

## **Location as a Competitive Advantage to Attract Students: An Empirical Study from a Turkish Foundation University**

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**ABSTRACT:** The purpose of this study is to reveal whether the location is a sustainable competitive advantage to attract the students or not. This study consists of a literature review about location in higher education area, research about a sample Turkish foundation university enrollment records and a survey on students attending a sample foundation university in Istanbul. The questionnaire method has been chosen in order to show the importance of location for a university. The students had been admitted to a foundation university in the 2013-2014 period when within the same universities various departments almost the same score in exam were included in the study. The results of study indicate the location affects the students' university choice decision and so it is a kind of sustainable competitive advantage for this sample university. This paper proposes the location has an important effect to attract the students to universities. This will help the university manager's decision-making on the strategic planning. This study has revealed one important competitive advantage criteria for foundation universities.

**Keywords:** Sustainable competitive advantage; location; universities; Turkey

**JEL Classifications:** I23; M1; R3

### **1. Introduction**

Several articles and books have been written about the sustainable competitive advantages in the business world but there have been only few sources about the sustainable competitive advantages in the higher education area. The studies about higher education emphasize the increasing competitive environment of this area. The researches (Dill, 2003; Jongbloed, 2003; Naidoo, 2005, 2008; Pringle and Huisman, 2011; De Boer et al., 2009) display universities compete for the occupancy rate, students, faculty members, research support and financial contributions, innovation, more efficacy and higher quality education.

This article aims to show one critical factor of sustainable competitive advantages to attract the students. This factor is location. In this article, the location means that the proximity of city center and the proximity of students home. To increase the occupancy rate, the location provides a sustainable competitive advantage. Porter five forces model and resources based view will be used as a basis to explain why the location is a kind of competitive advantage for universities. According to Porter theory, it is a part of factor, which has some advantages against the treat of entry. It can decrease the treatment of rivalry. A good place has a certainly positive affect for attracting eminent staff and more students. For resource-based-view, the location is one of the internal resources. It can be accepted as one of the physical and tangible resources of a university. In the literature, the location is showed as an important factor, which affects the students' university selection decisions. In this way, the location of university causes a competitive advantage to attract the students to the universities. Location is a kind of opportunity and strength for a university.

Firstly, the article briefly explains these two theories and it establishes the relationship between the locations of universities and these theories. Then, thanks to literature, the study shows that the location as a sustainable competitive advantage for higher education institutions. The result of article displays that the location is an important factor affecting students' choices and it is one of the important factors to attracts the students. In this way, the location provides a sustainable competitive advantage for higher education institutions.

## **2. Literature Review**

### **2.1. Porter five forces and resource-based model**

The sustainable competitive advantage literature is perused with the two most important views. The first of these is the industrial organization theory. This view is represented by the opportunities and threats. The second school of thought is the resource-based view which is represented by the strengths and weaknesses of the firm.

The industrial organization theory emphasizes the important effect of industrial structure on the performance of a firm. A principal model of this school has been Porter's (1985) "**five competitive forces**" for analyzing industry structures. In this model, firm's profitability is influenced by its relative size compared to its industry rivals, suppliers and customers (Porter, 1985). Porter's five-force model of competition (1980) has been widely used an analytical tool to analyze the intensity of competition and to identify the level of profitability of an industry. This model also is used to determine to find the ways for defending or to develop some strategies against the competitive forces. The results of five forces assess the level of competition of an industry, and the ability of firms in an industry to make profits. Porter's five-force model of competition has five elements:

- *Threat of entrants*
- *Threat of substitutes*
- *Bargaining power of buyers*
- *Bargaining power of suppliers*
- *Competitive rivalry*

The other model is the resource-based view. This view emerged as a complement or dual to Porter's theory of competitive advantage (Barney and Arikan, 2001). It is an alternative view of the firm for competitive advantage. The subject of *firm capabilities* as one source of competitive advantage has been widely discussed in the literature on resource-based view. Snow and Hrebiniak (1980) adopted the concept of 'distinctive competence' and classified this into 10 functional areas: *general management; financial management; marketing and selling; market research; product research and development (R&D); engineering; production; distribution; legal affairs; and personnel*. In 1984 Wernerfelt developed a theory of competitive advantage which based on the resources for developing a firm. Wernerfelt (1984) shows the examples of resources are brand name, in-house knowledge of technology, employment of skilled personnel, trade contact, machinery, efficient procedures and capital. As such, both *tangible and intangible assets* are considered a firm's resources. Wernerfelt's (1984) primary contribution to the resource-based view literature was recognizing that firm specific resources as well as competition among firms based on their resources can be essential in order for organizations to gain advantages in implementing product market strategies (Barney & Arikan, 2001). Prahalad and his colleagues (Prahalad and Bettis, 1986; Prahalad and Hamel, 1990) are other important names for resource-based view. Prahalad emphasizes the potential importance of sharing *intangible assets* across businesses. These shared intangible assets were called "*a firm's dominant logic*" (Prahalad and Bettis, 1986). The concept of a dominant logic led to the very influential paper that defined the notion of a corporation's "*core competence*". A core competence is defined as: "*the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies.*" (Prahalad and Hamel, 1990, p.82) In order for a competence to be a core competence, three criteria have to be met: the competence has to *provide access to more than one market, give a significant contribution to the end product/products, and be difficult for competitors to imitate* (Hamel and Prahalad, 1994). Accordingly, if a company possesses a core competence and understands how to take advantage of it, it can lead to sustained competitive advantages. In addition, resource-based theory is based on the assumption that firms are fundamentally heterogeneous regarding their resources and internal competencies. It deals with the problem of how firms can exploit their *internal resource base and capabilities* to obtain sustained competitive advantages (Barney, 1991; Hamel and Prahalad, 1994). Barney defined firms as: "*bundles of productive resources, [including]... all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by the firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness.*"(1991, p. 101) Barney (1991) developed the *VRIN (valuable, rare, imperfectly imitable and non-substitutable)* framework associated with resources. He defined resources as valuable "when they enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness" (1991, p.106). However, valuable

resources that are commonly shared by the majority of firms are incapable of being either a competitive advantage or a sustainable competitive advantage. Only resources that other firms cannot easily develop, possess and obtain would become costly-to-imitate resources. Finally, non-substitutable resources refer to the resources that have no strategic equivalents, such as firm specific knowledge or trust-based relationships.

## **2.2. The location of a university as a sustainable competitive advantage**

According to Porter's five forces theory, firm's profitability is influenced by its relative size compared to its industry rivals, suppliers and customers (Porter, 1985). For a university, customer can be thought as students; suppliers can be thought as staff. In higher education industry, the good transportation infrastructure and well-connected metropolitan universities have some advantages against the threat of entry, to attract good staff and more students. The place of university can decrease the cost of treatment of rival and a good place has certainly positive effects on staff and students. That is to say, location is an opportunity for universities to attract the students.

Besides the Porter's theory, also according to the resources-based theory, the bundles of competitive resources can be identifiable in higher education institutions. For higher education institutions, such resources might include the reputation of certain departments, the grouping together of areas of specialist expertise, and the development of technical patents and so on (Lynch and Baines, 2004). According to Barney (1991) location is a firm physical capital resource. The main resource of higher education is generally about people resource, which might be attracted by salary or investment facilities in another institution (Finkelstein et al., 1996), and so higher education resources may not be imperfectly mobile. A basic definition of the competitive resources of a university identifies tangible, intangible and organizational assets (Grant, 1996). Lynch and PBaines (2004), they stated that *tangible resources might include campus location, building capacity, conference facilities and medical research facilities*. Intangible resources generally include such items as patents, teaching and research performance, service levels and technology and the geographical location of a service. In a university, such intangible resources might include some of the above and may include employees/associates (e.g. eminent professors, renowned authors and distinguished teachers). That is to say, the location of a university can be accepted as physical and tangible resources of a university. In the literature, the location is showed as an important factor, which affects the students' university selection decisions. In this way, the location of university causes a competitive advantage to attract the students to the universities and it is represented by the strengths for university.

The sources of competitive advantages are thought to be the reputation of the institution, the curriculum and educational standards, cost, location and student activities (Blustain et al., 1998, pp. 55-57). According to Soutar and Turner (2002), there are mainly three market segments in the Australian university market. These segments are high school graduates, elderly students, and international students that have been influenced by several factors while selecting the best university for them. One of these factors is again location. Donaldson and McNicholas (2004) said that the reputation, nature of the courses, location and address, financial considerations, facilities, social climate of the department, program structure and accreditation factors influence student choice of institution and course for post graduate studies. Yamamoto (2006) researched the factors which are effected university evaluation-selection. She said that "in the large city like Istanbul with more than 10 million people live, proximity to home, easy transportation are critical factors in selecting a university." The proximity to home and easy transportation are critical factors in selecting a university (Yamamoto, 2006). Persson (2007) proposed that the location is one of the most important physical-internal resources of a university. Lindong (2007) said, "If the location of the college is close to a housing area, it will be a big advantage for them".

In study of Hacifazlıoğlu and Özdemir about the expectations of students in foundation universities (2010), the half of the participants stated that the location of the university affected their selecting university decision. Russell Group in 2010 report about universities they contended that universities also make a key contribution to the cultural and intellectual life of their local communities, helping to make them attractive locations for international businesses and their staff. In a thesis about MIT's success, at the end of the study campus location is one of the MIT's success sources besides that faculty-student quality, endowment and reputation.

Presumably, institutions that are located along well-established public transit routes have a competitive advantage over those with poor transit links (Pringle and Huisman, 2011). In study of

Yalcintan and Thornley (2007), they said that Fischer emphasized that territorially based systems were built on spatial proximity, which can be accepted as an explanation for the concentration of higher education institutions in metropolitan areas. Supporting this argument, he found that the efficiency of innovation activity increased in easily accessible locations with a high density of economic activity. The existence of education and research institutions as well as easily available information is suggested as a reason for this increase. Also they emphasized that Istanbul is the first-choice location of capital, people, ideas, goods, and technology in Turkey. It is the node of all these flows. Private higher education institutions inherently desire to benefit from these flows by locating itself nearby. Therefore, together with other factors such as existing capital and population, level of income, and academic environment, global flows should be counted as one of the major factors affecting the location decisions of foundation universities. Sezgin and Binatlı (2011) examined the factors of determinants the university choice in Turkey. The study showed that “the location, social life on campus, proximity of campus to the city center, exchange programs, the curricula (novelty, flexibility etc.), faculty, scholarships, educational infrastructure, languages medium of instruction and second foreign language requirement, friends, promotional activities” are the most significant factors. The *location* has 94% rate, the *proximity of campus* to the city center has 84% rate.

Teker and Özer (2012) stated that which provinces should be considered and why those provinces are defined to be advantageous in the context of growth strategies of foundation universities clustered mostly in Istanbul and Ankara. Those provinces can be taught as the strategic provinces for the location selection of the foundation universities planning to expand in the future. To select the location of university is very substantial effect to become a competitive university integrating with the world (Teker and Özer, 2012). Huang (2012) stated that “The right location attracts more students and ensures the revenues of the institution. The location of an educational institution might influence its future prospect of growth. A good location attracts not only more students but also excellent teaching staff.” Because of job opportunities in metropolitan areas, the students are able to get a part-time job and earn extra money for their tuition (Huang, 2012).

Based on the literature review, the student number is a kind of competitive advantages for a higher education institution. In this line, again based on the literature, location of a university has an important effect to attract students. In many studies about higher education, location is a kind of strategic resource as Barney (1991) said that location is a capital resource and it is one important determinant of competitive advantage for higher education institutions. Having industry around or located in a metropolitan area lead to a competitive advantage for a university. The good transportation infrastructure and well-connected metropolitan universities have always an advantage in the market and the new entrant universities should determine their location according to these criteria to compete its rivals.

### **3. Methodology and Sample**

For this study, firstly, the enrollment data of a foundation university that is located in Istanbul European side is examined. The total enrollment number of this university is found. Then, how many of total number of students are from Istanbul is determined. Some enrollment students address data cannot be reached. The available address data are examined and the students who live on European side are determined. Secondly, the questionnaire was applied to 100 students who live on the European side of Istanbul. It is a 15-items scale, is designed to examine factors affecting students’ university choices. Twelve of these subscales were measured on a five-point Likert type scale, with responses ranging from 1 (strongly disagree) to 5 (strongly agree). 100 respondents received online questionnaires in the study. The first two questions were demographics. The last question of the questionnaire is open-ended. Other 12 questions are the factors that have an influence on the university choice of foundation universities’ students in Turkey. The two of these twelve questions are about location. One of them is about proximity of city center and the other is about proximity of students’ home. These two questions and last open-ended question are used to determine the importance of university location to attract the students. The other ten factors with location will be examined to the other study. Finally, the proposed model is presented. This model expands our understanding of the relationship between sustainable competitive advantage for higher education and location.

The sample of this study was selected in a foundation university in Istanbul and the study consists of a survey about enrolled students in a Turkish foundation university. The sample consists of

a total of 100 individuals from this foundation university. The students who had been admitted to a foundation university in the 2013-2014 periods in the same universities with various departments' with almost the same score of Student Selection and Placement Test included in the study. The profile of all the students subjected to the questionnaire were as follows: 15 per cent of the students were 18 years old, 30 per cent of them were 19 years old, 30 per cent were 20 years old, 17 percent 21 years old, and 8 percent were 22 years old. Of the respondents, 57 per cent were males and 43 per cent of the other respondents were females. Our hypotheses are as follows:

**H1:** *Most of students say that the proximity of university to the city center affects their university choices.*

**H2:** *Most of students say that the proximity of university to home affects their university choices.*

## **4. Results**

### **4.1. Findings from address data**

There are 12803 enrollment bachelor's degree students in the sample Foundation University, which is located in European side of Istanbul. 9056 of enrollment students live in Istanbul. Address data were available for 4574 of them. When this data is scanned, it is observed that only 684 of these students have lived in Anatolian side. Looking at these numbers, the following ratios are emerging.

<i>Total enrollment bachelor's degree students</i>	: 12803
<i>The students who live in Istanbul</i>	: 9056
<i>The students who live in Istanbul and whose exact address data were available</i>	: 4574
<i>The students who live in European side of Istanbul</i>	: 3890
<i>The students who live in Anatolian side of Istanbul</i>	: 684

71 per cent of total enrollment bachelor's degree students live in Istanbul. 85 per cent of the students, whose exact address data were available, live in European side of Istanbul. 15 per cent of the students, whose exact address data were available, live in Anatolian side of Istanbul. These data show that this sample foundation university gets its many students from the city where it is establish and from the province where it is around.

### **4.2. Findings from questionnaire and open-ending question**

100 students were selected in 3890 students who live in European side of Istanbul. 100 respondents received online questionnaires in the study. The first two questions were demographics. The last question of the questionnaire is open-ended. Other 12 questions are the factors that have an influence on the university choice of foundation universities' students in Turkey. The two of these twelve questions are about location. One of them is about proximity of city center and the other is about proximity of students' home. These two questions are used to determine the importance of university location to attract the students. The other ten factors with location will be examined to the other study.

One-Sample Statistics show the mean score of variables. If the means of variables are bigger than the test value that is defined as 4, the hypotheses are accepted; if the means of variables are not bigger than the test value, the hypotheses are not accepted. In order to investigate the hypotheses of the study, t-test is applied and the results are given in Table 1 and Table 2. As shown in Table 1 the means of the variables are bigger than the test value.

**Table 1. Sample statistics**

<b>One-Sample Statistics</b>				
	N	Mean	Std. Deviation	Std. Error Mean
VAR00001	100	4,2600	,79924	,07992
VAR00002	100	4,2900	,87957	,08796

H1 argues that many students say that proximity of city center effects their university choice decision. H2 argues that many students say that proximity of home effects their university choice decision.

**Table 2. Test results**

One-Sample Test						
	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
VAR00001	3,253	99	,002	,26000	,1014	,4186
VAR00002	3,297	99	,001	,29000	,1155	,4645

As it is shown in Table 2, the p value proximity of city center ( $p = 0.002 < 0.05$ ) and the p value of proximity of home ( $p = 0.001 < 0.05$ ) is smaller than the significance level ( $p = 0.05$ ) of test. It can be said that the results of the article supported the two hypotheses about location.

The answers of open-ended question are examined, the students state the following as main factors in decision-making: university location (proximity home and city center) (58%), cost of education (26%), peers who are studying at the same university (12%), financial aid-scholarships (4%). These results also support t-test analyzes and the answers of students show that location is a significant factor for students' university choice decisions.

## 5. Model

Based on the literature review and survey, which is analyzed with t-test and is supported with open-ended question in survey, the proposed model is presented in Figure 1. This model expands our understanding of the relationship between sustainable competitive advantage for higher education and location in a theoretical framework. This model will also be the basis for further empirical studies.

## 6. Limitations

It can be said that there are many limitations in this study. There are several public and private universities in Turkey. This study has been applied in only one foundation university and only 100 enrolled students in the 2013-2014 semesters. That is to say, a very limited number of students were surveyed in this article.

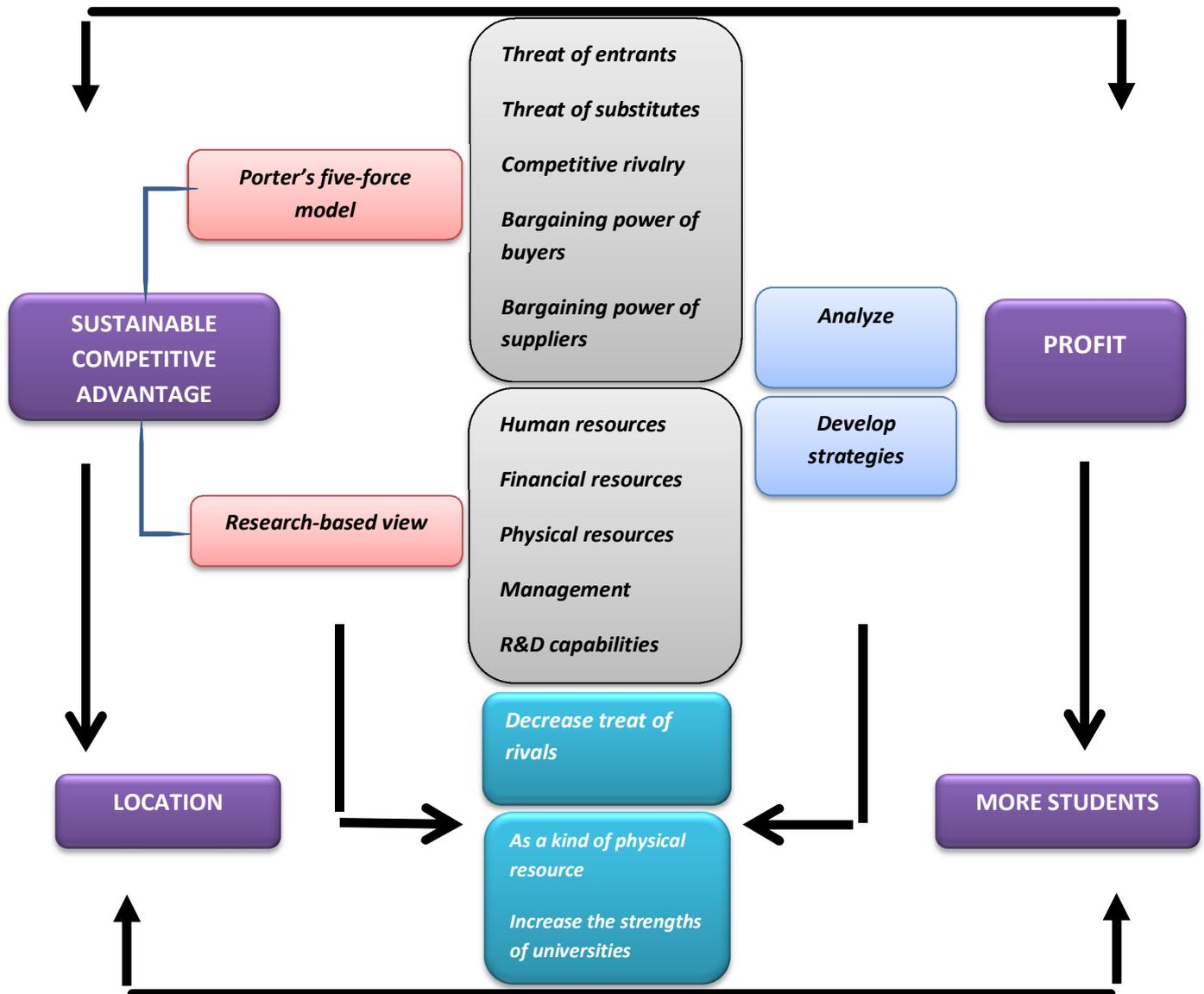
## 7. Conclusion

In the last two decades higher education alternatives increased in Turkey. The number of state universities has increased to 107 and the number of foundation universities has reached 68 in 2013. All these developments cause the increasing competitive environment of higher education area. The universities race many areas such as the occupancy rate, students, faculty members, research support or financial contributions.

In the article, the location is used in relation to the proximity of city center and the proximity of students' homes. In Porter theory, the proximity of city center and the proximity of students' homes of a university have some advantages against the treat of entry. It can decrease the treatment of rival and a good place has certainly positive effect to attract eminent staff and more students. In resource-based-view, the location can be accepted a kind of internal resources. It can be accepted as one of the physical resources of a university. Therefore, based on the sustainable competitive advantage literature, location is a kind of advantage for higher education institutions.

The location is regarded as an important factor, which affects the students' university choice decisions in the literature. The survey and the answer of open-ended question support to this idea. They state that many students say that the proximity of university to the city center and the proximity of university to home affect their university choice decisions. In this way, the location of university causes a competitive advantage to attract the students and the proposed model is presented expands our understanding of the relationship between sustainable competitive advantage for higher education and location. It can be accepted the basis for further empirical studies. As it is showed proposed model, location is a kind of opportunity and strength, to obtain sustainable competitive advantage for a higher education institution.

Figure 1. The model



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