

Growth strategies for higher education business faculties faced by declining primary markets

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Abstract: This paper discusses development strategies for Business Faculties faced by reduced demand from their primary markets (being a decline in their student intake). It starts by discussing possible strategies for Higher Education (H.E.) institutes, goes on to present a "value based" strategy, then continues with a discussion of potential target markets to which Business Faculties could provide significant "Added Value". It concludes with discussion of the ways in which the H.E. Business Faculty initiatives presented in this paper could complement and reinforce the traditional and historical roles of H.E. Business Faculties

Keywords: Higher education, reduced student intake, development strategies, small & medium sized enterprises (SME's)

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1. Introduction

A question of increasing importance for higher education (H.E.) Business Faculties is what strategies they should adopt faced by declining populations and their anticipated impact on the future numbers of students. One solution is to compensate any decline in local student numbers by expanding recruitment to students from other countries. Examples of this are Universities in the U.S.A. or the U.K. which try to attract increasing numbers of students from (for instance) China or India. Other examples are (private and public) universities in Poland, and other former communist countries, which recruit increasing numbers of students from the

Ukraine or from the CIS. In some cases, faculties such as university medical faculties (e.g. in Poland), recruit students from Scandinavia (Norway) or the USA by providing (mainly) English Language courses which are seen as good "value for money" especially when combined with lower living costs in the country and with a good student lifestyle.

The impact of these solutions is that short-term, the problem of declining student numbers may be less apparent in recruitment statistics. However, medium term, faced by anticipated (or actual) population declines across most of the world, it seems inevitable that the overall student population will contract. Thus, the key question for universities in general and Business Faculties in particular becomes the one presented in the title of this paper - What growth strategies can they adopt when faced by the (medium or long-term) decline in their primary student markets ?

Fundamentally, there are three strategy options for H.E. Business Faculties:

1. Competition with other faculties (e.g. on reputation or on total cost of studies).
2. Differentiation from other faculties (e.g. by specialist or "niche" courses).
3. Development of "value" based strategies which identify and implement value propositions addressed to (potential) markets that are large, have high "need" but with these needs not met within current model frameworks.

This third strategy option is the one discussed in the body of this paper. To present it in an appropriate contextual framework, the paper is structured as follows: competition and differentiation Strategies and their H.E. Business Faculty impact; value strategies and their potential for H.E. Business Faculty growth; value strategy implementation - potential target markets; SME business sector requirements and H.E. Business Faculty "credibility"; H.E. Business Faculty roles and SME focused value strategies; conclusions.

2. Competition and differentiation strategies and their H.E. Business Faculty impact

Competition strategies among H.E. Business Faculties are mostly based either on cost (i.e. potential students select a faculty based on their perception of the best "total cost / value for money" proposition) or on the reputation of a specific Faculty. Reputation based competitive strategies, especially in declining primary markets, usually depend on building strong brand-names where the strength of the brand drives demand for the product and thus, "squeezes out the

competition". For H.E. Business Faculties implementing these strategies, a very important aim must therefore be to achieve and retain the highest possible ratings in rankings used as guides by the (pre-student) primary market. Realistically, this means that for national rankings, a position in the "Top 3 - 5" is optimal and for regional rankings one within the "Top 10". Of course, rankings are not the only criteria applied by the primary market but they will be a significant one. This situation raises a question - how can Business Faculties compete if they are not in the "Top 5 / Top 10" ?

This question can be answered in a number of ways (e.g. location, "the student experience", cost, reduction of entry standards, etc.) many of which are variations of the cost / reputation paradigm. However what is common between the different parameters is that many of these "competitive levers" will filter through into the rankings either with a positive impact (enhanced reputation resulting from: "student experience", beautiful location, etc.) or a negative one (diminished reputation due to: lower costs resulting in lower funding for investment or for the right teaching staff, reduction of entry standards leading to intake quality issues, etc.).

One competitive option is to differentiate by providing courses in specialised or "niche" subjects. This sounds "good in theory" but may have some practical limitations. How to find and retain the specialist staff needed to support a specialist curriculum ? How large, in a declining primary market, is the "catchment area" of (potential) students sufficiently interested in a "niche" course to be ready to apply ? What are the next steps if a specialist course "runs out" of students and the specialist staff are permanent faculty members ?

Clearly therefore, both the Competition option and the Differentiation option raise some fairly tough issues leaving the fundamental question still open: What viable strategies "non- Top 5 / Top 10" ranked Business Faculties could apply to enable them to grow and develop in an environment of declining primary markets ?

3. Value strategies and their potential for H.E. Business Faculty growth

This paper proposes a strategy based on "value" and to develop this for H.E. Business Faculties, the first question to be asked is what "value" do these faculties bring to the communities within which they operate and which they primarily serve ?

For H.E. Business Faculties the answers are clear: specialised knowledge and expertise, knowledge and expertise transfer skills, research organisation, research management ability, reputation within their communities, easy and strong "out-reach" to these communities, specialised and well equipped infrastructure, plus a number of other "latent value" aspects waiting to be released.

Looked at from this perspective, "value" could be released by Business Faculties in a number of ways. For instance, by helping companies in the Faculties catchment area. Some examples of what could be provided are:

- Business Support Centres - Advice / consultancy on Business Issues providing "knowledge based support & consultancy".
- Centres of Expertise - Knowledge Transfer and specialised business training in Best-Practice (for instance in: Logistics, Production, Supply-Chain, Quality, H.R., Strategy, Marketing, etc., etc.).
- Business Incubators - To support Start-ups (e.g. University Start-ups) in a practical manner (with academic support from Faculty Departments such as Finance & Accounting, Marketing, Strategy, Human Resources, Legal, etc.).
- Research Assistance - In which Business Faculties could provide support (physical and intellectual) or expertise in research projects (for instance) in Marketing, Business Development or Product Design (e.g. "design to manufacture") or in Organisational Structure, Organisational Efficiency or Process Optimisation (e.g. in various H.R. or "Lean Operation" projects).

One could further imagine these types of organisation run and supported by relevant Academic Staff (e.g. on a part-time basis) but with "day-to-day" operations handled by Masters or Doctoral Students. For these students, participation in these activities could provide a very good practical understanding of business serving to consolidate the theoretical understanding they acquired in a first degree.

The organisation proposed above, where Academic Staff "run the business" and provide "knowledge requirements" whilst Masters and Doctoral Students "staff the business" and provide "execution capability", provides additional opportunities for generating value.

One can anticipate the value to a future employer of a candidate who has participated in this type of practical learning activity. Moreover, one can anticipate the reputation enhancing "value" this future employer would place on cooperating with the specific H.E. Business Faculty which educated this employee.

Thus, not only would the Faculty be enhancing its own value because it would be seen to be doing practical "good things" for the business community but also the Faculty would be educating graduates who are well positioned for their future careers and where this "positioning" is recognised by future employers. Thus, this increased value should appear in the various rankings.

An aspect of Value Strategy implementation is the question of funding. By its nature, for "value addition" to be effective, this "addition" should be "recognised" so there is no reason why the forms of assistance to the business community presented above should not become revenue generators. In fact, one can imagine an overall model where the Business Faculty sets up a Business Support Centre together with a Centre of Expertise and the revenue streams from these activities contribute to a Business Incubator (for instance) for students and graduates of the H.E. Institution.

4. Value strategy implementation - potential target markets

In implementing any business strategy the issue of addressing "the right target market" is a critical success factor. In the case of implementing a Value Strategy, the answer to the question "what is the right target market" is an obvious one - it's the market to which the organisation implementing the strategy can provide the most "value". However, as often, the details are somewhat less obvious. Statistically, businesses are normally divided into three to four main groups. Applying standard EU definitions this breakdown is as presented in Table 1.

Table 1. EU enterprise definitions

Category	Employee Headcount		Turnover		Balance Sheet Total
Micro	< 10	AND	≤ EUR 2 mill.	OR	≤ EUR 2 mill.
Small	< 50		≤ EUR 10 mill.		≤ EUR 10 mill.
Medium-sized	< 250		≤ EUR 50 mill.		≤ EUR 43 mill.
Large	≥ 250		> EUR 50 mill.		> EUR 43 mill.

Source: EU Commission (2015).

Per EU definitions, Turnover and Balance Sheet Total are annual figures and are "either / or" whereas the Employee figures are combined with the other figures. Thus, if a company has 8 employees and EUR 5 mill. T.O. it is classified as: "Micro", if it has 12 employees and a Turnover of EUR 5 mill. it is classified as: "Small" etc. "Micro" enterprises are, by far, the largest group of enterprises. However this dominance is not reflected either in Employment or in Value-Added. The details are shown in Table 2, which presents EU data for 2013.

Table 2. EU Enterprises - Key Statistics, 2013

	Micro	Small	Medium	Large	Total
Number of Enterprises					
Number	19,969,338	1,378,374	223,648	43,517	21,614,908
% of Total	92.4%	6.4%	1.0%	0.2%	100%
Employment					
Number	38,629,012	27,353,660	22,860,792	44,053,576	132,897,040
% of Total	29.1%	20.6%	17.2%	33.1%	100%
Value-Added at Factor Costs (EUR Mill.)					
Mill. EUR	1,362,336	1,147,885	1,156,558	2,643,795	6,310,557
% of Total	21.6%	18.2%	18.3%	41.9%	100%

Source: European Commission (2014).

What is very clear from Table 2 is the significance for the EU economies of Micro, Small and Medium Enterprises (SME's). These enterprises employ almost 70% of the EU business

work-force and generate almost 60% of the value-added. A conclusion is therefore, that rather than concentrating on the larger companies (which normally have access to specialised help within or outside their organisations) it may be worth for H.E. Business Faculties to concentrate on the SME's both because of their number and because of their impact on the overall business landscape.

A relevant question to ask at this stage is whether SME's need help and, even if they do, whether they would be willing to ask a H.E. Business faculty for this help. To answer these questions it may be helpful to try to understand SME's own perspectives on their business / operational situation. Academic surveys have been carried on this subject and the main conclusions of some of them are presented in Table 3 below.

Table 3. Operational and business surveys of SME's - main conclusions

Author	Date	Conclusion
Epstein and Roy	2000	a focus on day-to-day activities, short-term problem solving and "making ends meet."
Hillary / Jorgensen and Knudsen	2003 / 2006	Low interest or limited (<i>pressure</i>) from customers (<i>to implement changes</i>) especially in relation to micro-businesses
Jenkins	2004	The largest risk (<i>as perceived by SME Management</i>) being "the failure to survive"
Roberts, Lawson and Nicholls	2006	Emphasis on financial and operational risks
Roberts, Lawson and Nicholls	2006	Unclear cost benefit (<i>of implementing operation and environmental solutions</i>)
Roberts, Lawson and Nicholls	2006	Down-stream supply-chain barriers
Roberts, Lawson and Nicholls	2006	Lack of relevant (sector and / or size-specific) information resources and supporting services
Seidel et al.	2009	Time pressures and short planning horizons
Will / Underwood	2008 / 2010	Ad-hoc or minimal systems ... especially in relation to strategic decision making
Underwood	2010	Lack of internal expertise

Source: Stepan (2013).

Reviewing Table 3, a clear conclusion is that SME's, from a business and operational perspective, need assistance of a general business, financial and operational nature. The question then is who or which types of organisations are best placed to provide this and what are the requirements for them to be "credible" in the eyes of the SME business sector.

5. SME business sector requirements and H.E. Business Faculty "credibility"

"Credibility" vis-à-vis this business sector means presenting convincing arguments to the owner / managers who predominate in this sector. (Mainly) because of their reputation, H.E. Business Faculties (especially of Public Universities) are quite well positioned to be the providers of these arguments. Owner / managers often operate very intuitively and, looking for assistance, one of the main "selection criteria" often is their "sense of confidence" that a particular organisation will be able to implement viable business and operational solutions which are within the SME's financial constraints. From this perspective, the owner / manager will look for organisations that:

1. Are ready to understand their requirements and have the patience to look into the specifics of their operation.
2. Are persons (and organisations) both they and their employees can feel comfortable in working together.
3. Are knowledgeable about requirements in their industry and have access to appropriate expertise.
4. Have demonstrable experience and can present concrete solutions which have good "fit" for SME's (size, operational scope, etc.).
5. Have a broad range of experience and access to a wide knowledge base across many business areas.
6. Have fees which are at an affordable level for SME's.

Looking at this requirements list, points 1-5 can probably be met by a number of consultancy organisations. The issue for most will probably be point 6. On the other hand, smaller and "one-man" organisations may be very flexible on point 6 but have a problem with point 5. Although they may attempt to "improvise a solution" they may not necessarily have sufficient credibility or "organisational mass" to convince SME owner / managers to take the risk of applying their expertise.

In this situation there is a problem; reviewing the points above, it seems that by far the largest business sector, with the largest number of employees and the largest "value-added" generation does not currently have an effective business consultancy and support solution and this is where H.E. Business Faculties could "step-in" and "take up the challenge".

The reasons for proposing that H.E. Business Faculties "step-in" are simple:

- Firstly - reviewing the above 6 requirements are any of them a challenge for H.E. Business Faculties?
- Second - does any other organisation have the: ease of access, depth of resource, "capable and robust" organisation, reputation, technical infra-structure, etc. to handle all 6 requirements (plus eventually more) in a comprehensive manner?

For these reasons, proposing that H.E. Business Faculties "take up the challenge " of supporting SME businesses could actually be the most viable solution whilst at the same time providing significant growth opportunities for these Faculties.

6. H.E. Business Faculty roles and SME focused value strategies

An article published in The Economist ("Excellence v equity" Economist Special Report on Universities 28.03.2015) presented the three primary roles of a H.E. Institution. To assess the contribution a Value Strategy can make to H.E. Business Faculties, it may be worth benchmarking this type of strategy against these three roles. The Economist presented the following three H.E. Institution roles:

1. Centre of Learning and of Teaching (original role of Universities when they were first founded).
2. Research Centre (role which started in the Early Renaissance and developed in its present form in the 19'th century).
3. "Mass Education Institution" providing general access to specialised knowledge and research by training large numbers of Managers and Specialists (role which began to be visible in Europe and the USA in the early 20'th century and developed across the world from the late 1940's).

Earlier in this paper four elements of a Value Strategy were listed by which H.E. Business Faculties could assist companies in their catchment areas. These were:

- Business Support Centres providing business advice and consultancy.
- Centres of Expertise for "Knowledge Transfer" and "Best Practice" training.
- Business Incubators to support Start-ups.

- Research Assistance in which the Business Faculty provides support or expertise in research projects.

Table 4 below presents the author's assessment benchmarking the four elements, specifically with regard to SME's, against the three major roles of H.E. Institutions.

Table 4. "Fit to Mission" Benchmark Analysis of an SME Focussed Value Strategy against H.E. Institution Roles

Strategy Element	Contribution of Strategy Element to H.E. Business Faculty Role		
	Teaching	Research	"General Access Education"
SME Business Support Centres	VERY STRONG (both for SME's and for the students staffing the centre)	STRONG (understanding of SME problems / identifying research areas)	MEDIUM (good method to "reach-out" to potential SME Business Faculty Clients)
Centres of Expertise for SME's	VERY STRONG (for SME's) LOW (for students - due to lower student involvement)	MEDIUM (help identifying potential areas for SME research)	VERY STRONG (potential for specialised training of SME Managers and Staff)
Start-up Business Incubators	VERY STRONG (both for start-ups and for the students carrying out tasks)	VERY STRONG (ideal area for research on business start-ups)	VERY STRONG (start-ups learn to "do what's right" / students learn the same)
SME Research Assistance	VERY STRONG (students "learning by doing" in research projects)	VERY STRONG (ideal area with "live companies" and concrete research projects)	VERY STRONG (provides opportunities to learn "what works in business")

Source: Author's own research & analysis

Table 4 above presents an assessment of the degree to which the four Value Strategy elements described in this paper could contribute to developing the role of a H.E. Business Faculty. This assessment, based on the author's judgement of the "added value" of these elements with regard to a H.E. Business Faculty, is subjective and should be assessed across a wider audience. However, based on the author's own knowledge and experience, it would be difficult at this stage to assume that a wider assessment would generate significant differences to what is presented in the table above.

7. Conclusions

This paper discusses possible responses of H.E. Business Faculties challenged by a decline in their primary markets (reduced student intake caused by declining populations in their catchment areas). It presents a value based strategy together with Value Strategy elements which could have the potential to assist a H.E. Business Faculty grow and develop in this (very challenging) environment.

Even if a H.E. Business Faculty decides on a different approach, discussions about what Value Strategies to implement could provide the impetus for a fresh look at the role of a specific H.E. Business Faculty within its business, educational and societal framework. Whether the author is correct in the conclusions or whether, for instance, the list of Value Strategy elements is definitive, are secondary issues with regard to triggering discussions about the role of H.E. Business Faculties in the present academic environment. In the author's opinion, too much "value" has been invested in these Institutions by generations of professors, students, parents, taxpayers, constructors, technical staff, etc., for them to find no alternative but "withering away" or "scaling-down" their activities.

What the author proposes is a rethink, based around a Value Strategy, of the traditional roles of H.E. Institutions. This rethink could focus on the "value" these institutions could offer the specific business sector with the largest employment, the largest revenue generation, the largest number of enterprises. At the same time this business sector has the biggest unprovided needs, the largest number of problems (thus the largest scope for concrete help), and yet there is the lowest proportion of organisations providing this help in an on-going and structural manner.

Most SME's seem to "muddle through". In some cases successfully, in many cases less so. What this paper proposes is an approach by which H.E. Business Faculties help them grow and develop whilst at the same time enabling those Business Faculties to fulfil their fundamental (historical) roles and missions.

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Strategie rozwoju Wydziałów Zarządzania uczelni wyższych w obliczu spadku ilości studentów

Streszczenie: Artykuł przedstawia możliwe strategie rozwoju Wydziałów Zarządzania w obliczu pogarszającej się sytuacji rynkowej spowodowanej spadkiem ilości studentów. W pierwszej części artykułu omówione są możliwe strategie rozwoju tych wydziałów z naciskiem na strategie oparte o pojęciu „dodania wartości”. Druga część opisuje możliwe „segmenty docelowe” wobec których Wydziały Zarządzania mogłyby mieć znaczący wkład w „dodawaniu wartości”. W ostatniej części artykułu przedstawiona jest dyskusja do jakiego stopnia rozwiązania przedstawione w artykule mogą komplementować i wzmacniać historyczne funkcje Wydziałów Zarządzania Uczelni Wyższych.

Słowa kluczowe: *Szkolnictwo wyższe, spadająca liczba studiujących, strategie rozwoju, małe i średnie przedsiębiorstwa (SME)*

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