

# Strategic Positioning for International Expansion in UK Business Schools.

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## Abstract

This short paper will consider how the UK higher education sector is positioned to meet the stated strategic intent of the British Government (available at [www.hefce.ac.uk](http://www.hefce.ac.uk)), to increase the number of international students entering the UK to study. There is a widespread view currently that higher education is still unprepared and “failing to prepare to meet the tide of foreigners”, as reported in the Times Higher Educational Supplement (2004) and business schools are at the forefront of this expansion.

A model, based on Hamel & Prahalad’s strategic process is used to consider if the government’s strategic intent can be realised. Although Prahalad & Hamel may not consider theirs’ a resource-based view of an organisation, or industry, it does focus on internal capabilities and core competences and hence is of use in determining if an industry can have a common vision. The economic environment is considered as this has become more difficult for British universities with a funding crisis looming and extra income streams taking on increasing significance. Hence international students are becoming more important due to the higher fees they attract, usually at least a 100% premium, and, according to most analysts; this international market will continue to grow.

The current context is explored with particular attention on the impending and unknown effect of fee changes from 2006. This compounds an already uncertain landscape with Drucker (1997), as long as 8 years ago pointing to the great changes about to descend on higher education over the next 30 years. Drucker’s three fundamental questions, with respect to UK university business schools, are considered in an attempt to gain a deeper understanding of the sector and its purpose.

## Introduction

A strategic process model, based on Hamel & Prahalad (1990), is used to consider if UK business schools are strategically positioned for the expansion in international students numbers that they are experiencing. The model, a four stage strategic process, is considered in the next section. First though it is important to have some idea of the environment in which universities now operate. Min Chen, in his chapter on Sun Tzu’s strategic thinking makes the point that “To be competitive, a company has to be able to capitalize on the various changes in the economic and business environment and make its strategies accordingly.” (Chen, 2000: 45).

The economic environment has become more difficult for British higher education institutions with their funding increasingly reliant on the income from international student fees. This is also the one fee that universities are at liberty to set independently from government control as UK based higher education (HE) students have the amount of fee they are required to pay capped by the government. However the industry is facing the unknown effect of increased fee changes being introduced in 2006. In fact it is useful here to ask Drucker’s (1997) three fundamental questions of higher education business schools in an attempt to gain a deeper understanding of the sector and its purpose; What business are you in? Who are your customers? And what do they value?

## What do Business Schools Do?

The first of Drucker’s questions is ‘What business are you in?’ Teaching, research and enterprise are the three generic areas, although each one can have a wide remit. Teaching for example can be from Foundation degree level (equivalent to the first two years of a UK honours degree) up to PhD, a range not normally undertaken in the USA with its emphasis on undergraduate and graduate schools. There are also practitioner specific programmes and bespoke courses for industry that bring in enterprise income. Additionally the programmes are being taught on more than one site and by differing methods. Thus even the same programme can appear in a wide variety of guises although often the core elements are similar. Research in business schools is very broad, depending mainly on individual staff interests and funding opportunities that arise.

The next of Drucker's questions is 'Who are your customers?' Again the answer to this is wide, global in fact, ranging with predominantly international students at masters level to mainly home based students on undergraduate programmes. Widening access at both undergraduate level, in addition to the broad international market, has not allowed for particular segments to be targeted exclusively. Customers can also be government departments and private industries, be it training, consultancy or research.

The final question is 'What do they value?' Again, different students have differing expectations, as does industry. However, if we concentrate only on the international market, there is anecdotal evidence that international students like the English educational ethos, environment and value of a UK degree. The fact that the international language of business is increasingly English is also of value. As a general rule all students would like a high quality programme, in their area of interest, with low costs.

If we were to place the whole industry, not just the international dimension, on Porter's (1985) generic competitive strategies grid it would be 'stuck in the middle'. This position is not necessarily bad but it does point to the fact that to break free strategically either business schools need to target particular segments, or business schools need to fragment more than at present and focus on different sectors.

### **Is Strategic Intent Possible?**

Following Prahalad & Hamel's four-stage strategic process will give some indication of whether the industry described above can have a strategic intent. The four stages are first to decide on strategic intent, next to analyse new and existing competitors and technologies, thirdly to identify existing and required core competencies, and finally create new competitive space, core competencies and core products.

Stage one is to decide on strategic intent to beat competitors. Hamel and Prahalad contend that strategic planning is not enough "Many companies are more familiar with strategic planning than strategic intent" (Hamel, 1993). By strategic intent Hamel and Prahalad do not mean an unachievable aim but a general direction that employees can easily identify with and strive towards. That is, it should be "intuitively accessible to all the firm's employees, an orientation which, on account of its clarity, can be pursued with some consistency over the long term in spite of the presence of turbulence" (Boisot, 1995: 36). Here the strategic intent, set by government and implicitly implied by funding arrangements, is to increase the numbers of international students entering UK universities.

The second part of Prahalad & Hamel's strategic process is to 'analyse new and existing technologies and competitors'. Business schools have been analysed intensely over the last five years in the UK. In addition to the usual cycle of subject reviews there have also been implicit processes, external examining and conferences, that have forced staff to consider both their external and internal environments in some detail. There is also easy access to information about the HE sector in general with, for example, the recent Government White Paper, The future of Higher Education ([www.dfes.gov.uk](http://www.dfes.gov.uk)).

The third stage of Prahalad & Hamel's strategic process is 'identifying existing and required core competencies'. As a resource, being considered as 'good teachers' cannot be classed as a core competence as it is reproducible and is probably being done as effectively elsewhere. Classifying research output, and value, is equally difficult although there is a metric here with the outcomes from research assessment exercises (RAE). The next such exercise, RAE 2008, is the sixth in a series conducted nationally to assess the quality of UK research and to inform the selective distribution of public funds for research by the four UK higher education funding bodies ([www.rae.ac.uk](http://www.rae.ac.uk)). Enterprise, the third generic output from business schools is unlikely to affect the numbers of international students attracted, although it may help to finance some expansion. Fortunately the language of international business is English and, although delivery abroad in English is reproducible, the experience of being taught in an English speaking country would be difficult to imitate "because of the subtle multidimensional character of socially complex organisational resources, they are not likely to have close strategic substitutes" (Barney, 1992: 48).

The final part of Prahalad & Hamel's strategic process is 'create new competitive space, core competencies and core products'. Increasing ties and collaboration with international partners will reinforce business schools' ability in dealing with international students. The products on offer though are inherently British and, along with much of British industry during the middle of the last century, have not been tailored for an international market.

To complete the Hamel and Prahalad strategic process milestones need to be suggested. This is difficult however with business schools reluctant to forsake anything from their current portfolio of offerings. For the industry as a whole, business schools reducing parts of their portfolios would in the long run probably strengthen the core competencies of the sector. The current funding difficulties make this an unlikely milestone that any but the boldest business school would undertake. The majority of business schools, in the so-called post '92 universities, are not financially free to take this step.

### **Conclusion**

There can of course be no conclusion with strategy, it should be ongoing, and a well-planned strategy can succumb to Porter's sixth force (Pearson, 1999: 136), particularly here with something as political as education. To ensure that business schools remain strategically focused Mintzberg's purpose of strategy is suggested as a way forward. Mintzberg identified the purpose of strategy as being distinctive from the normal day-to-day management and particularly identified direction, concentration, consistency and flexibility as the four elements that were specifically strategic. These elements are considered in turn.

Direction can be set by marketing more directly the international market and emphasising the high regard with which a UK degree is held, focused choice of popular degrees and the relative safety of the UK. But there is also a disadvantage to direction as, Mintzberg *et al.* note. "Strategic direction can also serve as a set of blinders to hide potential dangers" (Mintzberg, 1998: 15).

Concentration over the long term on internationalism must not be at the expense of other initiatives within business schools but resources for international ventures must take priority. And enthusiasm for one direction within a university is difficult as Patterson, in considering university goals, notes "The imposition of uniformity through specific goal-directed activity does not fit easily alongside the fragmented professional structure. The essential character and purpose of the university support extreme non-uniformity, with staff rewarded for originality and difference." (Patterson, 2001: 168). So setting a direction and milestones does not ensure academics will subscribe to them.

With regard to consistency, strategy is about long term planning, not short term gain, and being consistent with it. This will be a challenge for business schools for although some students are attracted to the UK because of the English language medium; in the long term business schools will need to remain focused on differentiation (as defined by Porter (1980)). Business schools cannot compete in the long term by having a monopoly on language, already many European (including France, for long determined to maintain the status of their language) and Asian universities are starting to offer programmes in English. The World though is not consistent and Mintzberg *et al.* again point out possible disadvantages to consistency. "It has to be realised that every strategy, like every theory, is a simplification that necessarily distorts reality. Strategies and theories are not reality themselves, only representations. ...This means that every strategy can have a misrepresenting or distorting effect" (Mintzberg, 1998: 17).

Flexibility will be required in the programmes offered and the requirements of the different international markets. Business schools currently offer generic programmes that can be tweaked slightly to differing requirements. The programmes that students request must be constantly monitored and too much reliance on one particular country for an international student cohort would be unwise as a change in the political environment could have an immediate effect on student numbers.

Finally, it is worthy of note that students come to the UK to experience the culture of the country. Hence business schools need to retain a core of home-based students to maintain the present ethos. The fact that UK students have an opportunity to experience international cultures on their own doorstep can also be a positive marketing feature. It would also herald difficulties if UK students decided that they too would like an international experience abroad.

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