

competitive advantage strategy

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COMPETITIVE ADVANTAGE STRATEGY AND CORE COMPETENCE ON VALUE INNOVATION, ALSO ITS IMPLICATION AT REPUTATION

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Abstract

This study is aimed to determine the effect of competitive advantage strategy and core competencies of the private Higher Education Institutions' value innovation, and the implications on reputation of Bachelor of Management Study Program at private Higher Education Institutions in Jakarta. This is a descriptive and verification research. Descriptive research is a research that aims to obtain variable characteristics, which in this study was to gain an overview of competitive advantages' strategies, core competencies, value innovation, and reputation. Type of investigation in this study is a causality investigation, which states the relationship between the independent variable strategy of competitive advantage and core competency of the value of innovation and a reputation based on a causal relationship. The unit analysis of this research is Bachelor of Management Program Study at Private Higher Education Institutions in Jakarta, while the unit observation is Dean and Chair of Bachelor of Management Study Program, Faculty of Economics. Time horizon in this study is cross-sectional. Results of this study are still instrument testing phase, which is to test the validity and reliability. The results show that all of the instruments used to determine each variable is valid and reliable.

Keywords:

Competitive advantage, core competence, value innovation, reputation, private university.

1. Research Background

Rapidly growing technology advancement and uncertain condition of world economic have demanded a country to enhance its human resources' quality; because one of the essential elements that could elevate a nation's progress is the quality of its human resources (Lazuli, 2010). Muhammad Isnaini (2013) mentioned that education is a strategic means to develop the quality of a nation's human resources; therefore, a nation's progress can be measured through the progress of its education quality. However, in reality, Indonesia's education system has not yet shown its expected success. Indonesia's education system has not yet succeeded to create qualified human resources (HR), particularly to the extent of creating HR that could enhance a nation's quality. This can be seen from the decreasing value on Human Development Index (HDI) in Indonesia.

Education, especially higher educations provided by higher education institutions, both public and private, will definitely determine the success of a nation or a country to be able to have sustainable competitive advantage. This is in accordance to the perception of Bathi, Zaheer, and Rehman (2011: 2848), Romeniolle, Rena, and Cinque (2011: 2) regarding "The New Focus on Knowledge as a Competitive Resource." The essential role of education, especially higher education in knowledge creation will generate continuous innovation, which will end to sustainable competitive advantage. In relations to Private Higher Education Institution (PHEI), particularly in Indonesia, as an alternative means to enhance the quality of human resources is facing open market mechanism. This condition has created a highly competitive environment between higher education institutions, especially post – reformation in the education field, such as permission for foreign higher education institutions to operate in Indonesia, both directly or indirectly by cooperating with higher education institutions in Indonesia.

The challenge and condition of highly competitive environment between higher education institutions in Indonesia as it is described above, is shown through the data from *Biro Pusat Statistik 2010* as follow:

Table 1. Development of Nasional's Higher Education Institutions

HEI	04/05	05/06	06/07	07/08	08/09	09/2010
PUBLIC HEI	290	265	288	298	298	298
PRIVATE HEI	2486	2756	2784	2842	2926	3023
TOTAL	2776	3021	3072	3140	3224	3321

Source: Statistik Depdiknas, 2010

Based on table 1, Private HEIs in Indonesia has developed higher in number compared to the number of Public HEIs from all over Indonesia. It shows that there is a high competition between Private HEIs, the implementation of UU No. 12 year 2012 and the non – existence of dichotomy between Private HEIs and Public HEIs, therefore, Private HEIs are no longer competing only with the other Private HEIs, but will also compete with Public HEIs. Bennett, Lucchesi, and Vedder (2010: 54) mentioned that the value of innovation conducted by higher education will be able to improve the reputation of the institutions. Based on the statement above, therefore, this low reputation of Private HEIs that have Bachelor of Management study program, tend to be caused by the lack of that particular study program in conducting innovation, which lead to the low value of the innovation itself. It can be seen from initial survey (2013) to 50 managers of Bachelor of Management study program, which lead to only 10% of study program managers conducting innovation during new academic year's admission activities, such as establishing cooperation with secondary schools through competency – based competitions, conducting entrepreneurship stimulation, and other innovation that will provide new situation for its candidates, which will arise the candidates' interest. Trustrum and Wee (2007: 8) mentioned that competitive advantage strategy can lead to a lower cost and increasing benefits of education services of a particular higher education institution, which will lead to the creation of value innovation. Based on the statement above, the lack of conduct of value innovation by Bachelor of Management study program is caused

by the less precise formulation of the competitive advantage strategy formulized by the Bachelor of Management study program. In the creation of competitive advantage strategy, many higher education institutions accentuate several of their superior programs, such as international certification, cooperation with the industry, and international cooperation. International certifications involve recognition from foreign profession organization (e.g.: business program claimed to have recognition from AACSB, American Association of Colleges and Schools of Business) or quality control certification in the world of industry (several Private HEIs has achieved ISO 9001).

The relations of higher education and workforce has become one the superior areas of the Private HEIs. In the conduct of competence – based curriculum (*SK Mendiknas No 045/U/2002 perihal Kurikulum Inti*), teaching should be relevant with the needs in the society and the competence required by the related industry and profession organization. Therefore, cooperation with the industry often becomes a selling point for higher education institutions. Based on the description above, Private HEIs with Bachelor of Management study program should be able to implement competitive advantage strategy as it is mentioned above. However, in reality, Private HEIs with Bachelor of Management in DKI Jakarta have lack of ability to implement the competitive advantage strategy. Awang, Mohammed, and Shari) (2011: 243) mentioned that core competence consist of ability, skill, and unit knowledge of higher educations as basic means to create innovations in organizations. Based on the statement above, it can be concluded that the lack conduct of innovation by Bachelor of Management study program tend to be caused by the less optimize usage of core competence. It can be seen from the research result of Dwi Suryanto Hidayat (2008) that there are four factors in the competence that shows the value and level of difficulties of a program to be copied by other higher education institutions as dominant factors that could influence the shape of the competence. It shows that the more valuable and the higher the level of difficulties of a superior program owned by higher education institutions to be copied, the competence will also increase. Higher education institutions have not been able to create valuable and difficult – to – copy superior programs, which will lead to the decreasing interest of the candidates toward a particular higher education institution compare to its competitor. According to Asosiasi Badan Penyelenggara Perguruan Tinggi Swasta Indonesia {ABPPTSI, 2012), 90% of 3,214 Private HEIs in Indonesia are considered incapable to compete with foreign higher education institutions during the implementation of Asean Economic Community in 2015, therefore, those Private HEIs may not be able to survive due

to its lack of superior programs.

Based on the issues above, therefore, it is essential and crucial for a research to be conducted regarding competitive advantage strategy and core competence of Private HEIs toward value innovation, and its implication at the reputation of Bachelor of Management study program in Private HEIs in DKI Jakarta.

2. Problem Identification

Based on the issues above, therefore, the problems in this research can be formulated as follow:

1. a. How is the competitive advantage strategy of Bachelor of Management Study Program in Private HEIs in DKI Jakarta?
- b. How is the core competence of Bachelor of Management Study Program in Private HEIs in DKI Jakarta?
- c. How is the value innovation of Bachelor of Management Study Program in Private HEIs in DKI Jakarta?
- d. How is the reputation of Bachelor of Management Study Program in Private HEIs in DKI Jakarta?
2. How is the degree of influence of competitive advantage strategy and core competence toward value innovation, both simultaneously and partially?
3. How is the degree of influence of competitive advantage strategy and core competence toward reputation, both simultaneously and partially?
4. How is the degree of influence of value innovation toward reputation?

3. Literature Review

Tavitiyaman, Qu, and Zhang (2011: 650) mentioned that competitive advantage strategy is the strategy to win the competition through the creation of superior value to its customers. Competitive strategies consist of brand image strategy, human resources strategy, and information technology strategy. In the higher education services, competitive advantage strategy emphasizes on winning the competition through human resources and information

technology strategies. Human resources are the output of higher educations, which is defined as qualified graduates generated through the learning process involving the good quality of the lecturers / teachers. Competitive advantage strategy can be defined as the efforts to provide additional value and specialty toward every aspects of the product or service marketing to its customers, compare to its competitors, during the exchange process. However, Porter mentioned as quoted by Assael (2001: 14) mentioned that there are three principal aspects to create competitive advantage, those are providing value to its consumers through superior product or service, which is called marketing advantage or differentiation strategy; submit those value to the consumers with a lower price compare to its competitors by lowering the production and marketing cost, which is called cost advantage or cost leadership strategy, as well as focus on a particular market, which is called focus strategy. The implementation of competitive advantage strategy in higher education services business has become very essential, because higher education especially Private HEIs as it is mentioned by I Nyoman Sucipta (2013) that in Indonesia, Private HEIs in the education sector is decreasing, which is shown by a number of Private HEIs with issues.

The issues related to the Private HEIs mainly because of lack of interest of the candidates to enroll in Private HEIs. Therefore, Private HEIs who are focusing on society's fund to funding its educational operational are getting weaker due to the decreasing number of students enrolled, which then lead to the inability to survive. Rapidly growing and changing in the environment, including the shifting in society's demand, technology advancement, as well as social economic changmg, have influenced higher education sector, therefore, they lead to the emerge of hypercompetitive business environment in the higher education sector. The development and changing take place geographically. This current condition has required every Private HEIs to create and develop sources of competitive advantage to survive. Rapidly changing environment in this globalization and industrialization era has required the Private HEIs to be able to anticipate those changes, especially in terms of generating adaptive graduates, who are ready to embrace those challenges. However, on the other hand, Private HEIs are considered incapable to compete in this globalization era. To be able to establish and develop competitive advantage of HEIs, it need marketing management process, which is defined as a mechanism where the HEIs are able to interact with the society through various learning, researching, and devoting activities to the society. The first step of this mechanism is started with the identification of the society's needs, which then continued with the development and implementation of the

suitable strategy to the fulfil those needs, as well as conducting evaluation toward the society's responds. The implementation of the mechanism also needs to involve the environment, which is started by the evaluation toward the environment; continued with the development of any possible strategies to enhance competitive advantage; and ended with the evaluation toward the emerging competitive responses.

Chen and Chang (2011: 75738) mentioned that ⁴ core competence has become a popular term in business discipline; however, the meaning of the "core" term is still unclear because it is loosely used in a variety of ways. Core competence is also essential for business management science; however, the definition of the word "core" itself is still unclear. Basically, core competence in business is an ability to discover idea, which is considered as an element of investment of the organization. For example is an idea regarding the company's vision. Moreover, the implication is shown by the implementation of the investment by incorporating the knowledge and technical skills to develop the company. Therefore, this investment element needs to be translated into activities, such as assessing opportunities in an industry or market. Then, a unique business strategy needs to be designed to implement the company's vision. Chen and Chang (2011: 5740) defined core competence from the perspective of ²⁰ strategic management as organizational capabilities that advantageously integrate, reconfigure, gain and release internal resources to match or even create market change and lead to organizational competitive advantage.

In practice, Hadari Nawawi (2005) mentioned the importance of Private HEIs to have core competence as its source of competitive advantage. If the core competence of the Private HEIs is communicated well, therefore, the society will easily recognize and differentiate that particular Private HEIs with other HEIs, such as Public HEIs, Private HEIs, as well as foreign HEIs. HEIs' core competence is reflected by the needs of technical knowledge that will be used. The relations between competences with business strategy is reflected by a series of process; initiated by a source of idea in the form of patented product innovation, which is resulted from society's devotion and research program. Then, the following process is reflected by productivity and efficiency. A process of producing a product is related to the process of establishing the society's trust to the product. Therefore, according to Buchori Alma (2005), Private HEIs should be able to develop their educational service's image based on the quality of learning, teaching, and devotion to the society. Therefore, distribution dimension channels are becoming essential in accordance to the market segmentation. The overall process will then followed by importance feedback to design a new technology

innovation strategy. In terms of long term development, core competence may change accordingly to the development of the market and technology. Authenticity of a concept, according to Hu and Lin (2011: 4228) is defined as learning new knowledge and technology by oneself and collecting information about the work. Hu and Lin (2011: 4229) classified the core competence into four dimensions, which consist of intrapersonal skill, professional field, job attitude, and higher education. Intrapersonal skill includes (1) the ability to solve problems; (2) respect toward the students, the ability to know the students' feelings and needs, and the ability to establish good relationship with the students; and (3) the desire to solve problems, deal with complaints, and fulfill the needs. Professional field includes the ability to give good services based on professional competence. Job attitude includes (1) the ability to work diligently and be cooperative with the partners; and (2) the ability to work persistently and be proactive toward the job. Higher education includes the willingness to learn new knowledge and technology independently and collect all the necessary information related to the job. Core competence of the Private HEIs has created a shifting from individual to the organization as an analysis unit and social – culture aspects to technical aspects. It is based on an analysis toward the professional role and / or the formulation of professional responsibility. The statements regarding the competence have explained the expected result of the related performance and function professionally, knowledge, skills, and attitudes essential for the performance of the function. The statements of the competence are facilitating the assessment based on certain criteria. Therefore, the competence is needed as tentative prediction tool regarding professional effectiveness, which needs to follow validated procedures continuously. Various core competences are in accordance to its type of industries. For example is in the higher education services business, core competence is related to learning, researching, and devoting activities to the society. Thus, an excellent HEI is the one that is capable to create higher society's value.

Henard and Roseveare (2012: 33) defined innovation as one of the main elements that controls the improvement of teaching quality, which can elevate the HEIs' level. Innovation in teaching and learning has become an important factor for HEIs. Innovation in education institutions is emphasized on researching and developing activities that could lead to creative solutions toward practical and academical issues as well as to promote students' learning in accordance to its problem – solving technique. McLaughlin (2011) mentioned that organizations that innovate will continue to achieve success and innovation around products and services is certainly of value, but high-order innovation can provide more substantial,

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economic long-term benefits. Organizations that innovate will be able to achieve success and innovation in all of its products and services, which will lead to the increasing value. Moreover, the higher the innovation is conducted; it will eventually provide long – term economical benefits. For example is the innovation conducted by *Universitas Indonesia*, as it is mentioned by Muhammad (2012) that it is innovation in education that has made the Universitas Indonesia a leading higher education institution with a mission to provide a good educational access for Indonesians. Kim and Mauborne (2008) mentioned that in Blue Ocean Strategy, value innovation is defined as the pursuit of differentiation simultaneously and lower cost. Value innovation is created in an area where the company's action will affect the cost structure and value offers positively toward its customers. Cost efficiency can be achieved by diminishing and reducing competitive point factors in the industry. As time goes by, costs are getting lower when the economics of scale is reached after higher sales volume resulted from superior value can be created. WHO (2012: 37) proposed the value innovation components in the education services, such as (1) relative profit, which is the degree of innovation that is considered profitable to its recipient. The level of profit or benefits of an innovation can be measured through its economic value, satisfying, and social status, or because it has important components. The more profitable for its recipient, the innovation can spread even faster. Therefore, relative profit in HEIs has become a consideration for its students in choosing preferable HEIs. (2) Compatible, which is defined as the level of suitability of innovation with the recipients' value, past experiences, and needs. Therefore, students choose HEIs based on others past experiences that have experienced particular study program in one of the HEI as well as in accordance to the candidates' needs. (3) Complexity, which is defined as the level of difficulties to understand and use innovation for its recipients. An easily understandable and implemented innovation will spread faster than innovation that is difficult to be understood or implemented. (4) Trialability, which is defined as whether an innovation can be try or not by the recipients. Learning innovation, for example, can be given to the students as a trial to find out whether the innovation can create changes toward the learning process of that particular HEI. (5) Observability, which is defined as the easily observed innovation. Innovation implemented by HEIs, for example is the innovation in promotion involving information technology that can be observed by the students and society.

Flatt and Kowalczyk (2011 : 2) based on Walker's opinion mentioned that reputation can be identified using five attributes, including (1) perception – based reputation (both internally and externally); (2) reputation as the perception of all parties with interest

(stakeholders); (3) reputation as inherent comparison; (4) reputation can be positive and negative; and (5) reputation is stable and continuously. Based on those five definitions of reputation, it can be concluded that reputation is a positive or negative perception from parties with interest both internal and external, such as society, employees, managers, teachers / lecturers, government, students, and other stakeholders related with the HEIs. Barron and Rolfe (2011: 15) proposed the measurement of company's reputation, which is the generic concept of Warmth exhibits a similarly high face validity when compared to Fombrun's remaining pillars, including: emotional appeal, social responsibility and workplace. Emotional appeal is the questions related to the feelings toward the HEIs, whether it is admiration and respect or faith toward that particular HEIs; workplace environment is the questions related to the management of HEIs and its relationship with the employees / lecturer ways of working; and social responsibility is the questions related to the HEIs' responsibility toward its environment and their treatment toward the human through the devotion program to the society. Meanwhile, Burke, Martin, and Cooper (2011: 9) mentioned that reputation can be also measured by using six components, including responsibility, communications, product and services, talent, financial measurement, and leadership. The different with Barron *et al* is that there is an addition of product and services, financial measurement, and leadership elements. (1) Product and services is the questions regarding education services' quality; (2) financial performance is the questions regarding the degree of the HEIs' ability to increase its survival rate; and (3) vision and leadership is the questions regarding the ability of the HEIs to design a suitable vision as well as how the managers' leadership is able to achieve the proposed target. Chun (2005: 102) proposed the variables that can shape the HEIs reputation, which is considered more comprehensive compare to the other two opinions, which is consist of six major categories:

- 1) Emotional appeal, which is the questions of feelings toward the HEIs, whether it is admiration and respect or faith toward the HEIs;
- 2) Product and services, which is the questions regarding the education services' quality;
- 3) Financial performance, which is the questions regarding the degree of HEIs to increase their rate of survival;
- 4) Vision and leadership, which is the questions regarding the ability of the HEIs in designing a suitable vision as well as how the leadership of the managers in achieving the proposed target;

- 5) Workplace environment, which is the questions regarding the management of HEIs and its relationship with the employees / lectures ways of working; and
- 6) Social responsibility, which is the questions regarding HEIs' responsibility toward the environment and its attitude toward the human through its devotion program to the society.

Reputation is sustainable when it is consistent with its words and attitude (Sharma (2012: 155). HEIs in this competition era needs to be able to compete so that they will be able to persuade the students to enroll based on the existing capacity, and no longer rely on government' subsidized fund in operating the HEIs. Instead, the HEIs need to be able to be independent, which will lead to the increasing of tuition fees to their students. HEIs' reputation can be built through public relations' activities, because they are there for the sake of the organizations, both commercial or non – profit organizations. Daily PR activities are conducting two – ways communication between the organization and its public with the purpose of creating a mutual understanding and support to achieve a certain objective, policy, production or service activities, and etc; for the sake of the organization's improvement and positive reputation. Thus, PR activities are closely related to the shaping of public opinions and the society's shifting attitudes. As it is mentioned before by Barney (1991) that reputation is one of the key elements of intangible resources, which will become the source of the creation of sustainable competitive advantage of a company. Moreover, Hall (1992. 1993) described intangible resources as feedstock, capability differential, which create sustainable competitive advantage, and superior company's performance. This perception is in accordance to the definition provided by Larkin (2003) that mentioned reputation as a valuable asset, where its elements can influence the finance performance as well as to provide a source of competitive advantage. A study conducted by Fombrun (2001) concluded that company's reputation is:

- 1) The result of corporate branding in the marketing field (research conducted by Klein and Leffler, 1981);
- 2) The signal from the future's action and attitude where the company is agreed to assess and promote the hopes of the principal regarding the activities of the agent in accordance to the agency theory (research conducted by Spreeman, 1988);
- 3) Good intentions as it is disclosed in the accounting (research conducted by Hall, 1992);

- 4) Manifestation of the company's identity in accordance to the agency theory (research conducted by Fombrun, 2001);
- 5) Potential market entry barrier in accordance to the agency theory (research conducted by Wilson, 1985); and
- 6) The result of **shaping** process that can improve the company's image in the capital market and in the investor's perception (research conducted by Millgrom and Roberts, 1986)

To measure the university's reputation, the author tries to adopt the research result conducted by Chun (2005: 102) that there are several methods to measure the reputation, which are used as the basic to determine the variables, which will influence university's reputation. One of the methods is a study conducted by Fombrun (1996), where in his research, he requested the stakeholders to estimate the HEIs overall, thus, its resulted that HEIs reputation is build based affective reaction of the students, foundation, employees / lecturers, and societies without the explanation of why was it only focusing on affective reaction. Moreover, Hall (1992) combined cognitive and affective components in the business world with the explanation that company's reputation can be influenced, both by knowledge and the emotions of the individuals in the company. Based on the description above, Barron and Rolfe (2011: 15), Burke, Martin, and Cooper (2011: 9), and Chun (2005: 102) used six major categories to build variables that could shape HEIs reputation, including:

- 1) Emotional appeal, which is the questions of feelings toward the HEIs, whether it is admiration and respect or faith toward the HEIs;
- 2) Product and services, which is the questions regarding the education services' quality;
- 3) Financial performance, which is the questions regarding the degree of HEIs to increase their rate of survival;
- 4) Vision and leadership, which is the questions regarding the ability of the HEIs in designing a suitable vision as well as how the leadership of the managers in achieving the proposed target;
- 5) Workplace environment, which is the questions regarding the management of HEIs and its relationship with the employees / lectures ways of working; and

- 6) Social responsibility, which is the questions regarding HEIs' responsibility toward the environment and its attitude toward the human through its devotion program to the society.

Strain (2011: 177) mentioned that a suitable competitive advantage strategy can increase the company's ability to conduct value innovation. Moreover, Hussain and Ilyas (2011: 1233) also mentioned that innovation conducted by a company would create competitive advantage, which is initiated by the determination of a suitable competitive strategy. In other words, if the competitive advantage strategy is conducted appropriately, it is easier for the company to conduct value innovation, which will lead to the creation of competitive advantage. Chen and Chang (2011: 5743) explained that core competence of a well – managed company would facilitate the company to conduct value innovation. Momeni et al (2011: 475) also mentioned that core competence that is built through the management knowledge is considered as a procedure that could improve responsiveness and the value of a company's innovation in accordance to the organization's performance. Based on the perspective above, it can be concluded that a well – implemented core competence will improve the value innovation conducted by the company. Flatt and Kowalczyk (2011: 1) mentioned that company's reputation can be built positively if the company able to implement competitive advantage strategy in an appropriate way. Tavitiyaman, Qu, and Zhang (2011: 651) also mentioned that the strength of competitive factors in the industry as a basic to formulate competitive strategy, which will lead to the improvement of behavior performance is considered as intangible asset of a company, or it can also be mentioned as company's reputation. Based on the perceptions above, it can be concluded that competitive advantage strategy can improve company's reputation in a positive way.

McGee in Hua (2011: 2087) explained that the elements that differentiate the education institution is the competence differentiation owned by the education institution or can also be mentioned as core competence, which is the basic to improve the quality of the institution's reputation. Moreover, Henard and Roseveare (2012: 8) added that core competence of an education institution as world Class University emphasizing researches' performance as a basic to maintain the institution's reputation. Based on the perception above, it can be concluded that core competence can improve company's reputation in a positive way. Bolleaert et al (2007: 42) mentioned that value innovation conducted by the HEIs will improve institution's reputation in a positive way. Moreover, Malmarugan and

Sankaran (2007: 104) also mentioned that the innovative approach in managing education institution would maintain positive institution's reputation in the perception of the society. Based on the perception above, value innovation implemented by the HEIs will improve the institution's reputation in a positive way. Furthermore, the variables relationship in this research can be seen in table 2.

Table 2. Relationship between Research Variables

No.	Variable	Value Innovation	Reputation
	Competitive Advantage Strategy	Strain (2011: 177) mentioned that a suitable competitive advantage strategy can increase the company's ability to conduct value innovation. Moreover, Hussain and Ilyas (2011: 1233) also mentioned that innovation conducted by a company would create competitive advantage, which is initiated by the determination of a suitable competitive strategy.	Flatt and Kowalczyk (2011: 1) mentioned that company's reputation can be build positively if the company able to implement value competitive advantage strategy in an appropriate way. Tavitiyaman, Qu, and Zhang (2011: 651) also mentioned that the strength of competitive factors in the industry as a basic to formulate competitive strategy, which will lead to the improvement of behavior performance is considered as intangible asset of a company, or it can also be mentioned as company's reputation.
2	Core Competence	Chen and Chang (2011: 5743) explained that core competence of a well – managed company would facilitate the company to	McGee m Hua (2011: 2087) explained that the elements that differentiate the education institution is the competence differentiation owned by the