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STRATEGIC ANALYSIS OF UNIVERSITY OF CANTERBURY

EXECUTIVE SUMMARY

Strategic audit is a constant process that organizations across different industries in every part of the world consistently undertake (David, 1995; 1997; 2007). The underlying report provides the strategic audit of the University of Canterbury in the tertiary education sector of the New Zealand. The report contains in detail entails the external, competitive and the internal environmental factors affecting the tertiary education sector of the NZ. In addition to the internal environment of the University of Canterbury, the impact of all external and competitive environments has been discussed in detail. The report concludes with highlighting the important factors that have critical implications for the University of Canterbury.

INTRODUCTION

The tertiary education sector of New Zealand is growing at fast pace with extensive support from the government (MOE, 2013). The industry is fragmented as the tertiary education is driven by the four different fragments of universities, institutes of technology and polytechnics, Wānanga, institutes that are registered under NZQA for private training establishments and industry training organizations (ITO) (MOE, 2013; NZQA, n. d.). On the other hand, each of the five sections identified has consolidation due to growing competition. The dynamic industry is affected by large number of factors mainly quality of the education which is dependent on the quality of the human resources, the financial strength, the research work, citations, number of disciplines offered, priorities set by

government etc (MOE, 2014; THE, 2012). The mature industry is expanding its dimensions from newer study prospects and by increasing research and development.

In total government has invested was \$4. 2 billion in the year 2012 as follows:

(MOE, 2014)

OVERVIEW OF THE COMPANY

The University of Canterbury was established in the 1873 and was the only second university in the New Zealand. It was situated in the center of the Christchurch. The university in its journey of more than 140 years now offers the educational facility of tertiary education (in addition to the college education) in more than 50 diverse disciplines (UOC, a). Currently, the university has 14, 617 of which 1, 574 are international students acquiring education in different disciplines (UOC, 2013). UC though ranks among the leading universities of the world; however, it has recently gone down due to the competitive pressures (Theunissen, 2013). It is ranked best performing university for civil engineering; hence, holds a strong position in local tertiary education market (Manning, 2014). Also, the UC is taking measures to strengthen its position in the maturing industry that is increasing competitive pressures.

MACRO-ENVIRONMENTAL ANALYSIS

Scanning of the external environment provides information that ultimately has an impact on the competitive landscape as well as the internal performance of the organization (Hussey, 2012). PESTEL analysis which is an

acronym for the Political, Economic, Social, Technological, Environmental, and Legal factors is a strategic tool for the systematic assessment of these factors as conducted below:

Political:

According to the AM Best report, the political risk of NZ is considerably lower as compared to the risk of the overall world (Appendix 1). It is only the fiscal policy that is under pressures due to cuts in public services. Hence, the low political risk benefits the county with the continuity of policies resulting in smooth ground for businesses to perform. Government has been supporting various universities and institutes for expanding education industry (MOE, 2013).

Economic:

The economic growth for the 2013 has 2.7% originating from the post-earthquake reconstructions mainly in the cities of Canterbury and Christchurch. The economy has recently diversified from the traditional agri-based economy to diverse industries. Its strength also lies in niche industries of food processing technology, mountain bikes, boat building etc (AMB, 2013). Low population and high per-capita income reflects the strength of the economy that has recently undergone considerable transformation (Appendix 2). The trend of the economic indicators reflect positive outlook for future as result of reforms (Appendix 3).

Social:

The highlights of the social strata of country is presented in appendix 4. The population balance is highest for the population that is the target of the

tertiary industry. More than 95% attend secondary school while more than 75% of people of age 25 to 64 have some kind of tertiary education (Workingin, n. d.). Importantly, the country also have considerable enrolment of international students in private training institutes/ Establishments (PTE) as shown in appendix 5.

The influx of the international students also opens the way for the exploring the growth of educations sector by accommodating diverse cultural backgrounds. The tertiary education system is also complimented with Wānanga (tertiary institute that provides education in Māori cultural context). The overall change is also witnessed in the gender based education providers over 2007-2012 (Appendix 6).

Technological:

NZ underwent considerable reforms in past two decades and expanded its existence from agriculture to diverse and technological industry such as food processing etc (AMB, 2013). Technology and polytechnics institutes constitute a major section of the tertiary education (MOE, 2013). Also government support is also increasing for the expansion of technology based research and education (ICEF, 2013)

Environmental:

The government in collaboration with other agencies conducts the measures to expand the awareness about the environmental concerns (Adams, 2014). Also, universities are offering courses and degree program for environmental management. Importantly, the city of Canterbury also affected the university considerably

Legal:

The legal and regulatory system is extremely attractive with minimum risk posed (AMB, 2013). Government has developed New Zealand Qualification Authority (NZQA) and the Tertiary Education Strategy for 2014-2019 has also been developed to align the industry with national development goals (MOE, 2013).

Summary:

The external environment for the education is highly positive in the country. Constant support from government for the expansion of the educational sector from primary to the tertiary education paves the way for the growth. Hence, the external environment for the University of Canterbury is highly positive and has positive future prospects.

COMPETITIVE ANALYSIS

The industry is affected by large number of factors, and Micheal Porter's five forces model has attempted to accommodate the impact of most the forces in five dimensions (Henry, 2008). Using strategic tool of assessment of the pressure from of five forces as shown in appendix 7, the organizations determine the attractiveness in the industry and determines its future strategic direction.

The tertiary education industry of NZ constituted of the eight universities, 18 institutes of technology and polytechnics, and Wānanga are three in number, 626 institutes that are registered under NZQA for private training establishments and 40 industry training organizations (ITO) (MOE, 2013; NZQA, n. d.). The power of five forces in the industry is as follows:

Power of Buyer:

The combination of institutes which are all recognized by the education department increases the power of students. NZQA provide the international students various securities. However, recognition from different institutes and authorities increase the power of the institutes on the basis of the quality offered (Manning, 2014). However, the increasing number of the international students is also increasing the power of institutes as it facilities to gain the economies of scale for the institute (MOE, 2013).

Power of Supplier:

The suppliers of the education institutes include the funding authorities and the personnel. The power of suppliers is considerably high as the government backed authorities determine the strategy and the educational institutes are required to develop their plan in line with the strategic objectives set while contributing priority goals (MOE, 2013). Human capital is the most important asset of University and requires spending considerable amount in the personal and professional development of personnel to retain. Tertiary education institutes spent \$4. 41 billion in 2012 on the personnel development which is 59% of the total expenditure by these institutes. Hence, the power of the supplier is considerably high in the industry (MOE, 2013).

Potential Entrant:

Entering the tertiary education industry may not be as challenging as establishing the university. This also evident from the gap in the number of such institutes (NZQA, n. d.). Hence, high capital as well as personnel

requirement and most importantly the technical facilities required for the university is the main hurdle in the potential entrants.

Power of Substitute:

The tertiary education industry is also present with the large number of substitutes such as 18 institutes of technology and polytechnics, three Wānanga, 626 NZQA institutes for private training establishments and 40 industry training organizations (ITO) (MOE, 2013; NZQA, n. d.) . Also, the online education system is another substitute for industries (Hartnett, St George, &Dron, 2011). It will be growing pressure on its international client base who are an important contribution in the labor market and revenues as residents (ICEF, 2013). Hence, the power of substitute is considerably high. Also, they threat the potential to enter the mainstream university sector on the basis of their experience.

Industry Rivalry:

Competing and endorsing the university with the high level of staff, research, and development as well as the endorsement of awards refers that university sectors participants are in competition (EdUniversal, 2013; UOA, 2013).

Summary:

The landscape of the industry is competitive. The universities are taking measures to increase efficiency and productivity (Abbott & Doucouliagos, 2004). Importantly, the competition is not only originating from the direct competitors which are other universities but also from the other sources of

the tertiary education. Hence, the competitive landscape can be determined as moderate.

SWOT ANALYSIS

Once the general environment and the competitive landscape are identified, the organizations are required to assess internal strength and weaknesses and also identifying the opportunities offered and threats posed to the organization in from the external environment (Wilson and Gilligan, 2012). The strategic tool of SWOT which constitutes from an initial of each of the four factors identified is used for the assessment of University of Canterbury strategic positions:

Strengths:

Long history and experience in the diverse fields of education provides UC an important position among competitors (UOC, a). UC has leading and award winning faculty members in different disciplines of tertiary education (UOC, b). The university is ranked as the best performing university of NZ for civil engineering (Manning, 2014). UC provides local and international students with a platform for connecting with the local and international bodies for research, consultancy and commercialization (UOC, c)

Weaknesses:

UC recently dropped its ranking in 2013 (Theunissen, 2013). The university has limited research and faculty to gain attractive position among the leading universities of the world (THE, 2012). The university is located close to the city center that is considered an expensive place. Therefore, the associated cost with education will be high (Studential, 2014). The university

has excellence in the engineering; however, other departments still lack behind (Studential, 2014). Despite high international profile, it only has 11% of international students from its 14, 617 student's pool (UOC, 2013).

Opportunities:

Only 16% post graduate students offer an important opportunity to devise a program to capture the potential market as the population is education oriented (Workingin, n. d.). Investment by the government of the amount NZ \$ 40 million in four years (from 2013) in attracting international students is an attractive opportunity for expanding its exposure to wider students' base (ICEF, 2013). Opportunity to be ranked as the leading university of the region in all disciplines of services (EdUniversal, 2013). University with the considerable international outlook has potential to improve its teaching, research, industry income, and most importantly citation (THE, 2012). Collaboration with international universities as well as substitutes such as institutes for private training establishments and industry training organizations (ITO) to reduce the competitive pressure and expand its standing the industry.

Threats:

Private training establishments have considerably high enrolments of international students posing threat to the international market for the University of Canterbury (ICEF, 2013). Also the pressure from substitutes that are having competing position in the tertiary education industry are critical threat (THE, 2012). Change in the education policy and objective implication from the government can have critically threatening implications

for the institute (MOE, 2013). High dependence on the local enrolments is a threat. Potential reduction in the international immigrants due the rising trend of the online education programs from other leading universities of the world. Aggressive moves from other universities especially Asian universities have already pulled the ranking of UC down (Theunissen, 2013)

Summary:

The University of Canterbury with its more than 140 years of history has managed to sustain its position in the tertiary education sector of New Zealand. However, constantly and rapidly changing environment of the globe where globalization has made a considerable impact on each and every field, the university is required to integrate greater attention towards the program for the improving it ranking and consequently its attraction among the leading universities of the world.

CONCLUSION

The University of Canterbury was established in the 1873 and since then it is playing key role in the tertiary education sector of the New Zealand. With reforms, the country has evolved towards improvement and providing an attractive environment for the various industries. Education environment in the country is improving and with the support of the government, the sector is expected to grow and improve. Moreover, technological advancement is helping the industry to improve its quality. Government is also supporting in improving the standards of education and research and this is another important factor that would result in improving the quality of education. The competitive environment is also moderate with 8 universities and 18

institutions of technology and polytechnics. These universities and institutions are making efforts to enhance their efficiency and quality.

Although, the university do not face threats from new entrants but the number of substitutes and alternatives available offer significant threat to the university.

The University of Canterbury has enjoyed considerable strengths due as a result of its long successful journey; however, the performance of the UC still requires immense improvement. It is ranked as the best performing university in the domain of civil engineering in New Zealand. The university also offers a good platform for the students for research, consultancy and commercialization. Even though, the ranking of the university has dropped slightly but with the opportunities available, the university can improve its position. It is high time for the university to exploit the opportunities offered by the environment to abreast itself for the dealing with threats as well as overcoming its weaknesses. It is also important to play proactively to increase its attraction among the international enrolments to expand its worldwide exposure as well as reducing its dependence on the local students.

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Appendix 1

(AMB, 2013)

Appendix 2

(AMB, 2013)

Appendix 3

(D&B, 2014)

Appendix 4

(ECR, 2012)

Appendix 5

(ICEF, 2013)

Appendix 6

(MOE, 2013)

Appendix 7

(Henry, 2008)