

# **The Influence of Strategic Management Practices and Competitive Advantage on The Organizational Performance Of Higher Education Institutions**

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## **Abstract**

*This study was conducted to find out the strategic management practices, competitive advantage and organizational performance of higher education institutions in Davao Region. The higher education institutions were from private schools and government owned universities and colleges with at least five hundred and above students. The respondents of the study were the top managers or senior officers such as Chief Executive Officers (CEO's), Presidents, Vice-Presidents and junior officers such as Deans, Program Heads, Department Heads and Directors of higher education institutions for school year 2009-2010. The faculty and students were also included during the conduct of the study. The descriptive-correlational design was utilized in this study. The findings showed that the HEIs in Region XI manifested extensive strategic management practices. The level of organizational performance of the participating HEIs is high. The highest performance, relative to the other dimensions, is in terms of resource management while the lowest is in terms of governance and management. HEIs with high investments in their human, information and organizational capitals tend to generate high returns in terms of their organizational performance. On other hand, institutions that manifest good practices in terms strategy formulation and strategy implementation are likely to have higher organizational performance outcomes. And competitive advantage as part of strategic management showed a remarkable positive influence on organizational performance among HEIs.*

**Keywords:** *strategic management practices, competitive advantage and organizational performance*

## **Introduction**

Higher education like other sectors now functions in a global environment of consumers, employees, competitors and partners. The fundamental missions of teaching, research and service remain unchanged but the avenues for pursuing them have greatly expanded due to globalization. According to David (2005), in order to survive all organizations must be capable of wisely identifying and adapting to change. The role of strategic management in ensuring institutional relevance in today's competitive environment in higher education cannot be undermined. The strategic management process allows organizations to adapt effectively to change over the long run. Its primary value is in helping the organization operate successfully in a dynamic, complex environment.

Over the years, institutions of higher learning have become key players in today's global economy. Higher education is now big business by which all institutions must be willing to play hard in order to produce and succeed. They must adjust to meet the needs of an increasing global economy or expect to perish to its competition. The use of business paradigm methods of strategic planning and strategic management is very necessary to the growth and survival of colleges and universities. The higher education institutions should be strategically managed to attain a better future and achieve their desired levels of performance (Burrell and Grizzell, 2008)

At the global level, countries need to demonstrate that their education systems match world class standards. Jobs can be moved readily from one country to another and multi-national employers do not hesitate to relocate jobs to their maximum advantage. One measure of the international standing of a national higher educational system and of individual universities is the ability of their students to secure employment or to progress to postgraduate studies in other countries. Another measure is the willingness of the multinational employers to take advantage of the skills of a workforce as a whole, by locating their operations in the country concerned (IQuame Overview, 2006). The emergence of the liberalization of education has forced higher education institution to strive for international standards in order to compete with its competitors. In addition, the students' demands are getting more and more complex. Higher education

institutions have the responsibility to produce graduates that are able to accommodate challenges emerging in society, such as graduates producing high quality profile and competence.

In today's increasingly competitive higher education environment, higher education institutions in the national setting are facing problems in finding answers to questions such as: How to attract more and more students, how to keep the best students with them, how to improve the quality of education with limited resources and how to keep operating costs down? In addition to these the ever increasing competitive challenges from other educational institutions via tuition fee incentives, research opportunities, online programs, information management capacity and distance education are also problems which confront colleges and universities.

In the local setting the same scenario is happening. Colleges and universities are confronted by shrinking enrollments, availability of adequate resources to maintain quality in its programs and services, producing graduates who are globally competitive and many more. Indeed the changing environment of higher education institution and its future survival require schools to plan for the future and identify strategies to achieve their desired outcomes, the need to identify their competitive edge over the other schools and the need for performance management through measurement of key performance indicators.

In view of the above, the researcher felt the need to conduct this study to find out the extent of the strategic management practices, the level of competitive advantage and the level of organizational performance of higher education institutions in Davao Region. Realizing this intent makes this study relevant to higher education.

Strategic management addresses the question of why some organizations succeed and others fail. While the field of strategic management has developed rapidly, so far there was no study conducted yet to investigate the strategic management practices, competitive advantage and organizational performance of higher education institutions in Mindanao particularly in Davao Region. Yet, higher education institutions have operated with some sort of plan. Of course, these plans vary from institution to institution and some are more effective than others.

## **Statement of the Problem**

This study was conducted to find out the influence of strategic management practices and competitive advantage on the organizational performance of higher education institutions in Davao Region.

Specifically this study would like to answer the following questions:

1. What is the extent of the strategic management practices in the higher education institutions in Davao Region
2. What is the level of competitive advantage of the higher education institutions in Davao Region?
3. What is the level of organizational performance of the higher education institutions in Davao Region?
4. Is there a significant relationship between
  - 4.1 strategic management practices and organizational performance
  - 4.2 competitive advantage and organizational performance
5. Do strategic management practices and competitive advantage significantly influence organizational performance?

Problems stated in numbers 1, 2 and 3 are hypothesis – free. Only problems stated in numbers 4 and 5 require null hypotheses.

1. There is no significant relationship between
  - 1.1 Strategic management practices and organizational performance
  - 1.2 Competitive advantage and organizational performance
2. Strategic management practices and competitive advantage do not significantly influence organizational performance.

## **Theoretical and Conceptual Framework**

This study is anchored on the theory of David (2005) which states that strategic management is all about gaining and maintaining competitive advantage. Getting and keeping competitive advantage is essential for long-term success in an organization. A firm must try to achieve sustained competitive advantage by continually adapting to changes in external trends and events and internal capabilities, competencies and

resources and by effectively formulating, implementing and evaluating strategies that capitalize upon those factors.

Further this study is also anchored on the generic strategic management framework for the higher education by Alashloo et al. (2005). The framework consists of three main stages namely, strategy formulation, strategy implementation and strategy evaluation. During the first stage, strategies must consider factors such as culture, values, attitudes, vision, mission and long-term objectives. The social, political, economic, technological and demographic changes must also be assessed in order to identify environmental opportunities and threats. Opportunities and threats can only be pursued or blocked if the strengths and weaknesses of the organization are known. Only then can the necessary strategies be formulated. Strategy implementation is the next step and this involves the continuation of some ongoing strategies as well as the beginning of some new strategies. The final stage in the strategic management process is strategy evaluation and control. The aim of this phase is to ensure that stated objectives are being achieved. Reviewing internal and external factors, measuring performances and taking corrective actions are the activities associated with this stage.

There are three variables considered in this study. The strategic management practices and competitive advantage domains are the independent variables of the study. The strategic management practices have three indicators which are: strategy formulation, strategy implementation and strategy evaluation. These indicators are based on the generic strategic management framework for the higher education by Alashloo et al. (2005). These indicators will be measured using the questionnaire based on the retrieved internet source on strategic management.

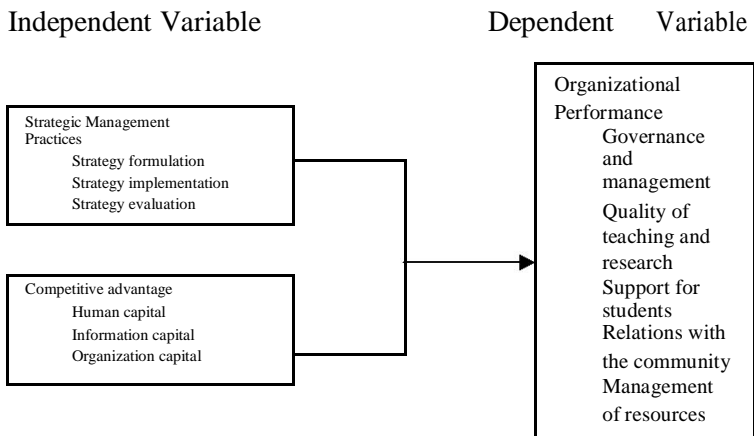
The other independent variable is the competitive advantage which consists of three indicators: human capital, information capital and organization capital. These indicators are based on the article entitled *Measuring the Strategic Readiness of Intangible Assets* by Kaplan and Norton (2004).

On the other hand, the dependent variable of the study is organizational performance which consists of five indicators: governance and management, quality of teaching and research, support for students, relations with the community and management of resources. These indicators are based on the

indicators for performance measures of Institutional Monitoring and Evaluation for Quality Assurance (IQuAME) by the Commission on Higher Education.

The study assumed that the organizational performance of the higher education institutions is influenced by the strategic management practices and competitive advantage of these institutions. The conceptual framework of the study is shown in Figure 1.

Figure 1:  
Conceptual Paradigm of the Study



## Methodology

The method of research used in this study is the descriptive method. According to Gay as cited by Birion et al. (2005), descriptive method involves the collection of data in order to test hypothesis and to answer questions concerning current status of the subject of the study. In relation to this research, the descriptive method was utilized because it is the most appropriate with regards to the purpose of the researcher, that is to gather data in order to answer the specific questions rose as well as to test hypotheses formulated. The relationship among variables such as strategic management practices, competitive advantage and organizational performance in this study is also determined by way of a correlation method.

The respondents of the study were the administrators, faculty and students of the thirty higher education institutions

in Davao Region for the school year 2009 – 2010. The administrators such as Senior Officers (President/Chief Executive Officer / Chief Operation Officer, Vice-Presidents, School Director or its equivalent) and the Junior Officers (Dean, Program Head, Department Head, Unit Heads, Directors or its equivalent) of the higher education institutions in Davao Region were included.

In undertaking the study, the researcher used the quota sampling wherein institutions with an enrollment of five hundred and above for school year 2009-2010 throughout Davao Region were included in the study. Davao Region includes Davao del Sur, Davao del Norte, Davao Oriental and Davao City. There were thirty higher education institutions which qualify to this requirement. The respondents of the study were the 79 administrators, 135 faculty and 136 students of the thirty higher education institutions.

There were three sets of questionnaire used as tools for gathering data. The first questionnaire asked for the extent of the strategic management practices of the higher education institutions in terms of strategy formulation, strategy implementation and strategy evaluation. The second questionnaire asked for the level of competitive advantage of the higher education institutions adapted from Kaplan and Norton (2004). The third questionnaire asked for the level of organizational performance of the higher education institutions based on the performance measures of the institutional monitoring and evaluation for quality assurance (IQuAME) of the Commission on Higher Education. The three sets of questionnaire were subjected to the validation of experts in the field of management and education.

The following statistical tools were used by the researcher to analyze the data gathered. To answer problems number 1, 2 and 3, mean was used. Correlation was used to find out the relationship between strategic management practices and competitive advantage; strategic management practices and organizational performance and competitive advantage and organizational performance. To find out if strategic management practices and competitive advantage significantly influence organizational performance, multiple regressions were used.

## Results and Discussion

Table 1 shows the descriptive analysis results across the three strategic management dimensions. Overall, the HEIs were rated to be extensively observing the strategic management practices (Mean=4.27) stipulated in the survey. The mean ratings further suggest that the institutions were oftentimes observed by their constituents to be manifesting the practices vis-a-vis strategy formulation (Mean=4.46), strategy implementation (Mean=4.22) and strategy evaluation (Mean=4.12). However, relative to the three dimensions, the highest rating could be noted in their strategy formulation practices while the lowest in the strategy evaluation.

Table 1:  
Extent of Strategic Management practices in Higher Education Institutions in Davao Region

| Item                    | Mean        | Descriptive Equivalent |
|-------------------------|-------------|------------------------|
| Strategy Formulation    | 4.46        | Extensive              |
| Strategy Implementation | 4.22        | Extensive              |
| Strategy Evaluation     | 4.12        | Extensive              |
| <b>Overall Mean</b>     | <b>4.27</b> | <b>Extensive</b>       |

Table 2 presents the descriptive analysis results across the three competitive advantages. Overall, the HEIs were rated high on the level of competitive advantage (Mean=3.98) stipulated in the survey. The mean ratings further suggest that the institutions were oftentimes observed by their constituents to be manifesting on the competitive advantage consistent to organizational capital (Mean=4.16), human capital (Mean=3.97) and information capital (Mean=3.79). However, relative to the three dimensions of competitive advantage, the highest rating could be noted in their organizational capital while the lowest in the information capital.

In the main stream of strategic management, the edge to competitive advantage is the competency profile of the organization in terms of readiness (Kaplan and Norton, 2004). These competency are normally human based and is not on having the resources. These competencies are: human capital, information capital comprises the knowledge, skills and values



of the academic and administrative staff in creation of educational value to the stakeholders.

The key to human capital readiness is to identify the important jobs that have the greatest impact on a strategy implementation. Once identification has occurred, management must perform a considerable amount of job profiling to thoroughly understand the knowledge and skills needed to perform those jobs.

Table 2:  
Level of Competitive Advantage of Higher Education Institutions in Davao Region

| Item                 | Mean        | Descriptive Equivalent |
|----------------------|-------------|------------------------|
| Human Capital        | 3.97        | High                   |
| Information Capital  | 3.79        | High                   |
| Organization Capital | 4.16        | High                   |
| <b>Overall Mean</b>  | <b>3.98</b> | <b>High</b>            |

Table 3 shows the descriptive analysis results among the organizational performance. Overall, the HEIs were rated high on the level of organizational performance (Mean=4.01) articulated in the survey. The mean ratings suggest that the institutions were oftentimes observed by their constituents to be manifesting on the management resources (Mean=4.08), relations with the community (Mean=4.05); support for students (Mean=4.01); quality of teaching and research (3.98); and governance and management (3.95). Among the areas of organizational performance, the highest rating could be noted in their management resources while the lowest in the governance and management.

As part of its mandate, the Commission on Higher Education (CHED) monitors and evaluates all higher education institutions (HEIs). This will be a qualitative evaluation of the effectiveness of the arrangements made by each institution to manage the quality and standards of its own programs. This is known as institutional monitoring and evaluation for quality assurance (IQuAME).

The IQuAME has five key results areas within which judgments are made about the performance of institutions. These performance measures are: Governance and

Management, Quality of Teaching and Research, Support for Students, Relations with the community and Management of Resources. Within each key results area there is a number of indicators some of which are core indicators that apply to all institutions. Other indicators apply to institutions to the extent that is appropriate in relation to the mission and stage of development of the institution.

Table 3:  
Summary on the Level of Organizational Performance of Higher Education Institutions in Davao Region

| <b>Item</b>                      | <b>Mean</b> | <b>Descriptive Equivalent</b> |
|----------------------------------|-------------|-------------------------------|
| Governance and Management        | 3.95        | High                          |
| Quality of Teaching and Research | 3.98        | High                          |
| Support for Students             | 4.01        | High                          |
| Relations with the Community     | 4.05        | High                          |
| Management of Resources          | 4.08        | High                          |
| <b>Overall Mean</b>              | <b>4.01</b> | <b>High</b>                   |

In testing for the relationship between strategic management practices and organizational performance of HEIs, the results in Table 4 suggest significance between strategic formulation ( $r=0.15$ ,  $p<0.05$ ) and strategy evaluation ( $r=0.22$ ,  $p<0.05$ ). These results could mean that HIEs who are able to form their strategies well and are able to evaluate whether or not their strategies work in the actual implementation tend to exhibit positive organizational performance outcomes. Caution should be taken, however, when considering these results considering that the value correlation coefficients seem to indicate just slight to moderate relationships.

Looking at the relationship between competitive advantage and organizational performance, it can be seen from the results that all the indicators of competitive advantage, namely human capital ( $r=0.78$ ,  $p<0.05$ ), information capital ( $r=0.71$ ,  $p<0.05$ ) and organizational capital ( $r=0.78$ ,  $p<0.05$ ) showed high positive and significant relationships with organizational performance. These suggest that institutions that invest well in their human, information and organizational capitals tend to generate high returns in terms of their organizational performance.

It is interesting to note though that despite the insignificance of the relationship of some strategic management practices indicators with organizational performance, the overall strategic management as well as competitive advantage scores are significantly related to organizational performance.

According to Ma (1999) and King (2007), in order to compete and sustain successfully particularly during these times, institutions must not only excel in their area but also persevere in the long run. They must seriously consider success factors such as, but not limited to, operational efficiencies, mergers, acquisitions, levels of diversification, organizational structures, top management team composition and style, human resource management, manipulation of the political and social influences intruding upon the market, conformity to various interpretations of socially responsible behaviors, international or cross-cultural activities of expansion and adaptation, and various other organizational and industry level phenomena.

**Table 4:**

Significance of the Relationship between Strategic Management Practices, Competitive Advantage and Organizational Performance

| Independent Variable                   | Dependent Variable                  |              |              |              |              | Overall      |
|--|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
|  | <i>(Organizational Performance)</i> |              |              |              |              |              |
|  | GM                                  | QTR          | SS           | RC           | MR           |              |
| <b>Strategic Management Practices:</b> |                                     |              |              |              |              |              |
| Strategy Formulation                   | 0.18*                               | 0.06         | 0.107        | 0.15*        | 0.13*        | <b>0.15*</b> |
| Strategy Implementation                | 0.05                                | 0.07         | 0.05         | 0.07         | 0.01         | <b>0.01</b>  |
| Strategy Evaluation                    | 0.27*                               | 0.15*        | 0.23*        | 0.15*        | 0.16*        | <b>0.22*</b> |
| <b>Overall</b>                         | <b>0.18*</b>                        | <b>0.06</b>  | <b>0.14*</b> | <b>0.08</b>  | <b>0.105</b> | <b>0.13*</b> |
| <b>Competitive Advantage:</b>          |                                     |              |              |              |              |              |
| Human Capital                          | 0.75*                               | 0.72*        | 0.71*        | 0.68*        | 0.62*        | <b>0.78*</b> |
| Information Capital                    | 0.66*                               | 0.66*        | 0.65*        | 0.60*        | 0.59*        | <b>0.71*</b> |
| Organization Capital                   | 0.77*                               | 0.71*        | 0.69*        | 0.66*        | 0.66*        | <b>0.78*</b> |
| <b>Overall</b>                         | <b>0.81*</b>                        | <b>0.78*</b> | <b>0.77*</b> | <b>0.72*</b> | <b>0.70*</b> | <b>0.85*</b> |

\*Significant (Decision on  $H_0 = \text{Reject}$ )

Critical value at alpha 0.05 = 0.113

Table 5 shows the results of the regression analysis conducted to determine whether strategic management

practices and competitive advantage of HEIs significantly influence their organizational performance. The results reveal a significant influence of competitive advantage ( $\beta=0.77$ ,  $p<0.05$ ) but not of strategic management ( $\beta=0.53$ ,  $p>0.05$ ).

The regression coefficients suggest that the organizational performance scale scores of HEIs in Region 11 increase by 0.77 point for every 1 point increase in their competitive advantage scale scores holding their strategic management scale scores constant. On the other hand, a 1 point increase in their strategic management practices scores corresponds to a 0.10 point increase in their organizational performance scores, holding their competitive advantage scores constant. These may further suggest that competitive advantage imposes stronger influence on organizational performance compared to strategic management practices. This may further mean that the efforts of the HEIs in providing a distinctive edge for meeting the needs of their respective students, parents and other stakeholders translate to positive organizational performance (David, 1997).

The overall model explained 84% of the variance in the organizational performance scale scores ( $R^2=0.84$ ). This result also suggests that the combined influence of the predictors namely, strategic management and competitive advantage on organizational performance is significant lending support for the rejection of the null hypothesis. Further, the model explained a significantly higher variance in the organizational performance scale scores compared to residual which could include other variables not included in the model ( $F=71.34$ ,  $p<.05$ ).

Table 5:  
Regression Analysis Showing the Significance of the Influence among Management Practices and Competitive Advantage on the Organizational Performance

| Predictor Variables   | Coefficient | t-stat | P value |
|-----------------------|-------------|--------|---------|
| Strategic Management  | 0.53        | 1.06   | 0.30    |
| Competitive Advantage | 0.77        | 6.14   | 0.00    |

$r^2 = 0.84$       F value = 71.34      Significance F=0.00      Decision on  $H_0$  = Reject

## **Conclusion and Recommendations**

### *Conclusion*

1. The HEIs in Region XI manifested extensive strategic management practices. The institutions were oftentimes observed by their stakeholders to exhibit positive strategy formulation, implementation and evaluation practices.
2. The participating HEIs have oftentimes manifested competitive advantage in their course offerings and other services. This could mean that the institutions are putting in adequate investments to their human, information and organizational capital in order to set them apart from other institutions so that they could consequently raise their organizational growth and performance.
3. The level of organizational performance of the participating HEIs is high. The highest performance, relative to the other dimensions, is in terms of resource management while the lowest is in terms of governance and management.
4. HEIs with high investments in their human, information and organizational capitals tend to generate high returns in terms of their organizational performance. On other hand, institutions that manifest good practices in terms strategy formulation and strategy implementation are likely to have higher organizational performance outcomes.
5. Competitive advantage as part of strategic management showed a remarkable positive influence on organizational performance among HEIs. In particular, if the HEIs are able to increase the competitive advantage ratings of their stakeholders by 1 point, their performance as an organizational will likely increase by 0.77 point with the assumption that the strategic management practices of the different institutions are the same.

### *Recommendations*

1. Higher Education Institutions have to support the strategic management approach to improve the performance of an organization and achieve competitive position since the institutions were oftentimes observed by their stakeholders to exhibit positive strategy formulation, implementation and evaluation practices.
2. School Administrators have to provide information of having an effective strategic management process in order to address the problems brought about by the increasing global economy

and to take a proactive rather than a reactive approach in shaping its own future in order to set them apart from other institutions so that they could consequently raise their organizational growth and performance.

Educational Researchers have to conduct a similar research on organizational performance and especially on maintaining a sustained competitive advantage for higher education institutions. Competitive advantage as part of strategic management showed a remarkable positive influence on organizational performance among HEIs.

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