them relevant to their own activities. Their responses are outlined in the following sub-sections:

8.17.1. Promotion and Recruitment:

Most of the larger universities had relatively high levels of promotion and recruitment activity. University #6 had sought to use its networks of agents and its more conventional promotional strategies to position itself as a non-traditional institution. The emphasis was upon University #6 as a practical, applied, progressive institution

making most use of state of the art technology. University #3 was quite similar in this respect. It was seeking to gain a competitive advantage by use of information technology. Its student handbooks and other promotional material were posted on the Internet and it was developing post-graduate handbooks in "Hyperware" format on computer disk. University #3 did not believe that it spent more than other institutions on promotion but considered its expenditure was better focused.

University #1 viewed its success in this area as an ability to blend active promotion and recruitment with the maintenance of high entry standards and quality controls. The university had a large stable of agents who were supported by the well-coordinated networking of its Vice Chancellor. As noted above this was a strategy followed also by Private School #3. Its Principal was actively networking in overseas markets while also making use of an agent network in selected markets. The TAFE College also viewed its agent network to be a key source of competitive advantage. However, this agent network had to be supported by the active networking of the College's international marketing staff who needed to travel abroad regularly to speak to the agents.

8.17.2. Image and Products:

For University #2 this was considered one the most important sources of competitive advantage. University #2 viewed itself as a leader in Australia in the fields of commerce and engineering. Its post-graduate management school was positioned as one of the more prestigious in the country. The university also held a strong reputation as a research institution and attracted substantial research grants as well as many excellent post-graduate students. University #2 offered a broad range of courses and programs attractive to international students.

University #6 had developed its image by presenting its graduates as practical "can do" individuals with skills for the work place. Its programs were linked to the needs of industry and this was particularly so in the science and engineering fields. The university had satellite campuses that were acknowledge centres of excellence in their

own fields. The University #6 commerce faculty also offered one of the broadest ranges of commerce and economics programs of any university in Australia.

Another example of this factor as a source of competitive advantage was the ELICOS College #3. This College had established a sound reputation as a provider of training for EFL teachers. It regularly ran teacher-training courses offshore in countries such as Indonesia or New Zealand. This activity enhanced its market profile and reputation among other EFL providers and recruitment agents. Teachers trained by ELICOS College #3 would provide word of mouth referrals to the college to students seeking language programs in Australia.

Among the three private schools the issue of *Image and Products* as a source of competitive advantage was also observed. Private School #3 had achieved a high success rate for its graduates. Seventy-five per cent of its Year 12 students found places in universities. It had made a conscious attempt to promote itself as being a school with high academic standards. This was a strategy also followed with success by Private School #2. The school had had several of its international students win awards for excellence in the Final State examinations for university entry. One student had recently won the State's top academic prize. The school used these achievements to promote itself as having high quality and an ability to deliver results.

8.17.3. People and Culture:

All the institutions felt that they had excellent teaching and administrative staff. The smaller institutions were able to demonstrate quite readily the importance of key staff as sources of competitive advantage. Among the schools, for example, the personal efforts of Principal's or Registrars were critical to the success of their institutions in overseas markets. Private School #3 also noted that it had an EFL Teacher who had made a substantial contribution to the integration of the international students into the school. Her efforts were viewed as a critical success factor. The three ELICOS Colleges also viewed their teaching staff as a critical success factor.

8.17.4. Forward Integration and Coalition:

As noted earlier, few institutions had offshore teaching programs. For those institutions that did this factor was viewed as a source of competitive advantage. University #1 viewed this factor as highly important to its success. The university had been careful to manage the quality of its offshore programs and strategic alliances. University #6 had a similar view. It had more international agreements and more offshore teaching programs than most other universities in Australia. Its offshore programs assisted to raise University #6's profile in key markets. The University also maintained a strong alliance with a privately owned university college located in Australia that offered University #6 degrees under a licence agreement.

For some years the TAFE College had a valuable strategic alliance with University #4 to provide ELICOS training for the university. More recently the alliance had experienced problems but the TAFE College had established a new alliance with a university in its State where students would undertake three-year programs at the TAFE College and transfer to the University for the final year.

8.18. Conclusions

These interviews provide useful qualitative evidence to support the findings of the survey research. The interviews suggest that the factors identified in Chapter 7 be recognised as important within the industry by experienced practitioners. Despite the diversity of the fifteen institutions in terms of size and function, these factors can be seen to apply readily to most.

In the following chapter these factors will be examined in terms of their influence upon market success. A multivariate regression model will be used to examine the relationship between these factors and the dependent variable *Market Success*.

Chapter 9. Empirical Testing of the Theoretical Model

9.1 Introduction

In previous chapters the nature of education as a marketable service was discussed along with an overview of the international and Australian education industries. The findings of a survey of education institutions in Australia and four other English instruction supplier countries were examined. Following an exploratory factor analysis, a number of dimensions were identified and the relationship with institutional success examined. In the previous chapter the nature of these “factors” were explored with a group of fifteen education institutions in Australia. This suggested that these obtained dimensions were a useful guide to understanding how such institutions might approach the task of marketing themselves.

In this chapter multivariate data analysis is used to examine the overall relationships. As will be shown, the analysis suggests that four variables are determinants of generic positioning strategies, while six of the twenty-six factors were significantly related to the institutions’ perceived market success.

9.2 The Theoretical Model

In Chapter 5 a theoretical model of sustainable competitive advantage for international education services was outlined ¹. This model suggested that an education institution seeking to gain a competitive advantage in an international market would need to carefully assess the external environment, including both its industry structure and foreign market structure. The model assumed that competitive strategy selection would follow the ‘*environmental selection*’ paradigm (Boseman and Phatak, 1989). These considerations would lead the institution to adopt a generic positioning strategy which, Porter (1980; 1990) suggests, could be either that of cost leadership or differentiation (with a focus or niche market strategy as a hybrid option). Having decided upon its generic positioning strategy, the institution would seek to adopt

¹ See Fig 5.8 Model of Sustainable Competitive Advantage for Service Enterprises in International Markets.

marketing strategies designed to take advantage of its assets and resources which provide it with sources of competitive advantage (Bharadwaj, Varadarajan and Fahy, 1993). The model suggested that these strategies might be separated into three broad categories, namely: 1. external marketing strategies; 2. foreign market entry strategies and 3. internal marketing strategies.

The application and detail of such strategies are likely to vary with individual institutions and their respective uniqueness might itself offer a source of competitive advantage (Collis and Montgomery, 1995). It was assumed in the model that a series of strategic activities or “outcomes” would manifest themselves as indicators of institutional application of competitiveness. The successful outcomes of external marketing strategies were an image of quality, and a high market profile or level of recognition by prospective clients. Foreign market entry strategies would centre on coalition formation and forward integration, including establishment of joint venture, offshore teaching programs. Finally, internal marketing strategies would be seen in the recruitment and retention of high quality expert staff, the development of an innovative and client focused organisational culture, and the effective use of information and other appropriate technologies.

The theoretical model assumes that any institution that successfully achieved these strategies would secure a competitive advantage within its markets. Evidence from the literature (as outlined in Chapters 3 and 4) suggests that this would occur. How this competitive advantage would be sustained was associated with the institution's capacity to erect “barriers to imitation” (Bharadwaj, Varadarajan and Fahy, 1993). These barriers would be provided by: *‘causal ambiguity’*, (where it is difficult for a competitor to identify the cause-effect relationships between the institution's activities and their success) and *‘uncertain imitability’*, (which involved the institution's resources and skills being so complex as to make it difficult for a competitor to imitate them with any certainty of accurate duplication) (Lippman and Rumelt, 1982). Successfully applied, these barriers make it difficult for a competitor to erode an institution's competitive advantage and provide an opportunity for sustainability.

9.3 Estimation of the multiple regressions

In order to provide an empirical test of the theoretical model, multiple regression was used to evaluate the relationship between the twenty-six factor variables previously discussed. Multiple regression is a statistical procedure that estimates the relationship between a single dependent variable and several independent predictor variables. In estimating how well the independent variables predict the dependent variable each is given a weighting to indicate their relative contribution to the overall prediction qualities of the final model (Hair, Anderson, Tatham, and Black, 1995 :85-86). Multiple linear regression can be expressed in a model as follows:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_p X_{pi} + e_i$$

Where:

Y_i = the dependent variable.

X_{pi} = the value of the p th independent variable for case i .

β terms = the unknown parameters of the model.

e_i terms = the independent random variables.

9.3.1 Selection of dependent and independent variables:

The selection of dependent and independent variables for inclusion within multiple regression must be guided by the theoretical framework within which the study is taking place (Hair *et.al*, 1995:101). The present theoretical model assumes two key dependent variables. These are, the generic positioning strategies adopted by the institution when seeking competitive advantage and the perceived success achieved by the institution in its international markets. The first model tested was an estimate of the influence of industry and foreign market structure on the development of generic enterprise strategies. The second model estimated the relationship between perceived institutional success and the other twenty-five factor variables.

9.4 The influence of Industry and Foreign Market structure on generic positioning strategies

In Chapter 5 a series of propositions were put forward based on the developed model. Two of these propositions considered the role of environmental influences on the development of generic enterprise positioning strategies:

- P1. The greater the intensity of rivalry within the industry structure environment surrounding the education institution seeking a competitive advantage international markets the greater the importance of adopting a generic enterprise strategy of either cost leadership or differentiation.**
- P2. The greater the intensity of rivalry within the foreign market structure environment surrounding the education institution seeking a competitive advantage international markets the greater the importance of adopting a generic enterprise strategy of either cost leadership or differentiation.**

The first two regressions examined these propositions. Details of the models estimated are outlined in the following sub-sections.

9.4.1 The Industry Structure variables:

The first research proposition related to the importance of industry structure variables to institutional planning when developing strategies. Six of the factor variables identified in Chapter 7 were measures of institutional awareness and consideration of industry structure factors. These were:

- 1) *Market Factors* - a measure of institutional consideration of the importance of buyer bargaining power when developing business strategies;
- 2) *Regulatory Factors* - a measure of institutional consideration of the importance of local and overseas government regulation when developing business strategies;
- 3) *Resource Factors* - a measure of institutional consideration of the importance of internal resources when developing business strategies;

- 4) *Competitor Factors* - a measure of institutional consideration of the importance of the level of inter-institutional rivalry within the industry when developing business strategies;
- 5) *Market Threats* - a measure of institutional consideration of the importance of the level of threats from rival institutions within the industry when developing business strategies;
- 6) *Market Outlook* - a measure of institutional consideration of the importance of the level of market saturation within the industry when developing business strategies;

9.4.2 The Foreign Market Structure variables:

The second research proposition examined the relationship between foreign market structure and the development of generic positioning strategies. Four of the factor variables were related to foreign market structure:

- 1) *Foreign Market Factors* - a measure of institutional consideration of the importance of student fluency in English, differences between local and foreign education systems, accreditation or credit transfer and quotas when developing marketing strategies.
- 2) *Forward Integration* - a measure of institutional consideration of the importance of the availability of staff resources and scholarship funding for offshore teaching programs when developing marketing strategies.
- 3) *Government Policy* - a measure of institutional consideration of the importance of visa charges, geographic proximity to foreign markets and visa issue policy when developing marketing strategies.
- 4) *Experience and Psychic Distance* - a measure of institutional consideration of the importance of knowledge or experience of foreign markets, cultural differences and foreign recognition of programs when developing marketing strategies.

9.4.3 The dependent variables:

The factor analysis described in Chapter 7 identified two measures of generic positioning strategy. Therefore, in estimating this relationship, two dependent variables were used:

- 1) *Cost Leadership* - a measure of the competitive advantage obtained by institutions from using competitive pricing as an overall business strategy.
- 2) *Differentiation* - a measure of the competitive advantage obtained by institutions from offering unique programs or concentrating on serving niche markets.

9.4.4 Building the Models:

Prior to running the regression the correlations between the model variables were examined. The purpose of examining the correlation matrix was to check for any particularly large intercorrelations between the independent variables because such multicollinearity might adversely effect the results of the multiple regression analysis (Hair, *et.al*, 1995 :126-127). However, no large intercorrelations likely to adversely affect the regression analysis were identified.

The stepwise procedure within the EQS regression program was used to build the models (Bentler and Wu, 1995). The final regression models produced had six variables significant at the 0.05 level and, these variables are shown in Table 9.1. It can be seen that the model relating to *Cost Leadership* had three significant terms while the second model relating to *Differentiation* had only four significant terms. Three of these terms were common to both models.

The first significant term, which is common to both models, was *Market Factors*. This measures the level of consumer knowledge of market offerings, the sophistication the consumer shows in making decisions and the market's perceptions of competitors' quality and the institution's own quality. The positive coefficient for this term suggests that institutional use of these generic positioning strategies is determined by the influence these *Market Factors* have on the institution's strategic planning process.

Table 9.1: Final Variables in the Models relating to Generic Positioning Strategies[* *P* is significant at < 0.05 as measured by the *t* -test.]

Model Term	Beta Coefficients	<i>t</i> - values	<i>p</i> - value*
<u>Model #1 Dependent:</u> <i>Cost Leadership</i>			
<i>Market Factors</i>	0.376	5.469	0.0000
<i>Market Outlook</i>	0.268	4.059	0.0001
<i>Experience and Psychic Dist</i>	0.165	2.251	0.0251
Intercept	0.153		
<u>Model #2 Dependent:</u> <i>Differentiation</i>			
<i>Market Factors</i>	0.279	4.397	0.0000
<i>Market Outlook</i>	0.317	5.979	0.0000
<i>Experience and Psychic Dist</i>	0.154	2.621	0.0092
<i>Resource Factors</i>	0.163	2.709	0.0071
Intercept	0.257		

The second significant term, which is also common to both models, was *Market Outlook*. This measures the institution's perception of how saturated its existing or potential markets are and whether it feels segmentation is necessary for future growth. The positive coefficient for this term suggests that institutional use of generic positioning strategies is determined by the institution's perception that its markets have become saturated and need segmentation to achieve future growth.

- The third significant term, which is common to both models, was *Experience and Psychic Distance*. This measures the institution's knowledge or experience of foreign markets, as well as the cultural differences that exist between the host country and its

target markets and recognition given to the institution's courses in the target market. The positive coefficient suggests that the decision to adopt a generic positioning strategy be influenced by the level of market experience the institution has within its target markets and the *psychic distance* existing between the institution and the markets.

The fourth significant term in the second model is *Resource Factors*. This measures such things as the availability of facilities or teaching staff, the availability of suitable programs, financial resources and intermittent over capacity within the institution. The positive coefficient for this term indicates that, as the relative importance of *Resource Factors* increases in the institution's strategic planning process, the more likely the institution will be to adopt a *Differentiation* strategy.

The multiple regression equations developed by the modelling process were as follows:

Model #1:

$$\text{Cost Leadership} = 0.153 + 0.376 * \text{Market Factors} + 0.268 * \text{Market Outlook} + 0.165 * \text{Experience and Psychic Distance} + \text{ERROR} \quad [1]$$

Model #2:

$$\text{Differentiation} = 0.257 + 0.279 * \text{Market Factors} + 0.163 * \text{Resource Factors} + 0.317 * \text{Market Outlook} + 0.154 * \text{Experience and Psychic Distance} + \text{ERROR} \quad [2]$$

These equations suggest that the Generic positioning strategies of *Cost Leadership* and *Differentiation* are a function of these four independent factor variables. In Model #1 the factor variable *Market Factors* is likely to make the most contribution to determining whether an institution adopts a *Cost Leadership* generic positioning strategy. By contrast Model #2 suggests that it is *Market Outlook* which is likely to have the most influence on whether an institution decides to adopt a *Differentiation* generic positioning strategy.

9.4.5 Goodness of fit of the models:

Both models were found to have acceptable goodness of fit statistics. Table 9.2 shows these results. It can be seen that the *Adjusted R Square* for the models were respectively 0.35 and 0.51, suggesting that Model #1 explains 35 per cent of the variation in institutional adoption of *Cost Leadership* generic strategies, while Model #2 explains 51 per cent of variation in adoption of *Differentiation* (Norusis, 1990 :278). The *F* statistics for the two models were also significant ($p < 0.0005$) indicating that the models do explain something in terms of a relationship between the independent and dependent variables (Holbert and Speece, 1993 :270).

Table 9.2: Goodness of Fit in the Models

Model # 1: Dependent = <i>Cost Leadership</i>			
Multiple R	0.601		
R Square	0.361		
Adjusted R Square	0.355		
Standard Error	1.737		
<u>Analysis of Variance:</u>			
	<u>DF</u>	<u>Sum of Squares</u>	<u>Mean Square</u>
Regression	3	530.97	176.99
Residual	311	938.00	3.02
<i>F</i> = 58.682	Signif <i>F</i> = 0.0000		
Model #2: Dependent = <i>Differentiation</i>			
Multiple R	0.718		
R Square	0.516		
Adjusted R Square	0.510		
Standard Error	1.377		
<u>Analysis of Variance:</u>			
	<u>DF</u>	<u>Sum of Squares</u>	<u>Mean Square</u>
Regression	4	626.98	156.74
Residual	310	587.67	1.90
<i>F</i> = 82.684	Signif <i>F</i> = 0.0000		

9.4.6 A path model of generic positioning strategies:

An examination of the relationship between these two regression models was undertaken using the structural equation modelling process in the EQS program (Bentler and Wu, 1995). Figure 9.1 illustrates the path diagram of the model.

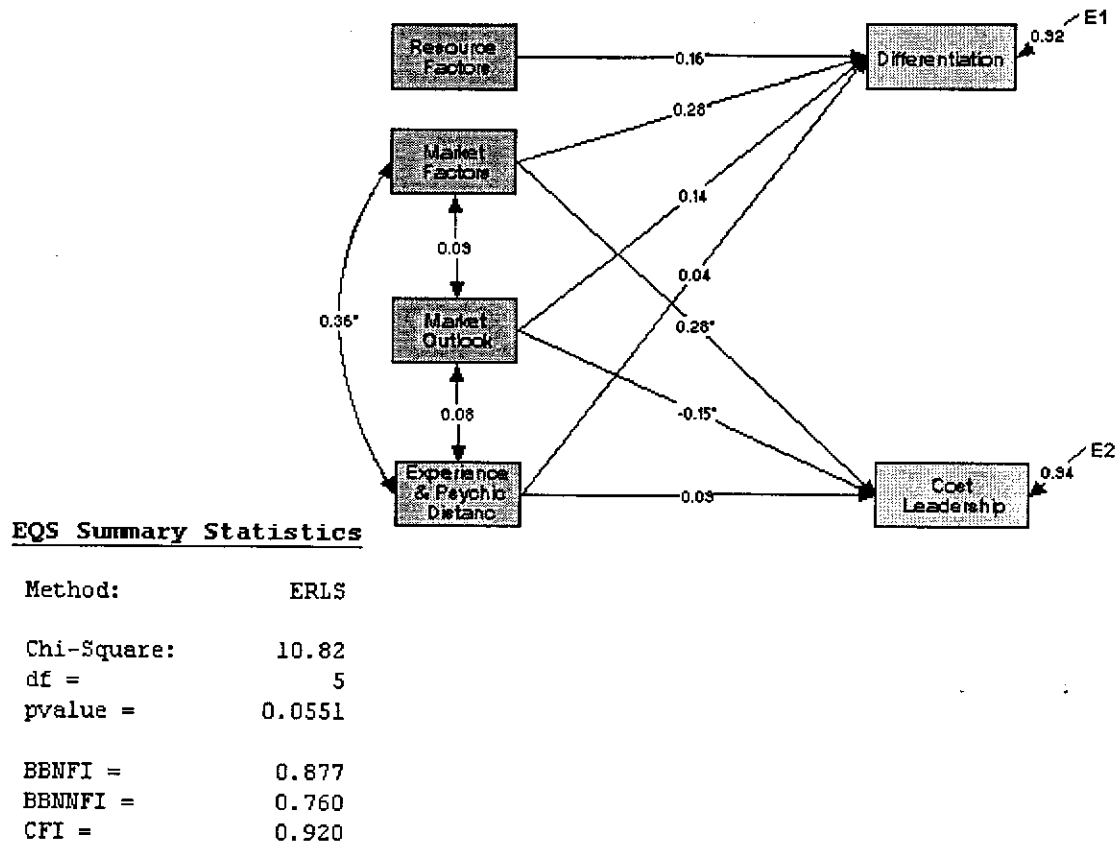


Figure 9.1: Path model of generic positioning strategy selection

The two equation path model illustrated in Figure 9.1 consists of the two dependent variables (*Differentiation* and *Cost Leadership*), and six independent variables (*Market Factors*, *Resource Factors*, *Market Outlook*, *Experience and Psychic Distance*) and the two error variables (E1 and E2). The model was estimated with both the Maximum Likelihood (ML) and elliptical reweighted least squares (ERLS) procedures in the EQS program (Bentler, 1995). The model was estimated from a randomly selected sample of 200 cases from the original 315 as this has been considered the “critical sample size” (Hoelter, 1983). The data used for the estimation were the factor loading scores.

Fit indices for these models need to be close to 1, with scores of 0.90 indicating a good fit for the hypothesised model (Bentler, 1995 :92-93). The ML method produced a comparative fit index (CFI) for the model of 0.90, while further analysis using the EGLS method produced a CFI of 0.92 and superior Chi-square statistics. These results suggest that the data fit the hypothesized model well. Both procedures provided similar standardised coefficients for the model terms.

The figures shown on the paths in Figure 9.1 are the standardised regression coefficients that can be presented in the following equations:

$$\begin{aligned} \text{Differentiation} = & 0.28 * \text{Market Factors} + 0.16 * \text{Resource Factors} + 0.14 * \text{Market} \\ & \text{Outlook} + 0.04 * \text{Experience and Psychic Distance} + 0.92 \text{ E1} \\ & [1] \end{aligned}$$

$$\begin{aligned} \text{Cost Leadership} = & 0.28 * \text{Market Factors} - 0.15 * \text{Market Outlook} + 0.09 * \text{Experience} \\ & \text{and Psychic Distance} + 0.94 \text{ E2} \\ & [2] \end{aligned}$$

These equations suggest that *Market Factors* have the greatest influence on institutional selection of generic positioning strategies with equal influence on both *Differentiation* and *Cost Leadership*. The impact of *Resource Factors* on *Differentiation* appears similar to that of *Market Outlook*, while the influence of *Experience and Psychic Distance* is much lower. A negative coefficient for *Market Outlook* within the second equation indicates that its influence on *Cost Leadership* is the reverse of that for the same variable in the first equation.

9.4.7 Discussion of the findings

The theoretical model assumed that an institution's industry structure is described in terms of the variables identified by Porter (1980; 1990). These variables consist of the level of rivalry among existing enterprises, the bargaining power of suppliers and buyers and the threat posed by substitutes or new market entrants.

The two estimated regressions and the structural equation model suggest that generic positioning strategies are determined by industry and foreign market structure

variables, as initially proposed. It appears that an institution's decision to adopt generic positioning strategies is determined by its consideration of *Market Factors*, *Market Outlook* and *Experience and Psychic Distance* when developing its business and marketing strategies. These three variables are intercorrelated with *Market Factors* and *Experience and Psychic Distance* having the strongest correlation (0.36). Such a relationship is consistent with the theoretical model. It will be recalled that *Market Factors* is a measure of the student/consumers' awareness of market offerings, their sensitivity to pricing and their propensity to seek alternative programs at rival institutions. In Porter's (1980; 1990) terms it is a measure of 'buyer bargaining power'. It seems logical that institutional perception of such issues should be strongly correlated with *Experience and Psychic Distance*, as enhanced market experience should reinforce awareness of the importance of *Market Factors* and vice versa. The third variable, *Market Outlook* measures the perceived saturation within the market and is, therefore, an indicator of the degree of intensity of rivalry between institutions. As a measure of institutional perception of the external environment its correlation with the other two variables is consistent with the theoretical model. By contrast the variable *Resource Factors* was not correlated with the other independent variables in the model. This variable measures the institution's considerations of the importance of the availability of staff, facilities and courses, all of which are 'internal'. That it should not be correlated with the other 'external' variables is not surprising.

The estimated path model implies that institutional selection of differentiated generic positioning strategies is influenced by considerations of the three external variables as well as the internal *Resource Factors*. Adoption of *Differentiation* strategies (possibly involving niche marketing) would appear to be a reasonable course of action for an institution that assessed its markets as becoming sophisticated, saturated and requiring segmentation for future growth. Further, if the institution is also conscious of the need to manage its capacity and find suitable staff, facilities and programs, it will be more likely to select differentiation strategies than those based upon lower fees.

By contrast the path model suggests that adoption of cost leadership strategies is a function of the institution's perceptions of the growing sophistication and "price

sensitivity” of its student consumers (both elements of *Market Factors*), as well as its general experience of overseas markets. However, the negative influence of *Market Outlook* indicates that institutional selection of *Cost Leadership* is likely to be also based upon a perception that overseas markets are either not saturated or do not require segmentation to achieve future growth.

These findings support the two research propositions outlined earlier in this section to the extent that institutional perceptions of their industry and foreign market structure do seem to be determinants of generic positioning strategies. However, the estimated regressions and path model also suggest that internal resources are important for institutions adopting differentiated positioning strategies.

9.5 The influence of generic strategy on marketing strategy

The third proposition outlined in Chapter 5 considered the influence of generic enterprise strategies (e.g. differentiation or cost leadership) on institutional marketing strategies, both external, internal and foreign market entries:

P₃ The greater the adoption of a generic enterprise strategy the greater the focus of the education institution on either differentiation or cost leadership within its marketing strategies in three key areas:

- **external marketing strategy**
- **foreign market entry strategy, and**
- **internal marketing strategy**

A stepwise discriminant analysis was used to examine this proposition. The dependent variable in this analysis was related to the institution’s use of differentiation. This divided the sample into three groups:

- 1) **Full differentiation strategies** (e.g. using both the uniqueness of their programs and a concentration on serving niche markets to achieve a competitive advantage);
- 2) **Part differentiation strategies** (e.g. those using only uniqueness of programs or a concentration on serving niche markets); and

3) **Undifferentiated** (e.g. those using cost leadership strategies).

The two discriminant functions that differentiate the groups were both found to be significant at the 0.05 level. However, only two variables from the thirteen were significant at the 0.05 level. Table 9.3 shows these variables.

F statistics were computed from the relevant Mahalanobis distance measures to determine whether or not the three groups were significantly different to each other. All groups were found to be significantly different at least at the 0.05 per cent level. The greatest difference was between the full differentiation and the undifferentiated groups ($F = 30.36$). This was followed in turn by the part differentiated and undifferentiated groups ($F = 13.43$) and the full and part differentiated groups ($F = 7.47$).

Table 9.3: Final Variables in the Discriminate Analysis

Standardised canonical discriminant function coefficients			
variable	Function 1	Function 2	Wilk's Lambda
<i>Promotion and Recruitment</i>	.49	1.07	0.837
<i>Marketing Activity</i>	.65	- .98	0.800

While 57 per cent of the fully differentiated and 71 per cent of the undifferentiated groups were correctly classified, only 20 per cent of the part differentiated group was so classified. This is unsurprising, given that the last group is, by its nature, a hybrid of the other two. In fact 40 per cent of the part differentiated group was classified as full differentiated, and 40 per cent as undifferentiated.

It might be concluded from this analysis that there are two groups rather than three. Table 9.4 shows the mean scores for the two significant variables for the fully differentiated and undifferentiated groups. It can be seen that the fully differentiated group was more likely to record a higher mean rating on these variables than the

undifferentiated group. The differences in these mean scores were found to be significant at the 0.05 level, as measured by *t*-tests.

Table 9.4: Comparison of mean rating scores by group

variable	Full Differentiation	Undifferentiated
	<u>Mean</u>	<u>Mean</u>
<i>Marketing Activity</i>	4.61	3.37
<i>Promotion and Recruitment</i>	3.25	1.86

These results suggest that the more differentiated the institution becomes the more emphasis it will place upon the importance of *Marketing Activity* (e.g. use of agents, spending on advertising, promotion, possession of offshore recruitment offices and teaching programs, international alliances and the enrolment of international students). Further, the greater the differentiation the more likely the institution will be to perform highly in terms of *Promotion and Recruitment*. This latter variable was a measure of the institution's perception of how well it performed its marketing activities.

Proposition **P3** stated that greater adoption of generic enterprise strategy leads to greater focus of either differentiation or cost leadership in the institution's marketing strategies. The discriminant analysis indicates that it is the adoption of differentiation strategies that are linked to the adoption of marketing strategies. Those institutions which adopted cost leadership strategy were less likely to be classified as having either a strong perceived performance in marketing activities, or to place high value on such activity. Marketing activity is a means by which an institution can seek to differentiate itself from its competitors in international markets. These findings are consistent with Porter's (1990) theory regarding the development of a differentiation strategy.

9.6 The determinants of perceived market success

In addition to the two research propositions examined above a further five were also outlined in Chapter 5. These propositions considered the impact that business and marketing strategies might have on the development of competitive advantage. A third regression was used to examine these propositions.

9.6.1 The final research propositions:

The five research propositions examined were:

- P4. The greater the adoption of an external marketing strategy based upon generic enterprise strategies, the greater the development of the distinctive competencies of a quality image and a high market profile.**
- P5. The greater the adoption of foreign market entry strategy based upon generic enterprise strategies, the greater the development of the distinctive competencies of coalition formation and forward integration.**
- P6. The greater the adoption of an internal marketing strategy based upon generic enterprise strategies, the greater the development of the distinctive competencies of expertise, culture formation and forward integration.**
- P7. The variables that strengthen the competitive advantage of an education institution within an international market are:**
 - quality of image**
 - market profile**
 - coalition formation**
 - degree of forward integration into the export channel**
 - organisational expertise and quality of staff**
 - possession of a client oriented/innovative culture**
 - effective use of information technology**

P8. Sustainability of competitive advantage is only achievable if there are intervening variables which act as barriers to imitation, the most likely barriers are:

- **the external marketing strategy of the enterprise**
- **the foreign market entry strategy of the enterprise**
- **the internal marketing strategy of the enterprise**

9.6.2 The dependent variable:

The dependent variable in the third regression was the factor *Market Success* that was identified from the factor analysis described in Chapter 7. As discussed previously, measuring success in international education is difficult due to the different interpretations placed upon the term by various institutions. Small institutions, such as the schools interviewed in Chapter 8, with relatively small student enrolments, still consider themselves successful if they feel their internationalisation objectives have been satisfied. *Market Success* is a multi-dimensional construct of four indicator variables. As described in Chapter 8, the interviews with the fifteen institutions supported the notion that it is a useful and relevant measure of success for the industry.

Like all the variables used in the regression, the dependent variable *Market Success* was measured on a seven point scale with a mean rating of 3.59 and a standard deviation of 1.51. As described in Chapter 7, of the 315 institutions, 188 (65%) could be classified as low success and had *Market Success* mean rating scores of 2.7. A further 103 could be classified as high success and had mean rating scores of 5.21. An examination of the relationship between country of origin and institutional type and membership of either of these two categories found no significant associations (as measured by *t*-tests at the 0.05 level).

9.6.3 The independent variables:

The independent variables for use in the third regression consisted of all the twenty-five other variables in the data set. They included the ten variables already used in the

first two regressions, as well as the two generic positioning variables used as dependent variables for the path model. Although their relationship with generic positioning strategies has already been examined, their influence on achievement of market success was considered important.

9.6.4 Building the Model:

The EQS stepwise procedure was again used to estimate the regression. An examination of the multicollinearity between the various independent variables was undertaken prior to running the regression. While some significant correlations were found, none were considered likely to adversely affect the regression analysis. The final model included six significant variables, as shown in Table 9.5.

Table 9.5: Final Variables in the Model for Market Success

[* *P* is significant at < 0.05 as measured by the *t* -test.]

Model Term	Beta Coefficients	<i>t</i> - values	<i>p</i> - value*
<i>Resource Factors</i>	0.171	3.521	0.0005
<i>Differentiation</i>	0.126	2.578	0.0104
<i>Mass Advertising</i>	-0.121	-2.442	0.0152
<i>Image and Products</i>	0.715	8.221	0.0000
<i>People and Culture</i>	-0.237	-2.998	0.0029
<i>Coalition and Fwd Integration</i>	0.173	3.065	0.0024
Intercept	0.193		

The first significant term in the model was *Resource Factors*. Its positive coefficient suggests that as the institution's perception of the importance to its strategic planning of such things as availability of facilities, staff, programs or financial resources grows, so does the perception of its market success. The second significant term was *Differentiation*. This also had a positive coefficient suggesting that as the perceived

advantage of adopting differentiated positioning strategies increases so does *Market Success*.

The third significant term was *Mass Advertising* which was found to have a negative coefficient, indicating that as the perceived effectiveness of television, radio, magazine and newspaper advertising declines *Market Success* increases. The fourth term was *Image and Products*. This term's positive coefficient indicates that as the institution's market profile, financial resources, reputation for quality, range of courses and programs, and size or influence of Alumni increase, so does *Market Success*.

The fifth term was *People and Culture*. As with *Mass Advertising*, this term's coefficient was negative. This suggests that as the perceived level of innovation and customer orientation encouraged within the institution, plus the perceived expertise of its staff and its superiority in use of information and other technologies declines, *Market Success* increases. The final term was *Coalition and Forward Integration*. The positive sign for this term's coefficient indicates that as institutional possession of international strategic alliances and offshore teaching programs increases, so does *Market Success*.

The multiple regression equation developed by the modelling process was as follows:

$$\text{Market Success} = 0.193 + 0.171 \cdot \text{Resource Factors} + 0.126 \cdot \text{Differentiation} - 0.121 \cdot \text{Mass Advertising} + 0.715 \cdot \text{Image and Products} - 0.237 \cdot \text{People and Culture} + 0.173 \cdot \text{Coalition and Forward Integration} + \text{ERROR.}$$

This equation suggests that *Market Success* is positively influenced by *Image and Products*, *Differentiation*, *Coalition and Forward Integration* and *Resource Factors*, while being negatively influenced by *Mass Advertising* and *People and Culture*.

9.6.5 Goodness of fit of the model:

The goodness of fit statistics for the model is shown in Table 9.6. The adjusted *R*-Square of 0.47 suggests that the model explain about 47 per cent of the variation in perceived institutional success. Further the *F*-statistic for the model is 45.7 which is

significant ($p < 0.0005$) suggesting that the regression equation fits the data. These indicate acceptable goodness of fit for regression based upon cross sectional data using perceptual rating scales.

Table 9.6: Goodness of Fit in the Model for Market Success

Multiple R	0.686		
R Square	0.471		
Adjusted R Square	0.461		
Standard Error	1.274		
<u>Analysis of Variance:</u>			
	<u>DF</u>	<u>Sum of Squares</u>	<u>Mean Square</u>
Regression	6	445.00	74.17
Residual	308	499.90	1.62
$F = 45.696$	$\text{Signif } F = 0.0000$		

9.6.6 Discussion of the findings:

The estimated regression supports proposition P5 that foreign market entry strategies can be a source of competitive advantage. The adoption of strategic alliances, joint ventures and other forward integration strategies involving offshore teaching programs appear to be a source of success for institutions.

That external marketing strategies might be a source of competitive advantage (P4) does not appear to be supported by the model. Neither *Promotion and Recruitment*, nor any of the promotional strategies were found to be significant determinants of success. The negative correlation of *Mass Advertising* suggest that conventional marketing strategies may be inappropriate for international education. Further as the negative correlation of *People and Culture* suggests the use of internal marketing strategies, as a source of competitive advantage (P6) also does not appear to have received support from the regression.

Support was found within the model for the research proposition **P7** (competitive advantage for an education institution within an international market seems to be strengthened by:

- **Quality of image** - an indicator variable of the factor *Image and Products*.
- **Market profile** - an indicator variable of the factor *Image and Products*
- **Coalition formation** - an indicator variable of the factor *Coalition and Forward Integration*.
- **Degree of forward integration into the export channel** - an indicator variable of the factor *Coalition and Forward Integration*.

However, the model did not support the other elements of **P7**. These were:

- **Organisational expertise and quality of staff** - an indicator variable of the factor *People and Culture*.
- **Possession of a client oriented /innovative culture** - an indicator variable of the factor *People and Culture*.
- **Effective use of information technology** - an indicator variable of the factor *People and Culture*.

These three elements were indicated as having a negative influence on the achievement of success. Given the substantial literature suggesting that culture and technology are potential sources of competitive advantage this is a curious outcome. However, as will be discussed in Chapter 10, the nature of education as a service may be an explanation for these results. The organisational culture of many well-established institutions is not strongly commercial. From the interviews conducted with the fifteen Australian institutions an impression was gained that well established institutions with good reputations were more likely to eschew marketing and commercial practice than their newer counterparts. This was particularly noticeable in

their attitudes towards international students whom they viewed as a valuable, but not essential element to their operations.

The final proposition **P8**, relating to the achievement of a sustainable competitive advantage through the erection of barriers to imitation, was not measured directly by the model. However, the model provides results that permit some assumptions to be made regarding this proposition. Barriers to imitation can be sourced to “*resources/skills stock*”, which are the stocks of resources and skills that provide sources of competitive advantage (Bharadwaj, Varadarajan and Fahy, 1993).

According to Dierickx and Cool (1989), such stocks can include the development by an enterprise of a reputation within its market that may take its competitors considerable time to replicate. It might also include a range of products that cannot be readily copied by other rival enterprises. The interconnection of such resources can offer a potential barrier to imitation as competitors will be unable to easily identify the means by which the competitive advantage has been achieved.

The estimated regression suggests that *Market Success* can be predicted in part by *Differentiation*, *Image and Products* and *Coalition and Forward Integration*. Each of these offer a potential source of imitation barrier, from which a sustainable competitive advantage might be developed. Institutions adopting *Differentiation* generic enterprise strategies will seek to develop unique courses or programs and move into niche markets. Such strategies are, by their nature, sustainable as they provide a market position that can be more readily defended than merely competing on price.

High performance on *Image and Products* also implies that an institution possesses a reputation for quality, a high market profile, strong financial resources, strong and active Alumni and a broad range of courses and programs. All these resources are source of imitation barriers. New market entrants will find it difficult to quickly develop such resources, which usually are the result of decades of effort by a successful institution.

In a similar manner, *Coalition and Forward Integration* offers a source of imitation barrier. Strategic alliances are frequently the result of processes that cannot be easily imitated. Even if a rival should attempt to do so there is no certainty that they can make such an alliance work successfully. The evidence from the interviews with the fifteen institutions described in Chapter 8 suggests that it is frequently interpersonal relations that make such alliances work. This make competitor imitation even more problematic.

9.7 Conclusion

The regressions and structural equation model used to evaluate the theoretical model support most of the research propositions initially outlined in Chapter 5. These results support the notion that generic enterprise strategies are determined by institutional consideration of industry and foreign market structure variables. The institution seeking to develop a competitive advantage is likely to benefit most from adopting a differentiation generic positioning strategy. In doing so it will probably give high importance to the management of its internal resources. For the successful institution, the key sources of a competitive advantage stem from the possession of a high profile image of quality, well supported by a strong financial position and a large and active alumni. The successful institution will have developed a broad range of differentiated courses or programs. It will also have established a strong network of international strategic alliances that will be of mutual benefit to both it and its coalition partners. Part of this alliance network will be a forward integration strategy involving the establishment of offshore teaching programs. Such an institution is unlikely to make use of mass media promotion relying instead on its alumni network and strategic alliances to generate word of mouth referrals. It is also likely to have an organisational culture that is less entrenched in convention and still fully developing its structure and modalities.

In the following chapter these results will be examined in greater detail. The implications these findings raise for both future research and the development of managerial policy are also discussed.

Chapter 10. Managerial and Research Implications

10.1. Introduction

In the previous chapter a series of regressions and a structural equation model were used to test the theoretical model and research propositions initially outlined in Chapter 5. This chapter considers the implications these findings have for both the practicing managers working within the international education industry and the researcher wishing to undertake further research in this area. It seeks to use the information gathered from the empirical research to outline some initiatives that might be adopted within the international education industry to achieve sustainable competitive advantage.

10.2. A model of competitive advantage for education institutions in international markets

Figure 10.1 illustrates a model of competitive advantage for education institutions in international markets. It combines the results outlined in Chapter 9 to provide a theoretical framework of the process an institution needs to undertake in order to achieve market success.

A competitive advantage that can be sustained over time is theoretically achievable from this model. The critical areas for strategy development are the institution's consideration of environmental variables (both industry and foreign market). Its examination of its internal resources to ensure they are adequate. The adoption of a differentiation generic enterprise strategy, and its ability to develop what Lado, Boyd and Wright (1992) refer to as *distinctive competencies* or resources/assets which offer sources of competitive advantage.¹ These *distinctive competencies* should be in the areas of *Image and Products* and *Coalition and Forward Integration*, which can serve not only as sources of competitive advantage, but also provide useful barriers to imitation.

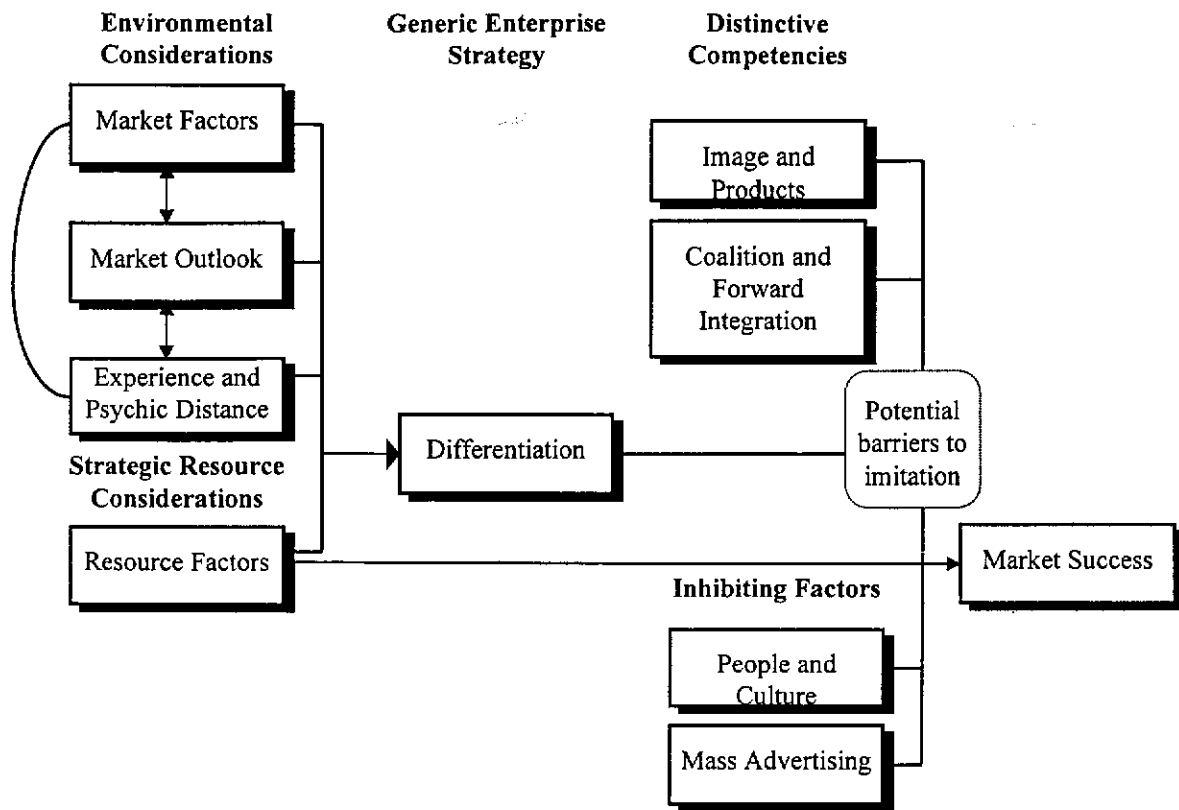


Fig 9.2: Model of Competitive Advantage for International Education

The model has five primary elements; namely:

- 1) **Environmental considerations** - the institution's examination of its market environment and its views as to the future of that market, as well as its own experience of these international markets;
- 2) **Strategic resource considerations** - consideration and management within the institution of such strategic resources as staff, facilities, programs and finances;
- 3) **Generic enterprise strategy** - the adoption of a strategy of differentiation in order to position the institution for competitive advantage;

¹ See Chapter 5 for a discussion of distinctive competencies and figure 5.6 which outlines Lado, Boyd and Wright's "Competency Based Model of Sustainable Competitive Advantage".

- 4) **Distinctive competencies** - the development of such distinctive competencies as a strong brand equity, broad range of programs, strong alumni base, financial strength, a network of international strategic alliances and offshore teaching programs. These can be a potential source of sustainable competitive advantage by acting as barriers to imitation; and
- 5) **Inhibiting Factors** - the organisational culture and promotional strategies adopted by the institution can also serve as potential inhibiting factors.

10.3. Understanding the student consumer

This research suggests that the achievement of market success for education institutions in international markets is associated with their adoption of differentiation strategies. The decision by an institution to adopt a differentiation strategy rather than cost leadership appears to be partially predicated on its consideration of the level of sophistication among its student consumer prospects. The variable *Market Factors* is a measure of institutional perception of the sophistication of their student consumers. Further, the institutions within the sample which adopted a differentiation generic strategy were found to rate the importance of this variable to their business planning significantly higher than did those institutions which adopted cost leadership strategies.²

In Chapter 4 the research relating to consumer search and decision making in the services environment were discussed. It was noted that consumers approach the search for services differently to that for tangible goods (Zeithaml, 1991). Three elements were identified as important to consumer decision-making behaviour. These were:

1. *Search qualities* - those elements of the product that can be evaluated prior to purchase;
2. *Experience qualities* - those elements which can be known only after purchase or during consumption (Nelson, 1970); and

² As measured by a two-tailed *t*-test of the differences between the mean rating scores of the two respondent groups at a 0.05 level of significance.

3. *Credence qualities* - the elements of the product which are associated with complex products or professional services and cannot be easily evaluated by the consumer even after purchase (Darby and Karni, 1973).

As discussed, services tend to be high in '*experience*' and '*credence*' qualities but low in '*search*' qualities. Student consumers faced with these problems generally rely on word of mouth referrals from family and friends, or advice from relatively expert sources such as education agents or industry representatives in overseas missions (e.g. IDP Ltd. or AIEF counsellors; the British Council staff or Canadian Education Centres) (Harris and Rhall, 1993; ELICOS, 1995). Although their decision to select a particular study destination is frequently dependent on their overall knowledge and awareness of the selected destination (Mazzarol, Kemp and Savery, 1997:5).

In recent years the major supplier countries and their institutions have conducted relatively sophisticated marketing and promotion campaigns in many key markets. As described in Chapters 2 and 3, supplier nations have national representative agencies with extensive networks of overseas offices that provide a wide range of high quality information to the prospective student consumer. These national marketing efforts are well supported by individual campaigns conducted by institutions and frequently channelled through private education agents. Many now make use of the Internet to provide information on their institution and its programs and even deliver services (Ives and Jarvenpaa, 1996; Rosner, 1996). An important result of this activity has been the enhancement of the level of knowledge and awareness of market offerings among the prospective student consumers in these key markets.

As the level of knowledge and awareness among student consumers grows their propensity to search for alternative choices will increase. Their capacity to discriminate between different service providers through an assessment of the relative quality offered will also be enhanced.

The institutional manager faced with a well informed and increasingly sophisticated student consumer will need to devote more time to meeting the ever-increasing

expectations of their prospects. It is logical to assume that, as the sophistication of consumers increases, so too must the sophistication of the marketing effort required to attract them. In many situations the institution will not be marketing directly to individual students, but to employers or organisations - both government and private sector - that sponsor students to undertake training and education programs. Business to business marketing requires consideration of special organisational buyer behaviour, not usually inherent in consumer markets (Sheth, 1973; Qualls and Puto, 1989; McQuiston, 1989).

Clow and Vorhies (1993) point to the critical importance played by consumer expectation of service quality in the development of a competitive advantage. High expectations that remain unfulfilled are more likely to result in consumer dissatisfaction than if expectations are low. Their research suggests that consumer expectations should be measured prior to consumption so that the service can be adjusted to match. This is preferable to measuring "*post-hoc*" which can frequently result in biased responses due to an overstatement of original expectations.

10.4. The measurement of quality

Institutions must also consider the market's perceptions of their quality relative to the quality of key rivals. *Market Factors* is a measure of the institution's perception of the quality of rival institutions and the market's perception of the institution's own quality. Further, institutions that adopted differentiation strategies were found to be significantly more likely to consider such quality issues important to strategic planning than did institutions, which adopted cost leadership strategies.

How an institution perceives its relative quality appears to be an important influence on strategic planning and the decision to adopt a generic positioning strategy. Possession of an image of quality in the market is also an important *distinctive competency*. However, measuring quality within an international context is fraught with difficulty. During the 1980's and 1990's attempts were made at a national level in key supplier countries to measure the quality of universities (e.g. Johnes and Taylor, 1990; Baldwin, 1991; Van

Vught, 1991). Despite a variety of approaches being used it has been difficult to reach agreement over what specific criteria should be applied when measuring institutional quality (Frazer, 1994).

The rapid expansion of the education systems of many supplier countries, and their active participation in international trade in education have been driving forces behind this need to provide reliable quality assurance measures (Harman, 1994). Most of the quality assurance reviews that have taken place in supplier countries have been targeted at government funded higher education institutions. Private providers, on the other hand, have had to rely upon accreditation by their representative industry bodies or the recognition of their teaching programs by government authorities to demonstrate quality.

For institutional managers, and the student consumer, making reliable assessments of quality remains challenging. This is partly due to the nature of the measurement criteria used. Comparing the quality of different institutions in various countries is a highly complex process due to a lack of '*search qualities*' and the high '*credence qualities*' associated with education. Measurement of quality within higher education has recognised that narrow definitions of exclusivity (elitism), or conformance with specified criteria (quality assurance), are inadequate. Of more relevance are definitions associated with "fitness of purpose" (does the service provided by the institution achieve its stated aims or satisfy the needs of its students?) (Green, 1994).

Whatever the merits of the various quality assurance and service quality measures used, they continue to remain unsatisfactory to many who wish to use them. Kennedy (1995) criticized existing quality measurement criteria for being too commercial in their focus and ignoring the pedagogical aspects of the international education experience. She cites research indicating the difficulties facing international students in terms of language, culture and adjustment to foreign teaching and learning practice.

A major dilemma facing the measurement of quality in education, therefore, is deciding what to measure and how to measure it (Melia, 1994). A widely accepted measure of service quality is the SERVQUAL index (Parasuraman, Zeithaml and Berry, 1985; 1988;

1991). As described in Chapter 4 this relies upon the measurement of five service quality dimensions: i) *reliability* - or the ability to perform the promised service dependably; ii) *responsiveness* - the willingness to assist customers and provide prompt service; iii) *assurance* - knowledge, expertise and courtesy of employees; iv) *empathy* - the provision of personal attention and care to the customer; and v) *tangibles* - the physical facilities and appearance of staff. It has been applied successfully in the finance and telecommunications sector, although its application to retailing has required its modification (Dabholkar, Thorpe and Rentz, 1996). The index has been applied to the measurement of service quality in education but only on a relatively experimental basis (Soutar and DeSouza, 1991; Soutar, McNeil and Lim, 1996).

The application of service quality to international student consumers may be reflected most prominently in the support services offered to them during their study. Edmond (1995) has argued strongly in favour of separating the student services function from the marketing and administration functions within institutions. Some of the areas that are viewed as essential to the maintenance of quality support services for international students are:

- 1) pre-departure briefings;
- 2) reception services upon arrival;
- 3) accommodation support;
- 4) orientation programs;
- 5) counselling, health and welfare;
- 6) academic support - to assist adjustment to foreign teaching methods;
- 7) career or part-time employment services;
- 8) newsletters and information provision;

- 9) peer support and social programs;
- 10) spouse support programs (eg. language training, orientation);
- 11) alumni networks; and
- 12) development for staff in dealing with international students (Edmond, 1995:60-61).

10.5. The extent of market saturation

The model developed in the present study suggests that a key determinant of an institution's decision to adopt a generic enterprise strategy is its consideration of *Market Outlook*. This is a measure of the institution's perception of whether its current or future markets are saturated and whether segmentation of the markets is necessary for continued growth. A positive correlation was found between a perception market saturation (for both current and potential markets) and adoption of a differentiation generic positioning strategy. By contrast, a negative correlation was found with the adoption of cost leadership strategies. Further, the adoption of differentiation was positively correlated with a perception that segmentation was required for future growth. An acceptance of this position appears to be a prime motivation for the adoption of differentiation strategies that, in turn, are predictors of perceived market success. Before examining the issue of market segmentation, it is worth considering how saturated international education markets have become.

Table 10.1 shows the top five markets of 1993 for international students for the five supplier countries examined in this study. It can be seen from the table that Australia was dependent for nearly sixty per cent of its international students from five markets. At the same time, half of the international students going to the United States and Canada were sourced from their top five markets. New Zealand, while less dependent overall on a small range of markets, was highly dependent on Malaysia for a large proportion of its international students. Only the United Kingdom appears to have an even distribution of markets, with the presence of European Union countries assisting in this process.

Table 10.1: Top five markets for international students - five supplier countries (1993)

USA		UK		Australia		Canada		New Zealand	
<u>source (% of total)</u>		<u>source (% of total)</u>		<u>source (% of total)</u>		<u>source (% of total)</u>		<u>source (% of total)</u>	
China	(18.2%)	Malaysia	(8.9%)	Malaysia	(18.5%)	HK	(16.2%)	Malaysia	(17.0%)
Japan	(9.7%)	HK	(6.9%)	HK	(16.0%)	China	(9.1%)	HK	(5.1%)
Taiwan*	(8.3%)	Germany	(7.4%)	Singapore	(12.7%)	Taiwan	(8.6%)	Indonesia	(3.4%)
India	(7.7%)	France	(6.6%)	Indonesia	(6.4%)	USA	(7.6%)	China	(2.8%)
Korea	(6.9%)	USA	(5.4%)	China	(6.2%)	France	(6.2%)	Japan	(2.4%)
Top 5	(50.9%)	Top 5	(35.2%)	Top 5	(59.8%)	Top 5	(47.7%)	Top 5	(30.7%)

Source: (UNESCO, 1996) * Figures for Taiwan are estimates based upon US and Canadian figures.

Although these figures date from 1993³, the pattern of market distribution appears to be changing quite slowly. For example, in 1994-1995 half of the students going to the United States were drawn from seven source markets (Japan, China, Taiwan, Korea, India, Canada and Malaysia) (Davis, 1995). In 1995 Australia continued to draw just over half its international students from four countries (Hong Kong, Malaysia, Singapore and Indonesia) (DEET, 1996).

Findings from the survey of 315 institutions produced similar results with most indicating the key markets to be the same as those shown in Table 10.1⁴. Discussions with the fifteen Australian institutions described in Chapter 8 also support this view. Most listed Hong Kong, Malaysia, Singapore and Indonesia as their key markets, along with Korea, Japan, Taiwan and Thailand. These last four have been ranked in the top ten of source countries for Australia since the early 1990's (DEET, 1996). While the respondents interviewed acknowledged the need to expand their presence to other markets and

³ These are the most recent UNESCO statistics for comparison of all five supplier countries at time of writing.

⁴ See Table 6.10 Mean Institutional ranking of regions of origin of international students, Chapter 6.

expressed concern over being too dependent on a narrow market base, there were difficulties associated with entering new markets. Among these were the cost of travel and promotion and the uncertainty associated with a market in which they had no prior experience.

Assessments of the level of market saturation based upon such macro statistics, as international student flows are somewhat unsatisfactory. The number of institutions engaged in the market, the nature of the factors driving demand and the structure of the supply side being offered to the market also need to be considered. However, the findings from the survey and discussions with the fifteen Australian institutions indicate a general perception among institutions that while the industry may be expanding overall, the level of market saturation is high. Faced with this combination of saturated markets and increasingly sophisticated student consumers, it is logical for institutions to consider segmentation as a means of achieving continued market growth.

10.6. Market segmentation

Market segmentation is a process of dividing a relatively heterogeneous group of buyers into smaller, more homogenous groups (McColl-Kennedy, Kiel, Lusch and Lusch, 1994:174-178). Segmentation involves the need for the adoption of differentiated marketing strategies as products must be adapted or developed for each new segment. Segmentation has been acknowledged as important to the success of many marketing strategies and is viewed as a key to the successful positioning of an enterprise within a market (Assael, Reed and Patton, 1995:318-319).

The *International Competitiveness Study* (AGB, 1992), which examined Australia's international education industry during the early 1990's, recommended the need for market segmentation. Asia and Europe/North America were considered separate markets due to their distinct characteristics. It was suggested that each segment be treated separately when institutions conducted strategic planning and targeting. Discussions with the fifteen Australian institutions indicated that some acceptance of this advice has taken place. The differences between Asia and Europe or North America, for example, were

well appreciated. Of the three ELICOS Colleges interviewed, one had positioned itself primarily as catering to the needs of European students seeking to polish their English and experience something of Australia. Another was concentrating mainly on South East Asian students seeking entry into higher education courses, while the third was focusing on group study-tours from Japan and Korea.

Nevertheless, the segmentation of markets requires considerably more refinement than mere broad geographic divisions. Most large institutions such as universities offer an extensive range of programs and have the opportunity to target multiple segments at once. An example of this is the University of Bath, which offers its MBA program in four market segments. The first is a conventional two-year course for self-supporting students. The second is a short executive MBA program for corporations. A third version of the program is offered through the Management Institute of Malaysia as an offshore teaching program, and the fourth is a special program conducted for British Airways (Nicholls, Harris, Morgan, Clarke and Sims, 1995). In each case the client focus is different, with a shift from marketing to individual student consumers, to corporate groups and then through a joint venture partner. Different approaches to the marketing task are required to achieve success in each segment.

Dibb and Simkin (1993) described the importance of market segmentation to the effective branding and positioning of service firms. They suggested that any service enterprise seeking to position itself must follow a set plan. In the first stage the market's key segments need to be defined or identified. A decision as to which of these segments to target should then be made. Some understanding of what the target consumers expect and value then needs to be made and suitable products or services designed to cater to these needs. Customer perceptions of competing services in the selected segment must also be examined. Once these stages have been completed the most appropriate image for the product or service should be selected. This image needs to match the expectations of the target consumers. Finally, the selected image has to be communicated to the target consumers and the product or service distributed.

This market segmentation and positioning process is a useful model for any institution seeking to develop a more successful position within its international markets. Although many institutions do follow this type of framework, the need to segment markets is not always well understood. Careful assessment needs to be made of the merits of each segment before it is targeted. The minimum requirements are that a segment be measurable, accessible, responsive to any approach and substantial enough to warrant attention (McColl-Kennedy, Kiel, Lusch and Lusch, 1994 :180-182).

10.7. Market Experience and Psychic Distance

Previous research into the export activities of service enterprises has also highlighted the importance of market experience as an influence over the choice of market and market entry mode (Erramilli and Rao, 1990; Erramilli, 1990; 1991, Ramaseshan and Soutar, 1992). These research results suggest that the more experience a service enterprise has within international markets, the more willing it will be to enter markets that are more culturally different from those with which they are familiar. Enterprises that have limited experience seek greater control over their foreign market entry strategies and find culturally similar markets attractive.

Within the model developed in the present study *Experience and Psychic Distance* was a determinant of generic strategy adoption. A positive correlation was found between the adoption of a generic enterprise strategy and the institution's knowledge or experience of foreign markets. This was not the case for cultural differences, suggesting that, while market experience is an important influence on generic strategy, psychic distance is not. Institutions that adopted differentiation strategies were significantly more likely to rate knowledge and experience as important to their strategic planning than were their counterparts who adopted cost leadership strategies.

This suggests that institutional decisions to adopt differentiation generic strategies are determined by knowledge and experience of foreign markets and an acceptance that segmentation is necessary within saturated markets. Institutions seeking to remain competitive in international markets must be prepared to devote resources to ensuring

they develop expertise and knowledge in chosen market segments. If they wish to diversify their markets they will need to spend additional resources on learning about these new opportunities.

A recent analysis of international student flows found that China and India are likely to become the most significant sources of international students over the next twenty years (Blight, 1995). China has been a key market for institutions in the United States, Canada and Australia over the past ten to fifteen years. As Table 10.1 shows, the United States draws heavily from China and has also drawn a significant number of its students from India. Canada has had less success with India than China, while Australia's experience of China during the late 1980's has left an uncertainty about re-entering that market with the Australian immigration authorities unwilling to issue visas for many prospective students (Mazzarol and Soutar, 1996).⁵

The cost of developing new markets, particularly those as large as China and India, are likely to be high. It will require institutions that wish to undertake this task to commit substantial financial and human resources over a relatively long time period. Institutional management needs to invest time and money to ensure that the staffs responsible for marketing and strategic planning are able to visit these markets and research their characteristics. Only by enhancing their own knowledge and experience of these target markets will such staff be able to effectively guide institutional decision-making.

10.8. Strategic resource considerations

The management of supply and demand is a constant problem for most large service firms (Bateson, 1977; Sasser, 1976; Lovelock, 1981). It should not be surprising to find that this is also true of education institutions. The ability of an institution to meet these resource issues is generally contingent upon their financial resources. Major new investments in infrastructure can prove costly and take time to complete. If the institution is seeking to fund such investment it will need to develop substantial financial reserves rather than attempt to fund them from ongoing revenues.

The analysis of the present model suggests that a consideration of strategic resources by the institution when planning its business and marketing strategies is likely to encourage the adoption of a generic positioning strategy and enhance their chances of success. The key elements of importance are considerations of financial resources, the supply of teaching staff and facilities and the availability of suitable programs.

Resource Factors is a measure of the importance an institution places on the availability of such strategic resources as staff, facilities, programs and finance. The management of intermittent over capacity is also measured within this factor. A positive correlation was found between the adoption of generic positioning strategy, and the importance placed upon strategic resources when developing institutional strategic plans. Strong correlation was also found between these resource considerations and adoption of differentiation strategies. Institutions that adopted differentiation strategies were significantly more likely to rate these issues as important to planning than institutions that adopted cost leadership strategies. These resource factors were also found to be positively correlated with market success. It can be concluded from these findings that, as the importance the institution places on the availability of such strategic resources increases, so does the likelihood that it will adopt a generic strategy. Further, considerations of strategic resources during the development of strategic plans is an important source of competitive advantage.

The interviews undertaken with the fifteen Australian institutions support these findings. As international student numbers increase institutions must concern themselves with the need to expand facilities, teaching staff and provide a range of suitable programs. While intermittent capacity problems had been rare among the fifteen, it was acknowledged that such issues were a constant concern for many. Even the larger universities were concerned over space in teaching programs and facilities, such as laboratories.

The problems associated with the management of supply and demand imbalance within service enterprises are due to the inability of services to be placed into inventory

⁵ See Chapter 3 for a discussion of the background of this relationship.

(Rathmell, 1966; Sasser, 1976). Coping with fluctuations in supply and demand are a major problem for many large service enterprises (Zeithaml, Parasuraman and Berry, 1985). The same supply and demand management problems face education institutions (Fraser, 1994) but the more attention the institution appears to place upon them, the more likely it will achieve success within its markets.

Shemwell and Cronin (1994) have outlined a conceptual framework for the management of supply-demand imbalance, which they refer to as “*disequilibrium management*”. When faced with unforeseen imbalances a range of strategies are adopted. These can involve hiring additional staff or increasing overtime during periods of peak demand, or simply turning customers away. In periods of demand downturn the tendency is to reduce staff, or shift to casual or part time employment. Facilities can be leased or rented as required. Pricing strategies can also be used to assist supply-demand imbalance, with premiums charged during peak demand and discounts offered in slow periods. According to Shemwell and Cronin (1994:16):

“To implement effectively the demand and supply management strategies ... managers must possess accurate intelligence so as to be forewarned of impending disequilibrium situations”.

To assist this process the adoption of a “reservation system” is proposed and the need to analyze historical trends so as to predict future demand. Staff and facilities should also be prepared to serve multiple functions so that different market segments can be serviced during alternate times of the year.

Many of these suggestions appear to have relevance to the management of supply-demand imbalance within education institutions. Institutions can achieve a better management of scarce facilities by rescheduling classes. The traditional adherence to semester timetables and daylight hours with long periods of summer vacation is being gradually eroded within many education institutions. Flexible time tabling, summer schools and evening classes are well-established models within the education sector.

The use of modern information technologies can also assist in the management of supply-demand imbalance. Such technology can deliver education services over long distances to students and provides an opportunity to inventory (via the media) the services for the first time (Hamer, 1993; Ives and Jarvenpaa, 1996). Some institutions have been making use of this technology. The University of Michigan, for example, offers two customised international executive MBA programs overseas. One is run with the Daewoo Corporation in Korea and the other with Cathay Pacific Airways Ltd in Hong Kong. Both programs make use of videoconferencing, interactive multimedia videodisc, the Internet and GroupWare (Lucas, 1996).

10.9. Achieving differentiation

Fifty-three per cent of the 315 institutions in the survey sample indicated that they had deliberately sought to adopt a differentiation generic positioning strategy by offering what they believed to be unique programs or attempting to target niche markets. The more successful institutions were also more likely to have attempted to adopt such differentiation strategies.

The present study suggests that the adoption of a differentiation generic enterprise strategy is one of the determinants of market success. In Table 10.2 a cross tabulation shows the relationship between success and the adoption of differentiation strategies. Full differentiation strategies involved adopting both the offering of unique programs or services and a concentration on service niche markets, while partial differentiation involved using only one of these approaches.

A chi-square test of the relationship between market success and the adoption of differentiation generic strategies by the survey sample found a significant association between those institutions that sought to use differentiation strategies for competitive advantage and market success. By comparison, no significant associations were found between the use of cost leadership strategies and market success.

Table 10.2: Market Success by Differentiation

	Low Success	High Success	
Uses full differentiation	26.6%	41.6%	88 (32.1%)
Uses part differentiation	42.8%	38.6%	113 (41.2%)
Uses no differentiation	30.6%	19.8%	73 (26.6%)
	63.1%	36.9%	274 (100.0%)

Chi-square = 7.54 DF = 2 Signif = 0.023

Murray (1988) has argued that the need to adopt a specific generic strategy is contingent upon market conditions. According to this view, a cost leadership strategy is viable if external market conditions enable the firm to achieve significant cost differentials over their competitors. These must be sustained through preferential access to factor inputs, vertical integration or the enhancement of process technologies within the value chain that can produce substantial cost reductions. Unless these contingencies are satisfied there can be no justification for following a cost leadership strategy. Any consideration of the industry or market conditions facing the average education institution in the international arena would suggest that a cost leader strategy is not likely to be viable.

For differentiation strategies to be viable the customer must attach sufficient importance to product attributes other than price when making purchase decisions. Further, the enterprise needs to be able to maintain a competitive edge by constant improvement and innovation of its product and process technologies (Murray, 1988:396)

In the field of international education, the customer is driven more by perceptions of quality or value than by price or cost. Although costs are not irrelevant, the experience of the fifteen Australian institutions interviewed suggests that higher prices signal enhanced quality and do little to affect market share at least within the range in the market. There would also appear to be considerable scope within most institutions to improve their “product” and “process” technologies so as to provide valuable differentials in their course or service offerings. All the conditions for the successful adoption of differentiation strategies seem to be present.

Fisher (1991) outlined a range of “durable differentiation strategies for services” based around the concept of “*isolating mechanisms*”. These represent strategies, knowledge, skills, assets or resources a service enterprise might follow or acquire that gives it a competitive advantage its rivals cannot readily imitate. Some “*isolating mechanisms*” are “competitive” and based around physical or human resources. Others are “customer-based” and designed to impede buyer switching or enhance buyer selection. For education institutions, “competitive isolating mechanisms” might be gained by undertaking regular market research, being first to bring new innovations to market, the development of economies of scale and the constant monitoring and improvement of service quality. At the same time, “customer-based isolating mechanisms” might be achieved by offering a comprehensive range of programs, enhancing student services and working hard on other client relationship build activities.

10.10. Distinctive competencies for market success

The ‘resource-based’ view of competition attributes success to the ability of an enterprise to develop internal resources that can serve as sources of competitive advantage (Collis and Montgomery, 1995). Such resources can encompass a broad range of assets, such as human skills, brand names, market knowledge, patents or technological advances. It is critical that such resources be valuable in attracting customers or lowering internal operating costs (Barney, 1991). As explained in Chapters 5 and 9 those resources or assets that do offer competitive advantage are referred to as “*distinctive competencies*”

(Lado, Boyd and Wright, 1992). The present study suggests that market success may be predicted by the *distinctive competencies* of *Image and Products* and *Coalition and Forward Integration*.

Image and Products is a measure of the institution's perceived quality, market profile, financial strength, range of courses and influence of its Alumni. It is worth examining each of its core elements in order to understand how they might serve as sources of competitive advantage.

10.10..1 The importance of reputation and market profile

The importance of *brand equity/identity* to competitive advantage has been widely highlighted in the literature (e.g. Onkvisit and Shaw, 1989; Doyle, 1990; Aaker, 1991). In Chapter 5 Aaker's (1989) and Hall's (1992; 1993) research was discussed. These earlier studies provide evidence of the role that corporate and product reputation and the reputation the firm has for quality, play in the achievement of competitive advantage. Image and reputation have been linked to enhanced market share and lower business risk (Bharadwaj and Menon, 1993). High *brand equity/identity* implies that the enterprise and its products are well recognised within their markets and that they evoke a positive image in the mind of the consumer (Aaker, 1991).

It should not be surprising that the same principles apply to education institutions. However, as discussed earlier in this chapter, the measurement of quality within education is a difficult process. Many institutions, which already possess a reputation for quality that is well understood by their target markets have achieved this position over long periods of time. Harvard University, for example, was founded in 1640 and drew its culture and practice from the traditions of the even older University of Cambridge (Bowle, 1974:73). Such a long history offers an institution a source of sustainable competitive advantage through "*time compression diseconomies*", which are further enhanced by the accumulation of "*resource/skill mass efficiencies*" (Dierickx and Cool, 1989).

Onkvisit and Shaw (1989) pointed out that the objective measurement of quality in the professional services is difficult. Potential consumers must have confidence in the enterprise based upon the positive image evoked by its brand-name recognition. They suggested making use of tangible clues to provide evidence of quality. If a repositioning of image is desired it needs to be evaluated on two dimensions: 1) how complex or simple are its services; and 2) how divergent or convergent are its services. For example, a university, which has a large range of courses and programs, could be said to have both highly complex and divergent services. Consideration of how the institution compares with its rivals on these dimensions can provide a guide as to whether its image requires repositioning.

Institutions seeking to enhance their image need to approach the change in a systematic fashion. An initial step involves the development of an “image audit” designed to measure the perception’s of key stakeholders (e.g. students, community, business, and government) towards the institution. The relevance of the institution’s teaching programs to the needs of its target markets must be examined in this process, along with an assessment of its perceived quality. This needs to be an on-going process (Fram, 1982). The current image of the institution needs to be identified and steps taken to re-position the image over time towards the ‘optimum’ image (Tymson and Sherman, 1987:35).

10.10..2 The importance of financial strength

The importance of financial strength to the success of services enterprises operating in international markets has been highlighted in previous research (e.g. Ramaseshan and Soutar, 1992; LEK, 1994). That financial strength should be important to the success of education institutions engaged in export is further confirmation of its importance. Small service enterprises, such as schools and private colleges, lack the substantial financial resources needed to engage in the development of more than a relatively narrow range of overseas markets. Discussions with the fifteen Australian institutions revealed that the smaller institutions experienced difficulty participating in more than one or two

international trade fairs each year. Even the universities expressed concern over a lack of finance for market research, travel, promotion and participation in trade fairs.

In many of the major supplier countries, the level of government funding for higher education has been under review (Marceau, 1993). Faced with increasing costs and rising demand for more open and accessible institutions, the trend is toward finding alternatives to the public purse. In Australia, the proportion of funding to universities from Commonwealth government sources declined from 89 per cent in 1981 to 60 per cent in 1994 (Baker, Creedy and Johnson, 1996). The 1996 Australian federal budget introduced a further reduction in direct Commonwealth financial support for Australian higher education and announced a shift from public to private financing (Vanstone, 1996).

Although the economics of education are likely to continue to shift from public to private sources, policy makers need to be aware of the implications if inadequately funded institutions attempt to compete in a highly competitive market. The financial collapse of small ELICOS Colleges in the late 1980's caused the Australian Government to introduce the Overseas Students (Refunds) Act, 1990 and the ESOS Act, 1991⁶. These measures were designed to guarantee international student fees and preserve the integrity of the Australian international education industry. The circumstances that produced these collapses serve as a warning to the remainder of the industry, particularly higher education. Poorly funded universities will find it difficult to compete against their more financially solvent colleagues. A completely deregulated and competitive market might see the collapse of smaller institutions or their absorption into larger, more viable ones.

10.10.3 The importance of Alumni

Word of mouth referral is one of the most effective forms of promotion for a professional service (Sarkar, 1974; Wheeler, 1987). Alumni networks provide an institution with a potential source of word of mouth referrals. Institutions faced with financial difficulties can also call upon their Alumni to provide donations. The willingness of an Alumni to

donate money has been found to be strongly associated with the level of identification they have with their alma mater (Tom and Elmer, 1994).

Discussions with the fifteen Australian institutions suggest that, while most recognised the importance of Alumni, few were able to demonstrate significant use of their Alumni for development purposes. Most of the fifteen sought to cultivate strong and active international Alumni and devoted resources to tracking their former students and communicating with them through newsletters and faculty visits. The use of insignia and memorabilia were also common.

Given the importance of Alumni to achieving market success it seems appropriate that institutions consider the integration of their Alumni into their broader marketing strategies. Financial resources currently being devoted to advertising might be better spent on developing Alumni networks. As Tom and Elmer (1994) observed, the development of an effective Alumni requires a process of tracking the student during their time at the institution and after to understand how and why they identify with the institution.

10.11. The importance of alliances and forward integration

The present model suggests that possession of international strategic alliances and offshore teaching programs also serve as *distinctive competencies*. Such alliances or coalitions offer access to new distribution channels, capital and local knowledge or expertise (Porter, 1986). Most offshore teaching programs involve some form of coalition activity, linking together the elements of *Coalition and Forward Integration*. Just as intangible assets, such as image or reputation for quality, can offer a source of sustainable competitive advantage through their ability to erect barriers to imitation, so can alliances (Morrison and Mesentseff, 1996).

Of the 315 institutions in the survey sample, 17 per cent had offshore teaching programs. Most of these offshore programs were joint ventures, with licence agreements being the

⁶ For more details of these regulations see Chapter 3.

next most common approach. A significant association was found between those institutions with offshore teaching programs and those classified as high success.

Table 10.3: Market Success by Forward Integration

	Low Success	High Success	
Has offshore programs	13.3%	23.3%	49 (16.8%)
Has no offshore programs	86.7%	76.7%	242 (83.2%)
	64.6%	35.4%	291 (100.0%)

Chi-square = 4.76 DF = 1 Signif = 0.029

As shown in Table 10.3 a chi-square test of the relationship between market success and the type of offshore teaching programs operated by the survey sample found a significant association between the use of joint ventures and high market success. By comparison, no significant associations were found for such other offshore management strategies as sole ownership or licence agreements.

The value of '*spatial preemption*' to the achievement of competitive advantage for services enterprises has been suggested (Bharadwaj, Varadarajan and Fahy, 1993:91). Forward integration represents a form of '*spatial preemption*' and may become more important to the maintenance of competitive advantage if they divert student consumers from travelling overseas. Institutions with offshore teaching programs, properly supported by suitable joint venture partners, may secure an advantage over those that do not have such programs.

The number of universities offering their programs through offshore joint ventures in key Asian markets has grown strongly in the 1990's (Prystay, 1996). The process of "twinning", through which institutions offer their courses overseas via a joint venture partner has become well established in such markets as Singapore, Hong Kong and Malaysia. In 1994 there were twenty-five post-graduate degree programs being offered in Hong Kong, and twenty-six in Singapore by foreign universities (Hamill, 1994). In Malaysia the trend towards "twinning" has been driven to a large extent by government policy. It has enabled the expansion of Malaysia's higher education system for little cost to the public and has reduced the outflow of student fees to supplier countries (Ng and Ho, 1995). In Hong Kong it has led to the decline of international students travelling overseas for their education by around 5 to 10 per cent over the period from 1992 to 1994 (Prystay, 1996).

A critical issue for institutions considering forward integration strategies is the control of quality. Offshore teaching programs involving joint venture partners require careful monitoring to ensure that teaching standards and other quality assurance criteria are maintained. If the delivery of the service offshore is not close in quality to that delivered onshore an eventual credibility gap will occur, resulting in an erosion of the institution's reputation.

10.12. Promotion of international education as an inhibiting factor

As discussed in Chapter 4, the overall value of mass media advertising as a promotion strategy for international education is quite low. Surveys of international students have consistently indicated that mass media advertising had little influence on their decisions to select study destinations (Harris and Rhall, 1993; ELICOS, 1995). The general results of the survey outlined in Chapter 6 reinforced this view. Television and radio advertising were both viewed as of "little value", with mean rating scores around 2.20. Advertising in newspapers and magazines was rated slightly higher (mean = 3.91 and 3.58 respectively) but still of less value than *Sales and Publicity* or *Professional Promotion* strategies. This is a reflection of the different nature of the promotion of

professional services, such as education, which require greater flows of information to convey a more complex message (Bloom, 1977; George and Berry, 1981).

For institutions seeking to enhance their profile in international markets, the temptation to make use of mass media advertising is strong. The present model suggests that a superior long term strategy might be to use publicity and sales networks, supported by direct visits by institutional staff and the generation of word of mouth referrals through Alumni and coalition partners. Mass media advertising should be viewed as a support mechanism for the elements of sales, publicity and professional promotion.

10.13. People and culture as an inhibiting factor

The negative correlation of the *People and Culture* factor variable with *Market Success* is apparently at odds with previous studies that have suggested people and organisational culture can be a source of competitive advantage (Barney, 1986a; Fiol, 1991; Pfeffer, 1994). *People and Culture* is a measure of the institution's perception of the quality and expertise of its staff, its customer focus and innovation, its effective use of information technology and overall technical superiority.

The survey results from the 315 institutions found staff expertise and quality to be identified as highly important to the success of institutions. This is consistent with the literature (Williams, 1992; Pfeffer, 1994). Being customer focused has been viewed as important to success by many writers (e.g. Kelley and Skinner, 1990; Narver and Slater, 1990; Treacy and Wiersema, 1993; Wright, Kroll, Ray and Lado, 1995). Innovation is also widely recognised as an important factor in achieving competitive advantage (e.g. Baran, Zandan and Vanston, 1986; Tushman and Nadler, 1986; VanDenVen, 1986; ACIIC, 1993).

The importance of information technology as a source of competitive advantage has been outlined by a numerous authors (e.g. Parsons, 1983; Porter and Millar, 1985; King, Grover and Hugnagel, 1989). The advantages of having a superior edge in the area of technology is considered a source of competitiveness for many organisations (Gerstein

and Reisman, 1982). It is a key issue in the development of business strategies (Ansoff, 1987). Kettinger, Grover, Guha and Segars (1994) drew a distinction between “sustainers” and “non-sustainers” suggesting that information technology is more likely to be a source of sustainable competitive advantage if it is integrated with other resources within the enterprise and used as a building block within the organisational infrastructure.

The explanation for the negative correlation of *People and Culture* can be found in the nature of education as a service. Unlike more conventional service industries, education is generally not strongly market focused. The commercialisation of education has only taken hold in the past two decades and has not been fully embraced by many institutions. Those with the strongest culture, the highest market profile and reputation are also frequently among the lowest in terms of commercialisation or market focus. A case in point is the University of Cambridge. It attracts substantial numbers of international students each year and usually receives more applications than it can accept (Cambridge University, 1994). Despite this relative success the university does not actively market itself. When approached to participate in the survey the university responded:

“Whilst, however, the University is significantly involved in international education, there is no one person in it who is specifically engaged in the recruitment of overseas students, so we are not really in a position to complete your questionnaire in any useful way”. (Secretary to the Board of Graduate Studies).

The established culture of Cambridge University is a key element in its success. It is, however, not a culture that embraces commercialism in the field of international education.

Australia does not possess elite universities with the status of Oxford, Cambridge or the “Ivy League” of the United States. However, it has the so-called “Group of Eight” (Go8), comprising the eight oldest or most research-focused institutions in the country. These institutions are: the Australian National University, Monash University, University of Sydney, University of New South Wales, University of Melbourne, University of Queensland, University of Adelaide and the University of Western Australia. Although these institutions generally attract a substantial proportion of Australian Research Council

grants, they do not attract as many international students as many of their newer, “less prestigious” counterparts (Wellsmore, 1996). In 1995, for example, the “top ten” Australian universities in terms of international student enrolments included only three of the Go8 (DEET, 1996). The other seven institutions comprised universities that had been established since the introduction of the Unified National System in the late 1980’s.⁷ Further evidence of this difference was obtained during the interviews conducted with the fifteen Australian institutions and other discussions undertaken during 1996.⁸ The more established institutions were less inclined to have active commercially oriented marketing operations.

10.14. Future research directions

The present research drew upon a sample of institutions involved in the international education industry. It indicates a series of elements that are likely to contribute to the development of competitive advantage for institutions. The findings raise a series of implications for future research activities.

To provide an adequate flow of reliable information on the student consumer, or the organisational buyer, implies the need for enhanced market intelligence. Despite the efforts of various government agencies and industry organisations, the general quantity and quality of information on the international student market is still inadequate. At the macro level there is a lack of detailed statistics on international student flows. As discussed in Chapter 2, the most reliable existing source is the *Unesco Annual Year Book*. Although a valuable resource it does not provide data on students studying at all levels, concentrating as it does on the “third level” or “higher education”. Further, the lack of consistency among contributing nations as to how international students are defined, makes reliable comparison between countries problematic (Davis, 1995:80).

⁷ See Chapter 3 for discussion of this educational reform within Australia’s higher education system.

⁸ Interviews were undertaken with a further thirty-one Australian institutions as part of a study conducted by the author for the Government of Canada.

What is needed is a coordinated effort among key supplier countries to provide regular and reliable statistics on the flow of international students at all levels. Some industries, such as English language training, are harder to measure due to the short nature of their courses and the type of visa used by the students.⁹ Achieving this may require the cooperation of sending countries as well. Such research is likely to be expensive, but without such 'base line' data, it will be difficult for institutional managers and government policy makers to make effective decisions.

Additional research is also required at the micro-level that explores student consumer expectations, satisfaction and decision-making. While government agencies and industry representative bodies are commencing such research, individual institutions and academic researchers should also consider making a contribution. Most large education institutions are collecting annual revenues from international students worth tens of millions of dollars. The interviews conducted with the fifteen Australian institutions indicated that even the largest of them were not undertaking such research on a consistent basis. This is a matter that institutional managers tasked with international marketing functions should address.

Further research is required into how international students evaluate the quality of their education. Multi-country studies are needed to provide reliable benchmark data. The focus of this research should be upon all levels of education rather than just the higher education sector that has attracted the most attention in recent years. Adaptation of service quality instruments, such as SERVQUAL, would be a useful start to ensure commonly accepted criteria.

Institutions seeking to undertake market segmentation and positioning strategies require a sound understanding of the nature of their market. Once again this raises the need for better research into student consumer behaviour and market intelligence in general. By

⁹ According to the ELICOS Association and the AIEF the flow of ELICOS students to Australia is frequently underestimated. In 1995, for example, DEET recorded 705 Indonesian students as being enrolled in Australian ELICOS Colleges. During the same period the AIEF office in Jakarta estimated some 100,000 visas had been issued for short ELICOS study-tours.

comparison with other large service industries, such as tourism or banking, there is relatively little research undertaken on international education markets that would enable effective market segmentation.

Government and industry agencies can assist institutions to develop the necessary market knowledge and experience by facilitating industry visits to these countries and providing up to date information on market trends and characteristics. Additional research is required to explore the nature and potential of new or under developed markets.

At the micro level, the lack of reliable information relating to student consumer expectations and decision making is even more critical. While some attention has been given to the application of marketing science to education, the quantity of such work is relatively low within the academic literature (see Altbach, Kelly and Lulat, 1985; Constantine, 1986; Altbach and Wang, 1989; Smart and Ang, 1992b). Government agencies and industry bodies to rectify this are undertaking some action but the cost of such research is high and it is frequently not shared, due to its commercial value.

Student perceptions of quality and *brand equity/identity* in education could be examined using conjoint analysis. This multivariate technique enables the examination of consumer choice in the selection of various product/service attributes, where a decision is based on a trade off between competing amounts of utility provided by each attribute. An important aspect of this type of analysis is the development of a hypothetical framework of which attributes (factors) contribute to consumer decision and what relative values (levels) are placed on them.

10.15. Conclusions

Trade in international education has become a most dynamic global industry. The decades of the 1980's and 1990's have witnessed an intensification of competition between supplier countries and their respective institutions. Many education institutions now depend upon the recruitment of international students for their long term financial viability.

It is against such a background of change that this research was undertaken and presented. The results highlight the importance of environmental monitoring and management of internal resources. They suggest that a competitive advantage can be built around the development of *distinctive competencies* based upon a strong reputation for quality, financial strength and a broad range of carefully differentiated programs. These should be accompanied by a *forward integration* strategy supported by a network of valuable international strategic alliances.

This combination of resources and assets offer institutions potential barriers to imitation. Through the adoption of unique courses or programs, or by servicing niche markets, institutions can establish defensible positions within saturated and competitive markets. Such strategies of differentiation do not rely upon offering competitive prices and can allow premiums to be charged if the product is perceived by the student/consumer as valuable. Institutions, which can achieve a reputation for quality that, is accompanied by strong *brand identity* and financial resources are also likely to be more successful. Such *distinctive competencies* achieved from *brand identity*, strategic alliances, active Alumni networks and unique courses and programs, provide potential *isolating mechanisms* that can sustain a competitive advantage as they provide barriers to imitation due to their complexity and intangibility.

Those institutions that have already achieved a superior market position will need to reinvest in their *resources and skills stock* in order to ensure that their competitiveness is sustained. For the newer institutions, or those, which have yet to achieve a competitive position, the increasing saturation and rivalry within international markets may appear daunting. However, careful segmentation supported by well considered differentiation strategies which exploit the institution's most valuable *distinctive competencies* should provide a worthwhile platform from which to seek a sustainable competitive position.

A model for the development of competitive advantage for education institutions operating in international markets can be identified. It appears to be based upon the adoption of differentiating strategies that can be translated into *distinctive competencies*

in the form of high market profile, strong financial resources, a reputation for quality, broad range of courses and programs, and a strong alumni. In addition these *distinctive competencies* should also include the possession of international strategic alliances and offshore teaching programs. Successful institutions are likely to give increased consideration to the characteristics of their overseas markets prior to making their strategic plans. Of particular importance here is the level of sophistication among their prospective students, and these students' perceptions of the relative quality of the institution compared to its rivals. The more successful institution is likely to view its international markets as requiring careful segmentation in order to ensure future growth, something which is likely to encourage the adoption of differentiation strategies. These institutions will also be influenced in their strategic planning by the experience they have gained in dealing with different overseas markets. Finally the more successful institution is likely to place greater importance to its internal resources (e.g. staffing, facilities and program availability) when developing its strategic plans.

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ANNEX A

**A SURVEY OF THE EXPORT STRATEGIES OF
EDUCATION SERVICES EXPORTERS**

Institute for Research into International Competitiveness

IMPORTANT NOTE

It is intended that this questionnaire be completed by persons actively engaged in decision making relating to the export marketing of education services. Many education institutes will find that such decisions involve a variety of persons drawn from a range of backgrounds. Marketing specialists, if they exist, may work together with academic specialists and others in finance and administration when formulating programs aimed at attracting overseas students.

Please ensure that the person completing this questionnaire is suitably placed within the institution to speak with some authority about the way in which the organisation plans its overseas student programs and marketing efforts.

Please allow approximately 25 minutes to complete this questionnaire

The completed questionnaire should be returned in the
reply paid envelope supplied by:

30 September 1994

Should you have any questions concerning the questionnaire or this research program, please contact Tim Mazzarol on tel: (09) 351-2843 or fax: (09) 351-2872.

ABOUT YOUR ORGANISATION

1. My organisation is a:

- University/ University College ☐1
 TAFE College ☐2
 Private business college ☐3
 Private school ☐4
 Government school ☐5
 English language centre ☐6
 Air training school ☐7
 Other (Please specify) ☐8
-

2. The total full-fee paying overseas student population enrolled at this institution for the current academic year is: (please estimate if exact figures are unavailable)

a) Those taught at your main campus:

b) Those taught at offshore campuses:

c) Those taught at affiliated institutions:

3. The total equivalent full time student population enrolled at this institution is:

- Over 15,000 ☐1
 10,000 to 15,000 ☐2
 5,000 to 10,000 ☐3
 1,000 to 5,000 ☐4
 less than 1,000 ☐5

4. When did your organisation first commence teaching full fee paying overseas students ?

- More than 10 years ago ☐1
 5 to 10 years ago ☐2

Less than 5 years ago ☐3

5. Please rank order the regions from which you draw your overseas student population, A ranking of 1 indicates that this is the region from which you draw the majority of your overseas students. (Only number regions from which you actually draw students.).

- | | |
|---------------------------------|--------------------------|
| Malaysia | <input type="checkbox"/> |
| Singapore | <input type="checkbox"/> |
| Indonesia | <input type="checkbox"/> |
| Thailand | <input type="checkbox"/> |
| Other ASEAN countries | <input type="checkbox"/> |
| Japan | <input type="checkbox"/> |
| Korea | <input type="checkbox"/> |
| Taiwan | <input type="checkbox"/> |
| China | <input type="checkbox"/> |
| Hong Kong | <input type="checkbox"/> |
| Pacific Islands | <input type="checkbox"/> |
| India, Pakistan & sub continent | <input type="checkbox"/> |
| Middle East | <input type="checkbox"/> |
| Africa | <input type="checkbox"/> |
| North America | <input type="checkbox"/> |
| South & Central America | <input type="checkbox"/> |
| European Union | <input type="checkbox"/> |
| Eastern Europe & Russia | <input type="checkbox"/> |
| Other (Please specify) | <input type="checkbox"/> |
-

6. Was your institution established specifically to provide education services to fee paying overseas students ?

- Yes ☐1
 No ☐2

7. If your organisation has offshore teaching programs are they: *(Please go to question 9 if your organisation has no offshore programs)*

Solely owned facilities ☐1
 Joint ventures ☐2
 Licence agreements ☐3
 Other *(please specify)* ☐4

8. In which countries does your organisation have offshore teaching programs *(please specify)*

YOUR MARKETING ENVIRONMENT

9. Please consider how successful your institution has been since entering the international market with your services. *(Please tick more than one box if appropriate)*

	strongly disagree				strongly agree			
	1	2	3	4	5	6	7	
Growth in the overseas student body has regularly been high.								
Demand for places from overseas students regularly exceeds supply								
The outlook over the next 3 to 6 years is for continued growth in overseas student numbers								
The financial benefits to the institution have regularly exceeded forecasts or expectations								
Without overseas student fees the institution would experience financial difficulties								

10. How important are the following factors to your decision making process when developing business strategies targeted at the export of your education services?

	unimportant				very important			
	1	2	3	4	5	6	7	
Government assistance								
Tax incentives								
Financial resources								
Availability of suitable programs to offer								
Availability of facilities or teaching staff								
Intermittent over capacity within your organisation								
The reactions of rival institutions to your actions.								
The strategies of your major competitors								

continued on next page

	unimportant						very important	
	1	2	3	4	5	6	7	
Changes to Federal or State government policies	1	2	3	4	5	6	7	
Overseas taxation policies	1	2	3	4	5	6	7	
Overseas legal frameworks relating to businesses	1	2	3	4	5	6	7	
Student sensitivity to changes in cost of fees.	1	2	3	4	5	6	7	
The relative pricing of alternative programs at rival institutions.	1	2	3	4	5	6	7	
Student knowledge and awareness of market offerings.	1	2	3	4	5	6	7	
The propensity of students to seek alternative programs at rival institutions.	1	2	3	4	5	6	7	
The quality of rival institutions services and their delivery	1	2	3	4	5	6	7	
The markets' perceptions of your institution's quality and its delivery	1	2	3	4	5	6	7	

11. How much of a threat do the following items pose to your organisation within its current markets ?

	little threat					serious threat		
	1	2	3	4	5	6	7	
Availability of alternative programs at rival institutions in your domestic market	1	2	3	4	5	6	7	
Availability of alternative programs at rival institutions in your students' domestic markets	1	2	3	4	5	6	7	
Availability of alternative programs at rival institutions in other countries	1	2	3	4	5	6	7	

12. Please consider the current level of growth and market saturation within the education export sector via your agreement or disagreement with the following statements.

	strongly agree					strongly disagree		
	1	2	3	4	5	6	7	
The export of education services is an expanding industry	1	2	3	4	5	6	7	
The number of institutions offering services into the overseas markets currently targeted by this institution has reached saturation level	1	2	3	4	5	6	7	
The number of institutions offering services into the overseas markets <u>not</u> currently targeted by this institution has reached saturation level	1	2	3	4	5	6	7	
Future growth in this industry will depend on careful segmentation of the markets	1	2	3	4	5	6	7	

YOUR MARKETING STRATEGIES

- 13. How important are the following factors to the decision making process of your organisation when operating in foreign markets ?**

	of little importance				most important			
	1	2	3	4	5	6	7	
Higher fees for foreign students than domestic students.	1	2	3	4	5	6	7	
Visa charges for foreign students.	1	2	3	4	5	6	7	
Distance to foreign markets	1	2	3	4	5	6	7	
Restrictions on use of your own teaching staff in offshore programs.	1	2	3	4	5	6	7	
Availability of suitable foreign teaching staff to run offshore programs.	1	2	3	4	5	6	7	
Immigration/ visa restrictions.	1	2	3	4	5	6	7	
Comparability and acceptance of foreign education qualifications when accrediting students	1	2	3	4	5	6	7	
Quotas on places in programs.	1	2	3	4	5	6	7	
Student fluency in English	1	2	3	4	5	6	7	
Differences between local and foreign education systems	1	2	3	4	5	6	7	
Knowledge or experience of foreign markets	1	2	3	4	5	6	7	
Cultural differences.	1	2	3	4	5	6	7	
Professional recognition of your courses and qualifications within overseas markets	1	2	3	4	5	6	7	
Availability of scholarship funding for overseas students	1	2	3	4	5	6	7	

- 14 Has your organisation deliberately sought to adopt any of the following strategies in order to improve your position within the market ? (Please indicate by ticking the appropriate box, you may tick more than one if required)**

Competitive pricing	<input type="checkbox"/> 1	
Uniqueness of programs		<input type="checkbox"/> 2
Concentration on serving niche markets	<input type="checkbox"/> 3	

- 15 In terms of the overall business strategy adopted by your organisation within its international markets, how would you rank the advantage of the following factors ?**

	low				high			
	1	2	3	4	5	6	7	
Competitive pricing	1	2	3	4	5	6	7	
Uniqueness of programs and services	1	2	3	4	5	6	7	
Concentration on niche markets	1	2	3	4	5	6	7	

16 The courses and programs offered by your institution include:

- Post graduate degrees ☐1
 Undergraduate degrees ☐2
 Diploma courses ☐3
 Certificate courses ☐4
 Other (*please specify*) ☐5
-

17 The courses and programs offered by your institution are:

- Offered to domestic and overseas students ☐1
 Offered only to overseas students ☐2
 Developed to suit overseas student needs ☐3
 Subject to external evaluation and control ☐4
 Recognised in all overseas markets ☐5
 Not recognised by all overseas markets ☐6

Mainly prepared by your own staff

☐7

18 The setting of fees and charges for your courses and programs when offered to overseas students is:

Totally controlled by your organisation ☐1
 Determined by government policy

☐2

Determined by another agency ☐3

Other (*please specify*) ☐4

19 When setting fees and charges for your courses and programs what is your institution's primary objective:

The generation of revenue

☐1

The recovery of costs ☐2

The supply of services ☐3

Other (*please specify*) ☐4

20 When seeking to promote your institution how would you rate the effectiveness of the following:

	of little value					highly valuable	
	1	2	3	4	5	6	7
Television advertising	1	2	3	4	5	6	7
Radio advertising	1	2	3	4	5	6	7
Magazine advertising	1	2	3	4	5	6	7
Newspaper advertising	1	2	3	4	5	6	7
Student word of mouth referrals	1	2	3	4	5	6	7
Brochures and information booklets	1	2	3	4	5	6	7
Participation in Trade Fairs	1	2	3	4	5	6	7

Presentations and talks by staff to prospective students	1	2	3	4	5	6	7
Use of private recruitment agents	1	2	3	4	5	6	7
Use of government information centres	1	2	3	4	5	6	7
Use of public relations	1	2	3	4	5	6	7

YOUR INSTITUTION'S FACILITIES

21 Where is your institution physically located ? (tick all which apply)

- In a single purpose built campus ☐1
- In a multi-site purpose built campus ☐2
- In a single leased site ☐3
- In multiple leased sites ☐4
- Co-located with other institution ☐5
- Other (please specify) ☐6
- _____

able to offer overseas students in addition to regular training and teaching services ?

Library and information services

☐1

Live-in accommodation
Counselling and welfare

☐2

☐4

Individual tuition

☐5

Interpreter or language training

☐6

Restaurant and dining facilities

☐7

Study facilities and equipment

☐8

22 Which of the following services and facilities is your institution

YOUR INSTITUTION'S STAFF

23 Please list the number of staff employed by your institution in each of the following categories (Please estimate if exact figures are unavailable)

Teaching/Training staff:

Full time _____

Part time _____

Administrative/support staff:

Full time _____

Part time _____

24 Does your institution seek to maintain a prescribed staff/student ratio ?

Yes ☐1

No ☐2

25 What is the average staff/student ratio within your institution at

present ? *(Please estimate if exact figures are unavailable)*

- 26 Does your institution provide direct training for staff in academic skills ?**

Yes ☐1

No ☐2

- 27 Does your institution facilitate the professional development of teaching staff via financial or leave benefits ?**

Yes ☐1

No ☐2

continued on next page

- 28 Does your institution provide training for staff in administrative/support skills ? to assist their dealing with overseas students ?
- Yes ☐1 Yes ☐1
- No ☐2 No ☐2
- 29 Does your institution facilitate the professional development of administrative/support staff via financial or leave benefits ? 31 Please indicate if your institution has in place procedures designed to monitor and control service quality in the following areas:
- Yes ☐1 Teaching/ training ☐1
- No ☐2 Administration/ support ☐2
- 30 Does your institution provide training for staff in skills designed

CRITICAL SUCCESS FACTORS

- 32 How important are the following factors to the success of any education institution operating within international markets ?

	low							high
A reputation for quality	1	2	3	4	5	6	7	
To be well known and recognised	1	2	3	4	5	6	7	
To have international strategic alliances and coalitions	1	2	3	4	5	6	7	
To have off shore recruitment offices	1	2	3	4	5	6	7	
To have off shore teaching programs	1	2	3	4	5	6	7	
The recruitment & retention of quality & experienced staff	1	2	3	4	5	6	7	
The development of a customer oriented culture	1	2	3	4	5	6	7	
The encouragement of innovation	1	2	3	4	5	6	7	
Effective use of information technology	1	2	3	4	5	6	7	
Possession of strong financial resources	1	2	3	4	5	6	7	
Ability to offer a broad range of courses/ programs	1	2	3	4	5	6	7	
Technical superiority	1	2	3	4	5	6	7	

	continued on next page						
	low					high	
Possession of a strong Alumni base	1	2	3	4	5	6	7
To have a large student population	1	2	3	4	5	6	7
To be a pioneer or early entrant to foreign markets	1	2	3	4	5	6	7
Overseas advertising and promotion	1	2	3	4	5	6	7
Use of recruitment agents	1	2	3	4	5	6	7
Use of Overseas student offices	1	2	3	4	5	6	7
Location of campus	1	2	3	4	5	6	7
Size of campus	1	2	3	4	5	6	7
Possession of a large market share	1	2	3	4	5	6	7

33 How would you rate your own organisation's performance in terms of its international marketing on the factors listed below ?

Has low quality image	1	2	3	4	5	6	7	Has high quality image
Is not well known	1	2	3	4	5	6	7	Is well known
Does not have international strategic alliances & coalitions	1	2	3	4	5	6	7	Has many international strategic alliances & coalitions
Has no offshore recruitment offices	1	2	3	4	5	6	7	Has many offshore recruitment offices
Has no off shore teaching programs	1	2	3	4	5	6	7	Has many offshore teaching programs
Is not successful at recruiting & retaining quality, experienced staff	1	2	3	4	5	6	7	Is highly successful at recruiting & retaining quality, experienced staff
Does not have a strongly customer oriented culture	1	2	3	4	5	6	7	Has a strongly customer oriented culture
Discourages innovation	1	2	3	4	5	6	7	Encourages innovation
Ineffective in its use of information technology	1	2	3	4	5	6	7	Makes effective use of information technology
Has weak financial resources	1	2	3	4	5	6	7	Has strong financial resources
Offers only a very narrow range of courses/ programs	1	2	3	4	5	6	7	Offers an extremely broad range of courses/ programs

continued on next page

Is technically inferior to most in its field	1	2	3	4	5	6	7	Is technically superior to most in its field
Has a small and largely inactive Alumni	1	2	3	4	5	6	7	Has a very strong and active Alumni
Has a very small overseas student population	1	2	3	4	5	6	7	Has a very large overseas student population
Has a small overseas advertising and promotion budget	1	2	3	4	5	6	7	Has a large overseas advertising and promotion budget
Makes little use of private overseas recruitment agents	1	2	3	4	5	6	7	Relies heavily on private overseas recruitment agents
Makes little use of overseas government agencies	1	2	3	4	5	6	7	Relies heavily on overseas government agencies

34 How would you rate the performance of the institutions from around the world which are currently operating within your international markets. These institutions may be local within the markets you are targeting, local to your own domestic market or other foreign institutions competing for the sorts of students you are targeting.

Has low quality image	1	2	3	4	5	6	7	Has high quality image
Is not well known	1	2	3	4	5	6	7	Is well known
Does not have international strategic alliances & coalitions	1	2	3	4	5	6	7	Has many international strategic alliances & coalitions
Has no offshore recruitment offices	1	2	3	4	5	6	7	Has many offshore recruitment offices
Has no off shore teaching programs	1	2	3	4	5	6	7	Has many offshore teaching programs
Is not successful at recruiting & retaining quality, experienced staff	1	2	3	4	5	6	7	Is highly successful at recruiting & retaining quality, experienced staff
Does not have a strongly customer oriented culture	1	2	3	4	5	6	7	Has a strongly customer oriented culture
Discourages innovation	1	2	3	4	5	6	7	Encourages innovation
Ineffective in its use of information technology	1	2	3	4	5	6	7	Makes effective use of information technology

Has weak financial resources	1	2	3	4	5	6	7	Has strong financial resources
continued on next page								
Offers only a very narrow range of courses/programs	1	2	3	4	5	6	7	Offers an extremely broad range of courses/programs
Is technically inferior to most in its field	1	2	3	4	5	6	7	Is technically superior to most in its field
Has a small and largely inactive Alumni	1	2	3	4	5	6	7	Has a very strong and active Alumni
Has a very small overseas student population	1	2	3	4	5	6	7	Has a very large overseas student population
Has a small overseas advertising and promotion budget	1	2	3	4	5	6	7	Has a large overseas advertising and promotion budget
Makes little use of private overseas recruitment agents	1	2	3	4	5	6	7	Relies heavily on private overseas recruitment agents
Makes little use of overseas government agencies	1	2	3	4	5	6	7	Relies heavily overseas government agencies

DECISION MAKING WITHIN YOUR ORGANISATION

35 Please indicate the most appropriate description of the decision making process within your organisation:

All decisions concerning curriculum are made by a single organisation leader	1	2	3	4	5	6	7	All decisions concerning curriculum are made with the full participation of all staff
All decisions concerning administration are made by a single organisation leader	1	2	3	4	5	6	7	All decisions concerning administration are made with the full participation of all staff
All decisions concerning marketing are made by a single organisation leader	1	2	3	4	5	6	7	All decisions concerning marketing are made with the full participation of all staff

All decisions concerning
finance are made by a
single organisation leader

1 2 3 4 5 6 7

All decisions concerning
finance are made with the
full participation of all
staff

All decisions concerning
staffing are made by a
single organisation leader

1 2 3 4 5 6 7

All decisions concerning
staffing are made with the
full participation of all
staff

ABOUT YOURSELF

The following items seek some information about you and your role in your organisation. This information forms an important part of the study and all information will be treated with the strictest confidence.

36 Your function within the organisation is best described as:

- Marketing ☐1
 Administration ☐2
 Finance/Accounting ☐3
 Academic/teaching ☐4
 Other (please specify) ☐5

37 How long have you been in your current position

approximately _____ years

38 How many years have you been involved with education ?

- More than 10 years ☐1
 5 to 10 years ☐2
 Less than 5 years ☐3

39 Which of the following qualifications do you hold ? (Please indicate for each category once even if you hold multiple qualifications in the same category)

- Doctorate ☐1
 Masters degree ☐2
 Post-graduate diploma ☐3
 Bachelors degree ☐4
 Diploma (education) ☐5
 Diploma (technical/specialist) ☐6
 Other post-secondary ☐7
 Secondary school ☐8

40 How regularly are you involved in strategic planning decisions regarding your organisation and its international marketing ?

- Frequently ☐1
 Occasionally ☐2
 Rarely ☐3

Following this survey we would like to talk to a selection of respondents to follow up some of the issues raised in this questionnaire. If you are willing to participate in this process could you complete the details outlined below (all information will be treated as strictly confidential).

Name: _____

Telephone: _____

Address: _____

THANK YOU FOR YOUR ASSISTANCE