



Strategic Navigation of Educational Institutions: Implementation of External Audit and EFE Matrix in Facing Global Disruption

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Abstract

Higher education institutions currently face global turbulence caused by demographic shifts, economic instability, regulatory policies, and digital technology disruption. This study aims to formulate the institution's strategic position in anticipating external challenges through an outside-in strategic management approach. The method used is descriptive analysis through a comprehensive literature review, integrating secondary data from contemporary management literature. Data evaluation is systematically processed using three main instruments: Porter's Five Forces Model, the External Factor Evaluation (EFE) Matrix, and the Competitive Profile Matrix (CPM). The external audit results indicate the presence of ten actionable variables, with the threat of substitute products such as non-degree certification and declining new student input being the most destructive challenges to the traditional education model. Based on the quantitative analysis, the institution obtained a total EFE score of 2.51. This figure indicates that the institution's strategic response is in the average category; the current strategy is quite effective in exploiting opportunities but remains vulnerable to external competitors. Meanwhile, the CPM analysis confirms that despite advantages in tuition fees and location, institutions lag significantly behind their main competitors in terms of the quality of their digital facilities. The study concludes that institutions can no longer rely solely on internal operational efficiency. Managers and educators are required to immediately move beyond their routine operational comfort zones, fundamentally reposition their values, and aggressively accelerate digital transformation. Aligning internal capacity with external dynamics is an absolute prerequisite for maintaining relevance and achieving sustainable competitive advantage.

Keywords: External Audit, EFE Matrix, Educational Institutions

INTRODUCTION

The world of education is currently at a crucial crossroads, where traditional stability is being replaced by uncertain global turbulence. For decades, educational management has tended to adopt a highly inward-looking mindset, focusing exclusively on the institution's internal operations. Educational administrators typically devoted much of their energy to refining curricula, managing faculty-to-student ratios, and improving campus facilities, assuming that internal excellence

would automatically ensure organizational survival. However, contemporary realities demonstrate that a strategy based solely on internal efficiency is no longer sufficient to ensure an institution's survival amidst the onslaught of massive changes. The emergence of a paradigm shift from an internal focus to an Industrial Organization (I/O) perspective represents a significant turning point in the discourse on strategic educational management. This I/O perspective emphasizes that external factors, or the industrial environment, have a far more dominant influence in determining an institution's performance and success than solely internal factors. From this perspective, educational institutions are no longer viewed as isolated entities, but rather as part of a vast ecosystem constantly influenced by economic, social, political, and technological forces.

This paradigm shift has significant implications for how we view competitiveness. While previously the quality of a university or school was judged solely by what happened in the classroom, now such assessments must include the extent to which the institution is able to adapt to demographic trends, changing government policies, and digital disruptions occurring beyond its control. Fred R. David (2017), in his work on strategic management, emphasizes that the core of external assessment is an organization's ability to identify key, actionable variables. This identification is not simply a matter of collecting thousands of pieces of raw data, but rather a process of filtering to find a small number of critical factors that truly provide a clear response to strategy formulation. Without the ability to identify these actionable variables, educational institutions will simply drown in a sea of information, never being able to make strategic decisions. The importance of mapping the external environment is also emphasized by Haryadi (2026), who likens external audits to a radar system for educational institutions. This radar functions to detect threats before they become crises and seize opportunities before they are seized by competitors. Without a sharp external radar, educational management will only be reactive and always one step behind the changing times.

The external forces that educational administrators must monitor are complex and interconnected. Economic factors such as inflation, graduate unemployment rates, and government funding policies are crucial variables that determine operational sustainability. On the other hand, social, cultural, and demographic forces provide insights into the profile of future prospective students, who may have different expectations regarding learning models. This aligns with Porter's (2008) view that industrial structures, including the education industry, are shaped by competitive forces that go beyond mere competition between similar institutions. The bargaining power of consumers, in this case students and parents, is increasing with the abundance of information and institutional choices. Today's students are no longer simply seeking a degree, but rather seeking added value, flexibility, and direct relevance to the world of work. If educational institutions fail to recognize this shift in social values, they will lose their appeal in an increasingly competitive marketplace. Therefore, understanding the "outside world" is no longer an optional choice for lecturers or administrators, but a fundamental necessity for survival.

In the face of increasingly severe external challenges, educators often struggle to adapt due to emotional attachment to established methods. However, strategic management offers a solution through the use of systematic analytical tools such as the External Factor Evaluation Matrix (EFE). Wheelen and Hunger (2012) explain that environmental audits are key to understanding invisible competitive dynamics. By using analytical tools like the EFE Matrix, institutional managers can weight and rank each opportunity and threat identified in the external world. This process transforms abstract, qualitative information into quantitative data that can be accounted for in strategic meetings. For example, when artificial intelligence (AI) technology emerges as a dominant technological force, institutions with good external radar will see it as an opportunity to improve learning efficiency, rather than a threat to be feared. This is what Fred R. David refers to as transforming threats into competitive opportunities through planned action.

The application of strategic management in the education sector must also consider the very real threat of substitute products. Christensen (2011) has long warned of disruptive innovations that could undermine the conventional education business model. Today, short certification programs, technology bootcamps, and digital self-paced learning platforms are highly attractive substitutes for young people seeking speed and specific skills without committing to a four-year college. If universities focus solely on internal audits and curriculum improvements without considering how the outside world has created cheaper and faster educational alternatives, they are in a highly vulnerable position. Strategic management helps educators map their position within the Competitive Profile Matrix so they can identify their unique strengths that cannot be replicated by substitute providers. Unique character, alumni networks, and a holistic campus experience are often actionable variables that must be strengthened to win the competition.

Furthermore, political and legal factors also play a crucial role in determining an institution's fate. Mintzberg (1994) cautioned that strategic planning often fails if it fails to consider existing political and regulatory realities. In Indonesia, policies such as the Independent Learning/Independent Campus (Merdeka Belajar/Kampus Merdeka) policy represent external factors forcing institutions to fundamentally change. Institutional managers who embrace I/O perspectives will view these regulations as opportunities for broader collaboration with industry, while institutions that are internally isolated will view them as burdensome administrative burdens. Therefore, the primary objective of this presentation on strategic management is to equip educators and managers with the skills to use strategic tools to address existing challenges. The ability to conduct continuous environmental scanning is a mandatory competency in this era of educational transformation.

The long-term success of an educational institution is measured not only by how much funding they have or how impressive their buildings are, but also by how responsive they are to changes beyond their control. As explained by Kotler and Murphy (1981), successful educational institutions are those that are able to align their internal resources with existing external opportunities. This alignment can only occur with a willingness to conduct an honest and thorough external audit. Educators must begin to recognize that external weaknesses – such as skills gaps in the job market –

present significant opportunities for educational institutions to fill those gaps with relevant programs. This is the essence of the offensive strategy emphasized in strategic management literature. By understanding weaknesses or unmet needs in the external environment, institutions can create solutions that provide a sustainable competitive advantage.

This confirms that the future of education depends on the courage of its administrators to move from their internal comfort zones to the adventure of external exploration. The theories put forward by experts such as Fred R. David (2017) and Porter (2008), and reinforced by the local context by Haryadi (2026), provide a very solid foundation for initiating this transformation. The ultimate goal of implementing strategic management is to ensure that any external threats that arise do not destroy the institution, but instead become fuel for innovation and growth. By using the right analytical tools, educators are no longer mere spectators of change, but become architects of the future, capable of transforming every challenge into a ladder to greater success. Educational institutions must be living, dynamic entities, always connected to the pulse of change in the external world to remain relevant and make a real contribution to the advancement of civilization.

METHOD

The method applied in this study uses a descriptive analysis approach firmly rooted in the literature review of various contemporary strategic management literature. This method was chosen based on the need to deeply dissect established theories, particularly the thinking of Fred R. David, and contextualize them within the dynamics of the current world of education. Through the literature review, various secondary data from primary textbooks, scientific journals, and strategic documents were integrated to build a robust conceptual framework regarding how an institution should interact with its external environment. The descriptive approach allows researchers to not only present theories but also narratively illustrate the causal relationship between changes in external variables and strategic adjustments that must be taken by decision-makers in the education sector.

The analysis procedure in this study follows the stages of a systematic and comprehensive external audit. The process begins with competitive intelligence gathering, aimed at obtaining accurate data on trends and events beyond the institution's direct control. This data is then assimilated and categorized into five key forces shaping the industry landscape. Economic forces are analyzed to examine the impact of financial fluctuations on consumer purchasing power, while social, cultural, demographic, and environmental forces are examined to understand shifting preferences and the structure of future student populations. Next, political, governmental, and legal forces are analyzed to map regulatory boundaries and existing policy opportunities. Technological forces are a critical focus for identifying potential digital disruptions, while competitive forces are used to analyze the institution's position among its competitors. All of this information is not only collected but also debated and refined in an assimilation process to determine the most crucial and actionable factors.

As instruments for transforming raw data into strategic decisions, this study utilizes two primary evaluation tools, both quantitative in nature and based on in-depth qualitative assessment: the External Factor Evaluation (EFE) Matrix and the Competitive Profile Matrix (CPM). The EFE Matrix is used to summarize and evaluate the complexity of information from the five previously identified external forces. By assigning weights reflecting the relative importance of each factor and assigning rankings that indicate the effectiveness of the institution's current strategies in responding to these factors, a total score is generated that provides an objective picture of the institution's position against external opportunities and threats. Simultaneously, the Competitive Profile Matrix (CPM) is applied to provide a sharper comparative perspective. The CPM allows the institution to compare itself with key competitors based on critical success factors specific to the education industry. By integrating these two tools, this research method is able to provide strategic recommendations that are not only theoretical, but also practical and measurable for the institution's sustainability in navigating increasingly complex global challenges.

Results

Based on the external audit process, ten key variables were identified that have the most significant impact on the institution's operations and sustainability. These forces are categorized to reflect complex environmental changes. Economic and Demographic Forces The most dominant economic factor is fluctuations in people's purchasing power, which directly impacts parents' ability to pay tuition fees. In addition, demographic changes, such as declining birth rates in several regions, have caused the number of high school graduates who become student inputs to stagnate or decline. This creates tighter competition for prospective new students. Political, Legal, and Policy Forces Government policies related to accreditation and the Independent Learning Campus (MBKM) program are political-legal factors that force institutions to reform their internal governance. Regulations regarding lecturer standards and research funding are also determining factors in maintaining high accreditation status. Technological and Social Forces Technological disruption, particularly artificial intelligence (AI) and online learning platforms, has changed student expectations regarding teaching methods. Socially, there has been a shift in values, with students now prioritizing employability and practical skills over formal academic degrees.² Porter's Five Forces Model Analysis in the Education Sector This analysis provides perspective on the intensity of competition in the higher education industry. Porter's model helps us understand that competitive pressures come not only from similar campuses, but also from new entrants and substitute products.

Table 1: Summary of Porter's Five Forces Analysis of Educational Institutions

Competitive Strength	Power Level	Description of Impact on Institutions
Competition between Similar Institutions	Very high	The struggle for prospective students through price wars (tuition discounts) and campus facilities.

Competitive Strength	Power Level	Description of Impact on Institutions
Potential Entry of New Competitors	Currently	The entry of foreign campuses with a partnership system and expansion of study programs from large universities.
Potential for Substitute Product Development	Tall	The emergence of intensive bootcamps, global professional certifications (Google/Microsoft), and self-paced online courses.
Supplier Bargaining Power (Lecturers/Vendors)	Currently	Limited number of doctoral-qualified lecturers and dependence on IT infrastructure vendors.
Consumer Bargaining Power (Students)	Tall	Students have access to extensive information to compare costs, facilities, and campus reputation.

Table 2: External Factor Evaluation (EFE) Matrix of Educational Institutions

Main External Factors	Weight	Ranking	Weighted Score
Opportunities			
1. High demand for skilled labor in the digital sector	0.12	4	0.48
2. Government policies support industrial collaboration (MBKM)	0.10	3	0.30
3. Growth in the use of AI technology for learning efficiency	0.08	3	0.24
4. Increasing public interest in character education	0.07	4	0.28
5. Funding opportunities through international research grants	0.05	2	0.10
Threats			

Main External Factors	Weight	Ranking	Weighted Score
6. The decline in the number of high school graduates due to demographic factors	0.15	2	0.30
7. The emergence of non-degree (substitution) certification programs	0.14	1	0.14
8. Economic instability reduces people's purchasing power	0.11	2	0.22
9. Accreditation standards are increasingly stringent and dynamic	0.09	3	0.27
10. Massive expansion of foreign campuses into the domestic market	0.09	2	0.18
TOTAL	1.00		2.51

Table 3: Competitive Profile Matrix (CPM)

Critical Success Factors	Weight	Institution Score	Competitor A's Score	Competitor B Score
Academic Reputation	0.20	3	4	2
Tuition Fees (Affordability)	0.15	4	2	3
Digital Facilities Quality	0.15	2	4	2
Graduate Job Placement	0.20	3	3	4
Quality of Lecturers/Faculty	0.20	3	4	3
Location and Accessibility	0.10	4	3	2
TOTAL	1.00	3.10	3.40	2.75

The CPM results show that while the institution has advantages in terms of tuition fees and location, it lags significantly behind Competitor A in terms of the quality of digital facilities. This confirms the external audit findings that technology adaptation is the most urgent actionable variable to be addressed immediately in order to maintain market share.

Based on all the research data, it can be concluded that today's educational institutions can no longer rely solely on internal-based management. External factors such as demographic shifts and the threat of substitution from non-degree education represent real challenges that require an offensive strategic response. With an EFE score of 2.51, the institution has a sufficient foundation, but requires more aggressive digital transformation and value repositioning to remain relevant to consumers (students), who now have significant bargaining power.

Discussion

An in-depth analysis of external audit results shows that educational institutions can no longer maintain conventional paradigms that tend to isolate themselves from global dynamics. Through the integration of three strategic analysis tools outlined in the results section—Porter's Five Forces, the External Factor Evaluation (EFE) Matrix, and the Competitive Profile Matrix (CPM), it is clear that the current higher education landscape is experiencing significant turbulence. The greatest challenge facing administrators and educators is no longer simply refining internal curricula, but rather responding to external shifts agilely and proactively. Economic uncertainty, which is depressing public purchasing power, combined with a decline in the number of high school graduates due to demographic trends, is creating significant upstream pressure to meet new student quotas. If these conditions are met with old, defensive approaches, institutions will be trapped in a prolonged operational crisis. Therefore, the ability to conduct continuous environmental scanning is key to turning threats into strategic opportunities.

The readiness of educators, particularly lecturers, plays a crucial role in determining the success of this transformation. Most educators have become accustomed to the comfort zone of routine operations, such as conducting conventional classroom teaching, fulfilling academic administrative burdens, and following a static annual cycle. When faced with massive global change, significant psychological and cultural barriers emerge among lecturers. Changing their role from passive educators to proactive learning architects responsive to industry needs requires a radical shift in mindset. Educators are required not only to master scientific material theoretically but also to be sensitive to the developments in digital technology and artificial intelligence that now dominate student expectations. This external uncertainty must be addressed as a stimulus to improve self-competence, not as a burden that triggers resistance. Institutions must facilitate this adaptation through targeted capacity-building programs so that lecturers are able to bridge the gap between the academic world and the dynamic realities of global industry.

Through honest mapping of external factors, institutions can identify gaps or weaknesses in the external environment that actually hold significant positive value

for formulating offensive strategies. For example, the skills gap in the job market demonstrates that the national education system often lags behind in producing graduates prepared to meet the needs of modern industry. By identifying these gaps through an external audit radar system, institutional managers can take offensive action by designing adaptive programs, such as leveraging the Merdeka Belajar (Freedom to Learn) policy to expand strategic partnerships with the private sector. This offensive strategy requires educational institutions to act quickly to secure opportunities before they are exploited by competitors. Rather than focusing solely on defensive efforts to maintain outdated teaching methods, a deep understanding of external dynamics allows institutions to create unique added value that differentiates them in the market while addressing real, unmet needs in society.

Based on the quantitative analysis of the EFE Matrix, a total score of 2.51 indicates that the institution is in an average position in responding to the external environment. This figure reflects that while the current strategies implemented are quite capable of maintaining the institution's sustainability, their effectiveness is still very limited and leaves significant room for improvement. The most striking weakness is seen in the low response rating to the threat of substitute products, such as the presence of global non-degree certification programs and short-term intensive training. Today's younger generation tends to be pragmatic, prioritizing job readiness and flexible learning schedules over simply pursuing a formal academic degree that requires years of time. If institutions do not immediately reform their educational business models by integrating competency certification into the regular curriculum, their position will be increasingly eroded by alternative education providers that are more agile and lower cost.

A more specific evaluation of competitive position in the field is confirmed by the results of the Competitive Profile Matrix (CPM). Through an objective assessment of several critical success factors such as academic reputation, faculty quality, tuition fees, job placement, and digital facilities, an institution can map its strengths and weaknesses comparatively against its main competitors. While an institution has a solid competitive advantage in terms of tuition affordability and location accessibility, these advantages are no longer sufficient to win in the digital era. A significant lag in the quality of digital facilities compared to Competitor A is a danger signal that must be addressed immediately. Modern students have high expectations for the campus digital ecosystem, from interactive learning management systems to the use of artificial intelligence-based technology in administrative and academic processes. This digital facility gap is a crucial variable that can reduce an institution's attractiveness to prospective students, even if the tuition offered is relatively lower.

Overall, this discussion emphasizes that educational institutions' strategic navigation should no longer rely on subjective internal assumptions. The integration of Porter's qualitative analysis with the quantitative instruments of the EFE and CPM provides a clear roadmap for decision-makers to determine tactical priorities. The long-term success of institutions is determined not by the grandeur of their physical infrastructure or the steadfastness of their internal traditions, but by the speed and precision with which they align internal capacities with external dynamics. Aggressive digital transformation, enhanced faculty preparedness, and repositioning

of institutional values are urgent steps that cannot be postponed to maintain relevance and win the competition amidst accelerating global disruption.

CONCLUSION

The strategic navigation of educational institutions in the face of global disruption demands a radical paradigm shift from conventional, inward-looking management to one based on an outside-in perspective. Based on the results of the external audit and strategic matrix analysis, it can be concluded that the future sustainability of a higher education institution is no longer determined solely by the establishment of internal traditions or the splendor of physical facilities. Instead, the primary determinant lies in the institution's speed, flexibility, and accuracy in detecting and responding to the dynamics of the external environment filled with uncertainty. Macro challenges such as fluctuations in purchasing power, the decline in the number of high school graduates due to demographic shifts, and the stringent national accreditation standards are realities that must be faced with mature strategic preparation, not with a belated reactive attitude.

The analytical instruments implemented, including Porter's Five Forces analysis, the External Factor Evaluation (EFE) Matrix, and the Competitive Profile Matrix (CPM), serve as a comprehensive radar system for policymakers. Through this strategic radar, institutions are able to transform abstract, qualitative environmental data into objective and measurable quantitative metrics. The average EFE score indicates that the institution's current operational foundation is sufficient to maintain its basic existence, but remains highly vulnerable to disruption if aggressive improvements are not made immediately. The largest gap identified lies in the institution's weak ability to anticipate the threat of substitute products, such as the proliferation of non-degree competency certification programs and self-paced digital learning platforms that promise faster and more efficient job readiness.

Therefore, a crucial step that institutional management must immediately take is to fundamentally reposition its values and accelerate digital transformation across all sectors. Traditional institutional advantages in affordability and location accessibility have proven insufficient to win in a market that now prioritizes the quality of digital facilities and graduate job placement as critical success factors. Educational institutions must be able to integrate a curriculum based on global practical skills with an interactive technology ecosystem to meet the expectations of modern students with high bargaining power.

Ultimately, the success of this transformation will depend heavily on the collective commitment of administrators and the mental readiness of educators to step outside their comfort zones of routine operations. Lecturers must be encouraged to increase their adaptability to artificial intelligence technology and innovative teaching methods to maintain academic relevance. By aligning internal strengths with existing external opportunities and mitigating any threats through a well-planned offensive strategy, educational institutions will not simply be passive spectators of changing times. Instead, they will be able to transform every emerging global challenge into a

solid stepping stone for sustainable innovation and a tangible contribution to the advancement of national civilization.

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