



LUMS - MCGILL - CIDA

04-2348-2007-1

Social Enterprise
Development Programme

Chap #2

THAMES BUSINESS SCHOOL, ISLAMABAD

On June 11, 2003, Mr. Asad Zaidi, Program Director of Thames Business School, Islamabad, Pakistan (hereafter referred to as Thames), received a call from one of his directors. The director sounded pretty unhappy with the financial outlook of Thames. He was referring to the material that was sent to him prior to the semi-annual board meeting scheduled for June 15, 2003.

I hope you folks have a turnaround strategy in place for the meeting. However, for that you first need to explain what has gone wrong so far. We are all friends Asad! But frankly, we are getting tired of hearing you plead for a little more time each meeting.

PROSERVE EDUCATION (PVT.) LIMITED

Proserve Education (Pvt.) Limited was established as a for-profit enterprise in 1999 to serve the educational needs of the twin cities of Rawalpindi and Islamabad. Mr. Zaidi was the primary sponsor and one of the founding directors of this company. All four directors had been involved with education and/or management training for a considerable number of years. A couple of them had launched a secondary school (up to class 12) with the name of Head Start in Islamabad almost a decade ago. To cater to the needs of undergraduate studies the directors decided to opt for a franchise from Informatics Holdings Limited, Singapore.

Informatics was a global education and training provider based in Singapore with a presence in over 33 countries. In 1986, Informatics established Thames Business School in Singapore to act as a center of excellence in higher education in the areas of business and information technology. The modular BBA and BBIT programs were designed in collaboration with universities in the UK, USA, Australia, New Zealand and Canada (see Exhibit 1 for the list of partner universities) and with the world's largest and most reputable examination body, the University of Cambridge Local Examinations Syndicate (UCLES). Specifically, the syllabi and programs were crafted in consultation with these international education partners and were validated by them. This international validation coupled with the global acceptance of UCLES examination system ensured international recognition for Thames management programs. In addition, students could easily transfer amongst collaborating universities.

Modul
BBA.

Having successfully established the operations and credibility of the program, Informatics offered franchises for Thames to interested institutions all over the world. By 2003, Thames was established in several countries including China, Hong Kong, India, Indonesia, Malaysia, New Zealand, Philippines and South Africa. Irrespective of the country in which Thames programs were conducted, the core syllabus and the examination system, as well as the necessary quality standards remained unchanged. However, each Thames center could implement value-added components in order to cater to local governmental and industry requirements.

Proserve purchased the Thames master franchise in 1999 for Pakistan paying, according to Mr. Zaidi, a substantial upfront fee. The tenure of the franchise was for 10 years and Proserve was to pay additional 5% of the gross revenue as annual franchise payments. The directors decided to establish the first Center in Islamabad. Once the Islamabad Centre had proven its viability the company planned to either establish more centers themselves or sell sub-franchises to institutions in other cities of Pakistan.

Mr. Zaidi became the Program Director of Thames, Islamabad. He was an IT and business development professional with approximately 22 years of experience in technical, sales and senior management positions in Pakistan, and in the Far East. He had operated as General Manager, Southeast Asia for Fujitsu/ICL and General Manager, International Business Development, Sapura Telecom; a Malaysian IT/telecom conglomerate. While in Malaysia, Mr. Zaidi had an extensive opportunity to observe the working of successful Thames franchises in Kuala Lumpur and Singapore.

CONSUMER BEHAVIOR

Pakistan with one of the higher population growth rates (approximately 2.4% per annum in late nineties) in the world needed many new institutions at all primary, secondary and tertiary levels of education. Since Pakistan was also spending less than 4% of GDP on education, each year the gap between the supply and demand for education was increasing creating many difficulties for the citizens. According to Government statistics, the cities of Rawalpindi/Islamabad alone had about 372,000 households with an average of 3 school/college going children per household.

The market for higher education and training could be divided into three distinct segments, i.e., undergraduate degree programs, graduate degree programs and short duration management development programs.

Undergraduate Degree Programs

Young students completing either their FA/FSc¹ or A-level studies were the primary market for the undergraduate degree programs. While Mr. Zaidi did not have access to any formal research on student decision making with respect to higher education he had some ideas based on his own experiences and those of the children of his acquaintances.

the
the
ad.

It seemed that the students and their parents jointly made the decision of first selecting the type of the degree to be pursued and only later the institution to join. Typically, the brighter students scoring high marks would opt for a professional degree such as MBBS (bachelor of medicine), BDS (bachelor of dentistry) or BSc Engineering in a government run educational institution. These institutions were preferred as they were reputed not only to provide high quality education but also charged fairly low tuition fees. However, it seemed that the selection of these degree programs was primarily driven by the good job prospects that they offered. As the number of seats available in the government-run professional institutions was limited, many other students, especially those not scoring high marks, had to choose amongst more expensive private institutions offering similar professional degrees. In the late 90s, new degree programs such as BBA, BIT and BSc Computer Science were also becoming popular with students as their market demand was increasing. All of the professional undergraduate degree programs were of 3 to 5 years duration.

The students, who could not get into any of the afore-mentioned programs, either because of poor academic scores or lack of capacity to pay, would opt either to pursue diplomas (three years duration program) in technical colleges or go for a generalized BA/BSc degree (two years duration program) in subjects of their choice. Typically, the job prospects of students pursuing non-professional undergraduate degrees were not believed to be very good by the Pakistani market.

As far as the selection of a specific institution was concerned, both for parents and students the location of the institution, the tuition fees charged and the reputation of the institution were important considerations. For undergraduate studies parents were fairly reluctant to send their children, especially girls, to other cities unless the reputation of the school was well established and there was availability of safe and inexpensive accommodation. A small number of predominantly male students, belonging invariably to relatively affluent families, could always succeed in persuading their parents to allow them to join an undergraduate program overseas. The brighter amongst these students would typically obtain scholarships and join the highly acclaimed universities like MIT, UT Austin, U Penn, Oxford, LSE, etc. The rest of these students would join relatively lesser known foreign institutions in the UK, USA and Australia as full fee paying candidates.

Tuition fee was a very important consideration for most parents. The fees of government run institutions were in the range that middle class Pakistanis could afford. (See Exhibit 2 for a profile of socio-economic classification of urban Pakistan.) Tuition fees of private sector or semi-government autonomous sector institutions were generally steep for most middle class families. However, at times parents would sacrifice other things to provide decent education to their children. For most middle- and upper-middle class families education was the only route to upward mobility.

The reputation of various institutions was also deemed important as for many students the ultimate goal of a degree was to get a job. Pakistani corporate sector was known to prefer graduates from reputable Pakistani institutions over those from relatively lesser known foreign academic institutions or local private institutions of poor repute. Because of the mushroom growth of private sector educational institutions in Pakistan there were many apprehensions amongst parents and the government about their capabilities to deliver on their advertised promise. Many private institutions had announced collaborations with all kinds of (some fairly dubious) international universities to attract students. However,

most had not delivered on these collaborations. Consequently, the Higher Education Commission (HEC) of Pakistan had refused to recognize the degrees of some such institutions. This not only wasted precious time and money of students enrolled there, but also disqualified them for any government job.

Students pursuing undergraduate education in the Rawalpindi/Islamabad area predominantly were residents of the area. However, few students also belonged to surrounding regions of Murce, Rawat, Azad Kashmir, etc. The Intermediate Boards of Islamabad and Rawalpindi were the main examining authorities of the region. The percentage of students clearing these examinations was typically 54 % for the Islamabad Board and 45 % for the Rawalpindi Board. The number of students who passed in recent years is provided in Exhibits 3 and 4. In addition to these students, some private schools offered 'O' and 'A' level studies where students from the more affluent class of Pakistanis studied. Mr. Zaidi believed that students coming through this route were not more than 5% of the total.

Graduate Degree Programs

Not all students completing their Bachelors degree pursued a Masters degree. According to one government estimate, only about 35 % of under-graduate students pursued higher education in the region. However, of those who did pursue a Masters a large majority continued their education in the same institution. Typically the students would not take any break between the two degrees. For most of the students, subjects studied at the undergraduate level determined the subjects they could take for Masters. However, many private sector institutions allowed students from a variety of academic backgrounds to pursue Masters, especially in business or information technology. Tuition fees, reputation of the institution, job prospects, etc., were some of the criteria that students and/or parents used in the selection of the institution. The IT boom of late 90s had meant that many students were opting for Masters in IT or MBA with IT concentration.

Masters programs, especially MBA, also attracted a segment of people who were already working full time. While in Pakistan the socio-economic forces meant that most students could not leave their jobs for studies, there were always a few who wanted to improve their academic qualifications in the hope for better job prospects. For these people the reputation and recognition of the degree (especially by their own organizations), costs involved and location of the institution became important considerations. Many times these students preferred to enroll in a part-time or evening program. In this case they could continue to keep their jobs while improving their skills. For these students the amount of workload that an institution required also became an important consideration in their decision.

Management Development Programs

The customers for short duration executive development programs came primarily from the local corporate, NGO and government sector employees. Islamabad, being the capital of Pakistan, had headquarters of various international agencies as well. Employees from these organizations sometimes paid for the programs themselves in order to improve their skills and knowledge. At other times, organizations paid for these courses. Sometimes organizations asked service providers to specifically design a course for their employees. In all of these cases the human resource or personnel departments of these organizations played an important role in determining the demand and nature of these courses. Most of

these programs were in the area of management. The competency and track record of training providers, positive word of mouth and costs were some of the considerations in these decisions. Location of the program was only important when a company was sending many of its employees for training. Depending on the numbers of employees to be sent for training and their designations, organizations were known to have sent their managers to Lahore, Karachi and even overseas.

COMPETITION

Prior to mid-eighties all higher education institutions belonged to the public sector in Pakistan. During the next decade, however, the government did not establish schools and colleges in numbers that could meet the ever rising demand for higher education. Pakistan had had one of the highest population growths in the world for many years and the number of young adults was rising each year. Consequently, many private sector colleges and universities were established to cater to this unmet demand. A few of these private institutions were established by philanthropists as not-for-profit institutions focusing on providing high quality education at affordable prices. On the other hand, many more of these private enterprises were set up as for-profit entities. The quality of education imparted in some of these institutions was known to have been compromised. According to informal data collected by Mr. Zaidi, in Rawalpindi/Islamabad alone there were almost 15 institutions offering programs in business and another 110 institutions offering programs in medical, engineering, accounting, IT, education, fine arts, humanities and other social science areas (see Exhibit 5).

Most institutions offering business degrees offered a full range of programs such as BBA, BBA (Hons), BBIT, MBA, Executive MBA, Evening MBA, etc. The curriculum designs of most of these programs were fairly similar and most relied heavily on part-time teachers who might be teaching the same course in three to four different institutions each semester on account of severe shortage of highly qualified teachers in business or information technology. Institutions with higher reputation were far more rigorous both in their student intakes and performance requirements.

The quality of programs offered, and the consequent reputation of the educational institutions, varied widely. For many years Quaid-e-Azam University's MBA program was the highest reputed in the area, being the oldest and for quite some time the only MBA program in the region. Quaid-e-Azam University however, did not offer any undergraduate programs. In recent years, both graduate and undergraduate programs of NUST (a group of colleges managed by Pakistan Military), International Islamic University (an institution sponsored by the Organization of Islamic Countries) and Bahria University (a project of Pakistan Navy's Foundation) had gained prominence and a reputation of good quality. All of these institutions belonged either directly to the government or to semi-government autonomous organizations indirectly and partially financed by the government. Because of the government backing all of these institutions were either already housed in impressive, purpose built buildings or were planning to move into one. Similarly, degrees of all of these institutions were recognized by HEC right from their establishment.

According to Mr. Zaidi, the second tier of business schools in the Rawalpindi/Islamabad region included Hamdard (a sub-campus of Hamdard University, Karachi), M. A. Jinnah University (a project of Punjab group of Colleges which was fairly successful in Lahore) and Iqra (a sub-campus of Iqra University, Karachi). All of these institutions were in the

Umeed
private sector and were less than 15 years old. It was believed that these campuses did not offer the same quality of education as their parent institutions. Shortage of highly qualified faculty was seen as a major impediment in this regard. Mr. Zaidi felt that two other schools, COMSATS and Preston were offering reasonable quality of education in the third tier. Most of these tier two and tier three institutions were housed in big residential or commercial buildings.

In addition to these institutions, there were many others offering a wide range of Bachelors and Masters Programs. This mushroom growth of varying quality institutions, which were charging fairly high prices, had created bad press in the country. Consequently, the HEC had initiated a program to validate the quality of all institutions. By 2003, the HEC had validated the degrees of all of the institutions mentioned in Exhibits 6 and 7.

Outside of Rawalpindi/Islamabad there were a number of reputable business schools which continued to attract the brighter students of the region. Amongst them were Institute of Business Administration (IBA) in Karachi and Lahore. Both were government run institutions offering high quality education at very reasonable costs, priced similar to the Quaid-e-Azam University's program. IBA Karachi was the oldest business school in Pakistan and its MBA degree was perceived by some as having the best quality. IBA Karachi also offered a BBA program while IBA Lahore only offered an MBA. In addition to these government run institutions, the Lahore University of Management Sciences (LUMS), a government chartered, non-profit, private sector organization, had created a strong name for itself for providing a high quality MBA program. Amongst its key distinctions were case method of teaching and a core group of highly qualified (mostly PhDs from good institutions abroad) and trained faculty. LUMS MBA was, however, the most expensive program, costing about Rs. 425,000.

Many foreign universities, especially those from Australia and the UK, had also become very aggressive in marketing their programs in Pakistan since the early 2000. In addition to frequent newspaper ads, their representatives in Pakistan were conducting many presentations in various hotels to inform interested students about the quality and international reputation of these programs. Some also offered a few scholarships but most were interested in full fee paying students from Pakistan. While all of these programs were very expensive for an average Pakistani student, studying abroad was seen by some as one route to eventually settling abroad and pursuing a more prosperous life.

The competition for short duration executive development programs was not very intense. In Islamabad, only a few non-governmental organizations, such as Sustainable Development Policy Institute (SDPI) and Lead Pakistan, offered executive education programs on an occasional basis. Their focus was primarily in the areas of fundraising, proposal writing and environment. Sometimes they would offer programs like Effective Communication or Management Grid. Of late NUST had started offering executive education programs especially in the area of Total Quality Control. Prices of these programs varied but generally were in the range of Rs. 5,000 to Rs. 8,000 per day. For a customized program sometimes institutions would charge even Rs. 50,000 a day. In addition to the local service providers, most competition in the executive training area came from LUMS which offered a broad range of open enrolment and customized management training programs in Lahore. LUMS' programs had very good reputation in the market; however, they were also seen as pretty expensive, i.e., a three-day open enrolment program costing Rs. 29,000 or more. Pakistan Institute of Management (PIM)

courses to an impressive group of companies (see Exhibit 12). The division established collaborations with NUST Consulting and Singapore Institute of Management to offer joint executive training and consulting services. The team felt that such collaborations helped in reinforcing the quality image of Thames. In 2003, Thames also applied to HEC for the recognition of its programs.

PLANNING FOR THE FUTURE

In May 2003, Mr. Zaidi called a meeting of his senior team to start the planning process for the next year and onwards. The meeting started with a situation analysis and the reasons for less than expected enrolment. Various team members had different explanations and solutions. The Center Manager felt that Thames had not advertised its programs enough (see Exhibit 13) compared to what the competitors did. He also suggested that the fees were on the high side and the scholarship program of Thames (see Exhibit 14) needed to be better known. He suggested that given the predominantly fixed nature of costs in academic institutions, a more aggressive marketing strategy was needed to increase student population. He shared the ads that he was planning to use for the next academic year (see Exhibit 15).

The Dean suggested that Thames should focus on the corporate sector with its MBA and executive programs as the corporate sector had better ability to appreciate the high quality of Thames and better capacity to pay. He felt that improved credibility with the corporate sector will in turn assist the recruitment for the undergraduate programs. The Training Coordinator of Executive Training agreed enthusiastically as he felt that the opportunities in short term executive programs were immense. Mr. Zaidi suggested that he had no problems with executive training but he could not overlook his flagship BBA program.

The Finance Manager brought an altogether different point of view. He felt that the students could only appreciate the good quality of Thames faculty members and programs once they enrolled. Unfortunately, they were not applying in enough numbers in the first place. He maintained that Islamabad was a poor location choice for Thames as the competition for higher education students was the highest in Islamabad compared to any other city of Pakistan. He felt that Thames should immediately pursue some of the sub-franchise queries that he had received from other cities during the year.

The meeting ended with no clear conclusions. However, Mr. Zaidi knew that the sponsors of Thames were getting impatient with its performance. At the same time he strongly believed that with determination, better planning and aggressive marketing they could make Thames sustainable.

Man
Effo

MBA
Exa
Ed

of

A