**Market-Based Management (MBM) approach to Success in Higher Education: Lessons from a mid-sized business institute.**

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# ABSTRACT

*This research examines a mid-sized business institute, SZABIST-Dubai as a case study to recommend Market Based Management that is lean and agile enough to identify local market opportunities, understand it’s unique requirements and initiate processes to capture these opportunities before they are lost to competition.*

*This paper identifies the survival and profitability challenges faced by SZABIST and discusses a unidirectional centralised decision-making model that is adapted currently at the institute and proposes Market Based Management (MBM) as a tool to evolve into a knowledge-based learning organization that is more responsive to regional and local challenges.*

*The most significant contribution of this paper towards this objective is the founding of Task Teams that transform tacit learning into explicit knowledge through the process of socialisation.*

**Keywords**, Educational Strategies, Market-Based Management (MBM), Task Teams, Learning Organisation

**Background and Introduction**

The United Arab Emirates (UAE) is widely regarded as a pioneer in the region on various social, economic, and developmental fronts. Fifty years after its unification in 1971, the UAE is an extraordinary example in growth and human development. The UAE has continued to invest significantly in the education system to develop human capacity and ensure that it can compete sustainably as a knowledge-driven economy. (Ashour, 2016)

The UAE has established a diversified system of higher education in a very short period of time. With 95% females and 80% of all males who are enrolled in the final year of secondary school applying for admission to a higher education institution locally or abroad, the prospects of higher education are very promising (Wilkins, 2010). There are several National and Private Universities that offer degrees in Science, Technology, Business and Aviation and aspiring students are offered a range of choices to better their prospects in a highly competitive and culturally diverse UAE job market. Dubai especially has taken initiative in providing more streamlined education under the guidance of Ministry of Education by establishing Free Zone areas dedicated to human resource development. Dubai Knowledge Village (DKV) established in 2003 is a unique hub that partners with over 450 businesses, institutes and Universities. Dubai International Academic City (DIAC) is another such establishment that currently has 21 of UAEs 37 International Branch Campuses (IBCs) from 11 different nationalities. In this regard, it is needless to surmise that Dubai Higher Education scene is full of highly competitive universities that are operating here with unique cultural sympathies and understanding.

SZABIST (pronounced ZAB-ist) Dubai campus was opened in 2003 to provide high standard education at an affordable fee structure to the Pakistani Community. However, in Pakistan it has been operating since 1995 and is considered one of the leading universities. SZABIST-Dubai currently offers BBA, BS in Media Sciences, BS in Computing, MBA, MS, and Executive MBA (a weekend-programme designed for working students). All of its programmes are approved by university quality assurance International Board of Knowledge and Human Development Authority, amidst a robust increase in the number of enrolled students in UAE universities, SZABIST’s growth has remained largely constant. Its student body consists of 98% Pakistani students and one of the attractive features it offers is a low fee structures for its accredited degree programmes and full-spectrum education facilities. Over the past years SZABIST has mobilised its communication strategy using both advertising and its cogent alumi in UAE and abroad to make these features a source of gaining competitive advantage. SZABIST has an attractive programme portfolio but with previously limited communication about it, potential students often chose SZABIST for their higher education due to its lower prices and flexibility in payment plans only. Herriot-Watts University, on the other hand, has been operational for only 10 years but has gained a reputable status of providing superior programme portfolio and excellent market opportunities to its students. Their student base currently stands at 3,700 students. As a result, SZABIST has seen some student loss to Herriot-Watts among other universities.

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| University | Student Enrolment |
| Herriot-Watt | 3,7009 (2017) |
| University of Wollongong | 3,700 (2017) |
| BITS-Pilani | 1,400 (2019) |
| MAHE-Manipal | 1,500 (2019) |

Table 1: Comparison of Student Enrolment across top universities in UAE. (Source: University websites)

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| Higher Education Parameters in UAE | Year 2019-2020 |
| Teaching Staff in Higher Education | 7,907 |
| Number of Enrolment in Higher Education (In All Programmes) | 295,626 |
| Number of graduates in Higher Education (In All Programmes) | 16,665 |

Table 2: Review of Higher Education Parameters in UAE. (Source: Ministry of Education MOE open data)

Several institutes find it hard to differentiate themselves in a crowded marketplace and competing on price is not something that many of them would previously have thought they would end up doing. Institutes and students alike are concerned about the quality of education that are provided in these establishments and institutes must constantly improve their programmes and administrative offerings (Wilkins, 2010).

**Modern Challenges in Higher Education in UAE**

The biggest challenges for national and private universities operating in UAE have been *survival and profitability* (Madichie & Kolo, 2013). These denominators are measured in terms of three key factors, student enrolment, the quantity of financial resources/commitment and the quality of faculty and staff. Moreover, many students now opt to go abroad for higher education and often at the home campuses of the universities operating in UAE. This leads to a competitive ground that is not limited to UAE only but offers global challenges to the UAE education sector. With the global challenges, comes the challenge of maintenance of better quality. Universities in UAE must promise and deliver a quality learning experience for the students to retain them in their branch campuses in UAE.

SZABIST, despite its attractive programme portfolio, has faced the attrition in student enrolment over the years. Its quality of programmes, and delivery methods as well as administrative decision making have not responded to the market challenges and a major source of this is the fact that much of branch campus decisions are still centralised in Pakistan. There is very little authority with the staff at Dubai to make quick and innovative changes in their programmes to deal with the market threats. Central decision- making has led to Dubai campus losing its competitive advantage of lower fees and flexible payment plans as other universities with higher student enrolment are now able to offer lower fees also and at a better quality of faculty and staff.

In other words, globalisation and intense local competition have resulted in an oversupply in higher education sector and differentiation to attract student body is becoming very hard. Competing on price does not have longevity in this market anymore and institutes must find differentiation in their programme portfolio, delivery methods, and student support functions. This paper attempts to suggest how SZABIST can be transformed into a knowledge- based organisation, which recognises these challenges and can develop points of differentiation to attract students.

**Market-based Management Model and Rational Model of Management: A brief Comparison**

Rational Model of Management is a unidirectional model that assumes that innovation proceeds along a strategic planning process involving information gathering, analysis, evaluation and action. (Rura-Polley, 2001). Rational Model typically assumes an asymptomatic environment with no time-constraints for extensive information gathering, a good approximation of all viable alternatives and a possibility of a scientific evaluation of these alternatives.

In theory this model presents stable solutions in stable environments but in management practice it proves limited applicability due to instability of business environment and urgency of market reactivity.

Market based Management is an exceptional management tool developed and executed by Koch Industries, Inc. Its principal tenet states that organisations can draw incredible benefits by using the tacit knowledge of workers to the benefit of the business (Cowen & Ellig, 1995). Market based Management requires a culture centred on specific characteristics which set the standards for evaluating policies, practices and conduct, establishing norms of behaviour, and building the shared values that guide individual actions. (Whatley, 2013). The five dimensions of MBM are: Vision, Virtue and Talents, Knowledge Processes, Decision Rights and Incentives.

**Dispersion of Knowledge in Higher Education**

Knowledge from the market mechanisms can be gained from various sources in higher education sector. Market and student interactions are a key source of gaining information about changing customer needs, market threats and challenges existing in the marketplace and an institutes ability to manage knowledge is critical to academic innovation (Husseini & Elbeltagi, 2013). In the context of educational quality, these innovations can be process and product innovations alike and, once in place, become a source of competitive advantage. However, the knowledge from the market mechanisms exists in dispersed form and cannot be concentrated or integrated in the hands of a few, central individuals (Becker, 2001).

SZABIST-Dubai is faced with many regional and local challenges so far to understand the dispersed nature of market knowledge and with its centralised decision-making it has lost crucial response time against competitive threats. The remoteness of its central command as well as the inaccessibility of the key decision makers from the inception stages of Dubai campus set a culture of dependence and stagnation of ideas. Faculty and staff did not feel encouraged to share their market knowledge with the main campus and as a result precious response time was lost to other universities that quickly came up with innovative programme and delivery offerings for the students. To counter this, SZABIST attempted to assimilate knowledge through staff meetings but in the absence of direction and incentive systems to share local information, these meetings were no more than directives from the main campus.

**Rational Model of Management at SZABIST**

In a very short time after 2003, SZABIST faced unfortunate staff and faculty departures, much of which can be attributed to the feeling of redundancy, lack of knowledge orientation and feelings of disinterest from main campus. The managers grew accustomed to operating in a particular hierarchical structure with its given set of roles, leadership styles, control systems and culture (Parker & Stacey, 2007). Managers went about solving ordinary management problems within this shared paradigm through previous experiences and learning and sharing of local knowledge and innovative ideas was disregarded. The resulting Rational Model of Management made SZABIST seek “return to normal” outcomes and establish equilibrium during disruptive, competitive threats and the linear thinking platform of rules, rationality and predictability of outcomes left no room for alternate thought patterns of intuition, creativity, and lateral thinking (Vance et al., 2007). SZABIST did not have any clear mission or objective statements developed for Dubai Campus in terms of quality of education and quantity of students it must attract and when its well-behaved universe faced instability from competition providing innovative solutions for quality of education to students, its Rational Management collapsed. SZABIST must think creatively and develop full perspective of student concerns by interacting with them to understand their needs and issues and then encouraging the front-line staff and faculty to share knowledge within the organisation to make sustainable changes in the decision-making that will lead to competitive advantage in UAE market.

Following the influential works of Koch Industries Inc. SZABIST can relate to the rapidly changing landscape of UAE Higher Education by modifying its rational expectations of presumed stable variables. As previous comparisons of total student enrolment and university enrolments as share of the total clearly indicate that market infiltration is growing with more volatility presented in the form of intense competition.   
Proceeding sections of this paper would analyse the practical relevance of MBM model for SZABIST and make important recommendations for forward-looking components of its approach.

**Market-Based Management at SZABIST**

The market-Based Management framework seeks to improve organisational performance by identifying several key factors that contribute to business success (Ellig, 1996)

*Mission:* MBM framework emphasises that an effective mission must be based in economic analysis of comparative advantage. The mission/objective statements of SZABIST- Dubai need to be specific enough to guide employee behaviour by including market segment, quantity of student, and education quality targets.

*Values and Culture*: Faculty and staff at SZABIST- Dubai must be encouraged to be knowledge-based entrepreneurs with values such as intellectual honesty, trust, openness, humility and freedom to fail and thereby learn.

*Roles and Responsibilities*: Responsibility and decision-making authority must be clearly defined and be placed in the hands of the individuals with the best knowledge to make relevant decisions.

*Compensation and Motivation*: SZABIST-Dubai needs to provide extrinsic incentives that are clearly linked to results that people are expected to attain and can actually affect, and individuals must be given opportunities to take on responsibilities that best fit their interests and abilities.

*Internal markets*: SZABIST has enough human resource to effectively seek their cooperation in areas of training, advertising and marketing, course development, delivery method innovations and the generation and assimilation of local knowledge.

*Generation and Use of Knowledge*: Above all, SZABIST Dubai must commit to share business and operating knowledge in ways that promote organisational learning with the main campus and develop innovative solutions.

**Task Teams as a Tool for MBM at SZABIST Dubai**

To propagate free flow of ideas by making employees feel that they can communicate without fear of punishment or discouragement, SZABIST-Dubai can develop task teams for various functions that work independently to make recommendations and come up with innovative solutions. The task teams must have the characteristics of real teams, as opposed to teams in name only, namely team boundaries, stability of membership, task interdependence as well as team learning and emotional support (Buljac, Van Wijngaarden & Van Woerkom, 2013). These last two characteristics can be the predictors of team effectiveness and decision-making value. Three task teams are recommended here as follows but more can be included if they fulfil the real team criteria:

*SWOT team*: Established to identify threats and opportunities by interacting with external markets through conferences, seminars etc.

*Internal Relations Team:* Established to identify the needs of students, staff and faculty and make viable recommendations in conjunction with SWOT team learnings. Together these two teams would be able share their knowledge and make recommendations in areas like new programmes and courses that can help gain competitive advantage and also new delivery methods that can improve overall teaching and learning experience at SZABIST.

*Research Centre:* Established to develop implementation strategies for the recommendations of the previous two teams by looking at internal competencies and resource allocations.

It is imperative to note here, that these teams can only be effective if the conflicts are managed and regulated and their impact on team performance is minimised. Although task boundaries must be clearly defined, there might still be instances where task conflict can develop and, though they have a potential to improve teams’ decision- making (Jiang, Zhang & Tjosvold, 2013), they must be managed by upper management. Task conflicts can occur, for example between SWOT and Internal Relations teams where they both are suggesting ways of improving new student registrations, for instance. SWOT team might try to push for new programme offerings while Internal Relations team might suggest changes in delivery methods. The teams would work most effectively together if relationship conflicts were eliminated between the members and where members feel that their opinions are respected and sought by their own as well as other teams throughout SZABIST.

**Competitive Advantage for SZABIST-Dubai**

As discussed earlier also that price differentiation in not a long- term strategic advantage in the higher education sector in UAE. SZABIST has traditionally competed based on its lower fee structure and flexible payment plans but in the absence of other key differentiation strategies, this cannot have the longevity and effectiveness anymore. To make any recommendations for gaining a sustainable competitive advantage, we would look at the value delivery chain at SZABIST and reintroduce it and stress the fact that SZABIST must look at its functions as related in the form of a chain and not independent functions that do not require inputs and knowledge from and of the previous stage. Porter (1985) developed value chain with five primary activities and four supporting activities but in order to apply it to higher education some changes need to be incorporated as some components of Porter’s chain (e.g., inbound and outbound logistics) cannot be directly applied to higher education (Makkar, Gabriel & Tripathi, 2008). Figure 1 presents the redefined value chain for SZABIST Dubai.

*Figure 1*: RevisedValue Chain for SZABIST Dubai

*Infrastructure and Student Services*

*Research and Library Services*

*HRM, Faculty and Staff Developments*

**Support Activities**

**Primary Activities**

Course Development

& Programme Design

Course Content Delivery

(Classroom & non-classroom Delivery)

Records & Distribution

(Books, Lecture notes etc.)

Marketing & Sales

(New student registrations)

Student Support

*Source: Makkar, Gabriel & Tripathi (2008)*

According to this value chain the support activities must form a package of services for the students, which must aid in the learning experience they have at SZABIST. The Primary activities need to undergo a constant change as well to keep abreast with the changes in the customer needs and competitive threats.

Porter’s Generic Strategies for competitive advantage (1985) can be useful tools to develop strategies for SZABIST and with the value chain in mind; SZABIST can create a significant *differentiation* by offering its students one-on-one learning experience and personalised solutions. With its small student base, this is possible, which in other universities where the class sizes range in 100s it would not be practical. SZABIST can innovate the classroom interactions to include not just lectures but simulations, discussions and debates where every student can participate and present their point of view. Faculty can give detailed, individual feedback because of small class size and this can greatly improve the quality of course delivery and content. Students can this way enjoy the benefits of high-quality products and personal relationships and a specialised custom-fit solution that is typical for *Niche Marketing*. Without expanding its campus to include bigger classroom size and quantity, small size of the campus can provide better interactions and *cost advantage* at process level and better resource utilisation.

In short, SZABIST can gain competitive advantage if it develops a knowledge-based organisation that thrives on interactions between students, markets and organisation and its small size can be a resource for this in a market where institutes are building bigger campuses to cater to bigger student bases. The task teams suggested earlier, could also more effectively interact with faculty and students to understand their needs and to communicate their innovative solutions under this new management style.

**SZABIST as a Learning Organisation**

To sustain the above-mentioned competitive advantage, SZABIST must incorporate a paradigm shift in the way its management and decision-makers have viewed the organisation. SZABIST needs to be a learning organisation that constantly stays in touch with the external and internal market, gains knowledge from it at individual and group level, and then this knowledge is assimilated and utilised in task teams, which have the authority to recommend and decide on the changes that must be made to sustain the competitive advantage. This cycle of knowledge assimilation and dissemination is represented in Figure 2. According to this cycle, the tacit information is captured from the external environment through interactions with external agents (students, competitors, education ministry etc.) and internal organisational members through physical proximity or interactions in task teams and then disseminated to the entire organisation in a socialisation process (Ramirez, Morales & Rojas, 2011). This paper has recommended this socialisation process to be formally organised in the form of task team cooperation. Rather than transmitting this tacit knowledge to main campus, task teams would work together to recommend and implement changes at Dubai campus.

*Figure 2:* Four Alternatives for the Creation of Knowledge

Diagram

Description automatically generated

*Source: Nonaka & Takeuchi (1995)*

**Conclusion**

Market-based management is a comprehensive framework that seeks to promote the discovery, dissemination and integration of knowledge in the firms. It contrasts with both “command-and-control” paradigm and with less systematic, ad hoc approaches that have gradually led managers away from command-and-control (Cowen & Ellig, 1995). SZABIST Dubai has been a typical case study in this regard where during its inception stage it had a centralised command in main campus in Pakistan, which lead to feelings of redundancy and stagnation of ideas in Dubai campus. This resulted in a disastrous faculty and staff departure that rendered SZABIST incapable of coping with the massive competitive threats it was faced with. The ensuing survival mode established an ad hoc management style where remaining staff was more concerned with getting the day-to-day work done and feared punishment and rebuke for any attempt to suggest innovation and knowledge sharing.

SZABIST has an advantage of its small size and can effectively use its compactness to interact with students to create long-term and personal relationships. This can prove to be an important source for its competitive advantage especially when it is combined with the development of task teams that must have enough incentives and authority to recommend changes. The constant changes can occur through task teams in the entire value chain from infrastructure utilisation and faculty developments to course content changes, to delivery innovations that allow for more student-faculty interaction and dialogue and finally by the inclusion of student inputs in the decision making process. Above all, decentralisation to task teams is a paradigm shift that can only be effective once SZABIST changes its framework and be a learning organisation that recognises the importance of knowledge of market mechanisms and has socialisation processes that promote the discovery, dissemination and utilisation of this knowledge. **References:**

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