

# HIGHER EDUCATION IN FLUX

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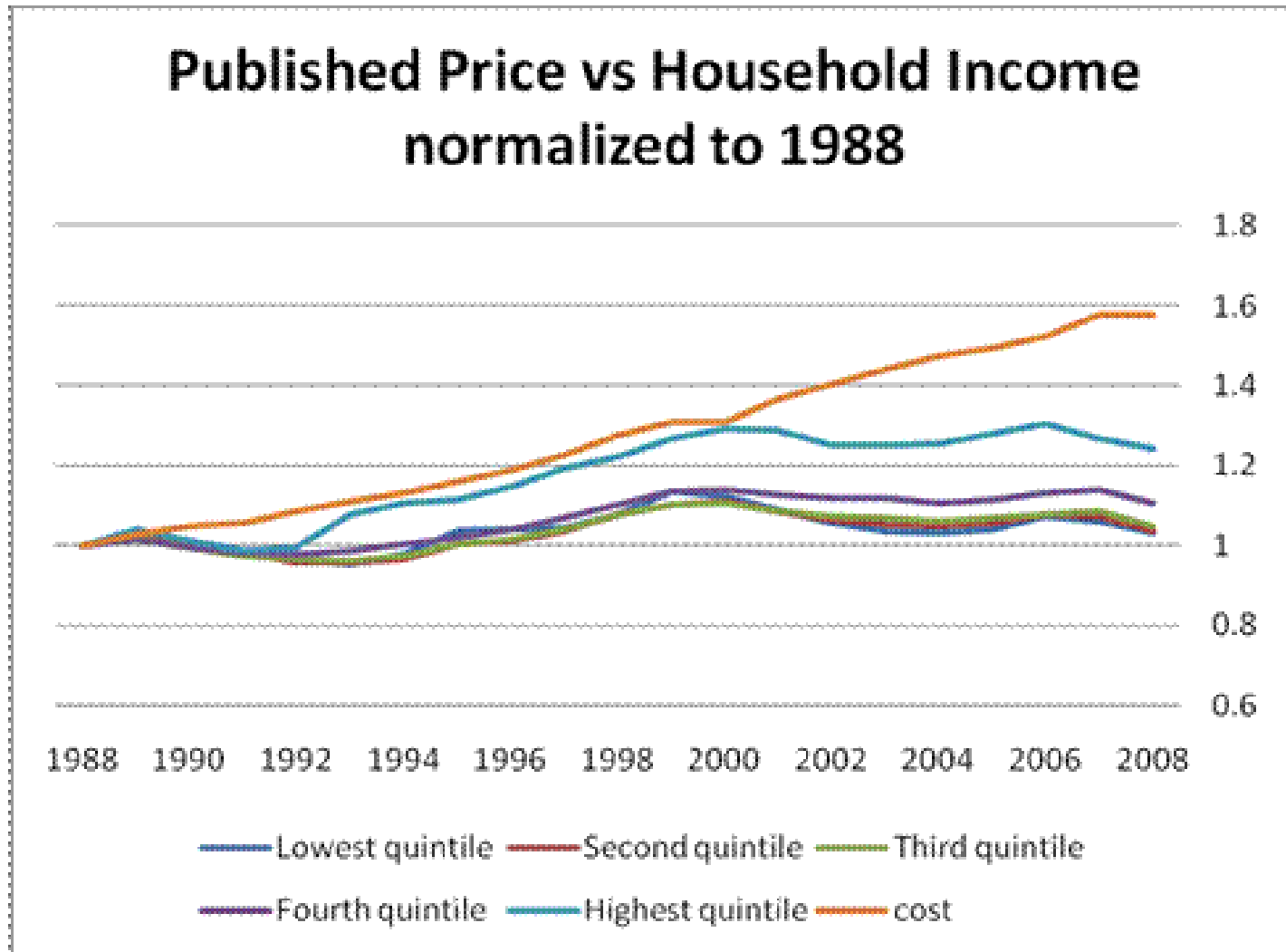
# CHANGES IN HIGHER EDUCATION

BIG FORCES IN THE WORLD – GLOBALIZATION,  
GEOPOLITICS, DEMOGRAPHICS, ECONOMICS -  
ARE DRIVING THE CHANGES IN HIGHER  
EDUCATION

# CHANGING ROLE OF GOVERNMENT

- GOVERNMENT WILL BE PROVIDING FEWER RESOURCES FOR SERVICES – SUCH AS HIGHER EDUCATION
- BECAUSE OF IMPORTANCE OF HIGHER EDUCATION, GOVERNMENT FOCUS TURNING FROM FUNDING TO ASSURING ACCESS

# COST OF HIGHER EDUCATION



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- COST INCREASES OF THIS MAGNITUDE ARE DECREASING ACCESS, AND THEREFORE NOT SUSTAINABLE WITH THE NEW GOVERNMENTAL FOCUS ON ACCESS
- WHAT CHANGES WOULD BE REQUIRED IN OUR INSTITUTIONS IF TUITION INCREASES WERE CONSTRAINED TO THE CPI?

# WHY DOES H.E. COST SO MUCH?

- MULTIPURPOSE ORGANIZATIONS COST MUCH MORE TO RUN THAN DO SINGLE PURPOSE ORGANIZATIONS – OVERHEAD IS VERY HIGH
- HIGHER EDUCATION COMBINES TEACHING, RESEARCH, SOCIAL GROWTH, SERVICE
- CHRISTENSEN ESTIMATES OVERHEAD= 4 AND AT LEAST 40% HIGHER THAN IN SINGLE-PURPOSE TEACHING INSTITUTION

# WHY DOES H.E. COST SO MUCH?

- COST OF EDUCATION ALMOST ALWAYS SIGNIFICANTLY LESS THAN PRICE CHARGED FOR EDUCATION –TUITION AND FEES
- DIFFERENCE SUBSIDIZES OTHER FUNCTIONS E.G. SOCIALIZATION, RESEARCH THAT ARE CLAIMED TO BRING VALUE TO BOTH EDUCATION AND BRAND
  - LARGE CROSS SUBSIDIZATION NECESSARY FOR BUSINESS MODEL

# WHY DO COSTS IN H.E. RISE SO QUICKLY?

- NOT UNUSUAL TO RISE FASTER THAN CPI IN COMPANIES THAT EMPLOY PRIMARILY HIGHLY SKILLED WORKERS WHO ARE VERY MOBILE
- CHRISTENSEN : “HEAD-ON, SUSTAINING COMPETITION AMONG COMPETITORS WITH COMPARABLE BUSINESS MODELS, WHICH LACK ECONOMIES OF SCALE, DRIVES PRICES UP 6 PERCENT TO 10 PERCENT PER YEAR IN NOMINAL TERMS”
  - “ARMS RACE” OF RESIDENCE HALLS, ETC AND MISSION CREEP



# COSTS AND PRICE

- CANNOT SIMPLY ATTACK EITHER HIGH COSTS OR RAPIDLY INCREASING COSTS WITHIN THE CURRENT MODEL
- NOT SIMPLY INEFFICIENCY OF HIGHER EDUCATION
- PRICE/UNIT NORMALLY KEPT UNDER CONTROL BY FINDING ECONOMIES OF SCALE AND SCALING UP SALES
- WE HAVE FEW ECONOMIES OF SCALE, DON'T WANT TO SCALE UP – SCARCITY=BRAND

# SOME OTHER BAD FACTS

- GROWTH IS IN LIFELONG LEARNING, NONTRADITIONAL STUDENTS
  - TRADITIONAL = 18-24, FULL TIME, RESIDENTIAL , SOME SUPPORT FROM PARENTS
- MOST CURRENT INSTITUTIONS OPTIMIZED FOR TRADITIONAL LEARNERS
  - IN REALITY ONLY 25% OF UG'S FIT TRADITIONAL LEARNER; 40% ARE PART TIME
- MOST LIFELONG LEARNERS DON'T USE MANY OF THE COSTLY COMPONENTS E.G. RESEARCH, SOCIALIZATION FUNCTIONS, BROAD OPEN CURRICULUM
  - PRIMARILY JUST WANT TO LEARN WHAT NEED FOR WORK
  - THEY ARE OVERSERVED BY OUR PRODUCT

# CHRISTENSEN'S DESCRIPTION OF USES OF INNOVATION

- INNOVATION CAN BE SUSTAINING IF INCORPORATED INTO THE EXISTING BUSINESS MODEL TO MAKE INCREMENTAL IMPROVEMENT IN PRODUCT
- INNOVATION CAN BE DISRUPTIVE IF IT IS INCORPORATED INTO A NEW BUSINESS MODEL MATCHED TO THE CHARACTERISTICS OF THE INNOVATION, LEADING TO A MAJOR RECONCEPTUALIZATION OF THE PRODUCT

# POTENTIAL DISRUPTORS IN HIGHER EDUCATION

- SCALABLE MODELS DOING EDUCATION ONLY—PHOENIX, WESTERN GOVERNORS
- SCALABLE MODELS DOING ONLY FIRST 2 YEARS – THE REAL PROFIT YEARS
- ALL DEPEND ON ONLINE LEARNING, WHICH IS IMPROVING RAPIDLY IN QUALITY ACCORDING TO DOE STUDIES

# HIGHER EDUCATION IS MORE COMPLICATED THAN SOME INDUSTRIES

- LOWEST X% OF 5000 ACCREDITED INSTITUTIONS RISK BEING DISPLACED BY NEW ENTRANTS – UNLESS EMBRACE DISRUPTION
- HIGHEST Y% WILL IMPLEMENT SOME INNOVATIONS IN SUSTAINING WAY IN ORDER TO KEEP COSTS AT POLITICALLY FEASIBLE LEVEL
  - INTRODUCE LOWER COST ACTIVITIES THAT ARE SCALABLE
  - CONSIDER MIX OF CURRENT ACTIVITIES E.G. NOT EVERYONE WILL BE ABLE TO SUPPORT CURRENT LEVELS OF RESEARCH
- OTHERS WILL BE MIXTURE OF SUSTAINING AND DISRUPTIVE

# GLOBALIZATION AS A COMPONENT OF DISRUPTION

- SAMUEL PALMISANO –CEO, CHAIR OF IBM
  - INTERNATIONALIZATION – HUB AND SPOKE (19<sup>TH</sup> C)
  - MULTINATIONAL – ( MID 20<sup>TH</sup> C)
  - GLOBALIZATION – MODULARIZATION AND TECHNOLOGY FOR GLOBAL OPTIMIZATION(LATE 20<sup>TH</sup> C)

# INTERNATIONALIZATION / MULTINATIONALIZATION OF H.E.

- COUNTER FALLING DOMESTIC SUPPORT BY SELLING TO INTERNATIONAL STUDENTS
  - RECRUIT INTERNATIONAL STUDENT TO MAIN CAMPUS
  - GO TO STUDENTS VIA OFFSHORE PROGRAMS
  - GO TO STUDENTS BY SETTING UP OFFSHORE CAMPUSES
  - DO IT LESS EXPENSIVE INFRASTRUCTURE
- NEW ZEALAND – INTERNATIONAL EDUCATION BRINGS IN MORE INCOME THAN WINE SALES

# INTERNATIONALIZATION / MULTINATIONALIZATION OF H.E.

- BEGINNING TO SEE A PUSH-BACK TO MODEL THAT SIMPLY EXPORTS HOME CAMPUS PROGRAMS TO FOREIGN SITE
- REMINDER THAT CONTEXT AND PLACE ARE IMPORTANT IN EDUCATION
- NOT A SURPRISE – ALSO IMPORTANT IN INDUSTRY



# YALE-NUS COLLEGE

- “YALE-NUS COLLEGE WILL DRAW ON THE BEST ELEMENTS OF LIBERAL ARTS EDUCATION FROM THE TRADITIONS IN THE UNITED STATES, BUT RE-SHAPE AND RE-IMAGINE THE CURRICULUM AND COLLEGIATE EXPERIENCE FOR ASIA.”
- “THE NEW CURRICULUM WILL SYNTHESIZE WESTERN AND ASIAN PERSPECTIVES WITH AN INTEGRATED GENERAL EDUCATION SPANNING THE FIRST TWO YEARS OF STUDY BEFORE CONCENTRATION ON A MAJOR.”

# CHEUNG KONG GRADUATE SCHOOL OF BUSINESS

- “CKGSB FACULTY, ..., PROVIDE GLOBAL THOUGHT LEADERSHIP ON BOTH THE THEORY AND THE PRACTICAL REALITY OF REAL-LIFE BUSINESS IN CHINA.”
- “ONE OF CHINA'S TOP BUSINESS SCHOOLS OPENED AN OFFICE IN LONDON ON TUESDAY. THE CHEUNG KONG GRADUATE SCHOOL OF BUSINESS (CKGSB) IS CHINESE MAINLAND'S FIRST "HOMEGROWN" BUSINESS SCHOOL TO ESTABLISH AN OVERSEAS BRANCH. THE SCHOOL SEEKS TO PROVIDE CUSTOMIZED BUSINESS COURSES FOR EUROPEAN EXECUTIVES WHO ARE OR WILL BE DEALING WITH BUSINESS ISSUES RELATED TO CHINA AND THE REST OF ASIA.” (9/7/11)

# BUT WHAT OF GLOBALIZATION IN HIGHER EDUCATION?

- FACULTY RESEARCH HAS SOME COMPONENTS OF GLOBALIZATION, BUT INDIVIDUALIZED
- A FEW REAL JOINT EDUCATION PROGRAMS HAVE BEEN MODULARIZED AND OUTSOURCED
- WHAT WOULD MAJOR GLOBALIZATION MEAN?
  - CLEARLY DISRUPTIVE BECAUSE A NEW BUSINESS MODEL WOULD BE REQUIRED

# MANAGING A GLOBAL KNOWLEDGE SUPPLY CHAIN?

- WE ARE IN THE KNOWLEDGE INDUSTRY
  - CREATE, FIND, TEACH
- NEW GOAL : FINDING /CREATING AND MOVING INFORMATION TO END USER AS RAPIDLY AS POSSIBLE
- NEW SYNERGISTIC RELATIONSHIPS WITH USERS AND OTHER CREATORS
  - PROCESS NETWORKS (BROWN AND HAGEL)