

# Forging NEW Alliances

As Higher Education Changes, So Does the Need

BY GARY BUTKUS AND STEPHEN STANDIFIRD

COLLEGE AND UNIVERSITY BOARD members are often asked to leverage the expertise that they have acquired in their careers to benefit the institutions on whose boards they serve. Whether they recognize it or not, trustees are in an alliance with presidents, provosts, and deans. The goal of this alliance is to create the most value for their stakeholders: students, faculty, alumni, donors, employers, and the community in which they operate. By expanding the circle to include as allies less familiar entities, boards can have a transformative impact on their institutions—asking the right questions of administrators, keeping abreast of the rapidly changing context for higher education, and looking beyond campus borders to find new ways to provide quality education.

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for Strategic Partnerships

Growth in the corporate world has long been viewed through a “build, buy, or ally” lens, as outlined in a 1984 *Harvard Business Review* article, “When to Ally and When to Acquire.” Traditionally, companies were able to meet customer needs and turn a profit for their shareholders by building up their own capacity. Yet over time, mergers and acquisitions in many industries have helped maintain the return for shareholders. In today’s hyper-competitive market, the ability of any single company to research, develop, manufacture, and market a new product has steadily declined. Strategic alliances have been on the rise, as they have proven to create shareholder value. But despite the growth of such alliances in industry, they have yet to become a significant factor in shaping growth decisions in many institutions of higher education.

## HISTORICAL CONTEXT

Historically, colleges and universities have had a captive market for dispersing information and expertise within a certain geographic or demographic market. Local institutions viewed each other as prime competitors, a sentiment that was fostered by the introduction and expansion of collegiate athletics. Collaboration was not even a consideration.

**In an environment in which everyone claims to offer superior services, the propensity to collaborate across programs is greatly reduced.**

More recently, many institutions have continued to focus growth through a “go it alone” or “build up our internal resources” mindset, as this has been the more traditional or natural fit. Examples of a “buy” approach do exist, with some larger institutions absorbing smaller, independent, topic-specific educational entities (for example, schools of law, religion, or pharmacy). Examples of true alliances of core academic offerings are infrequent, even

though forming such alliances could further attract and retain students and create value for important stakeholders. We do recognize that there have been some institutional mergers in recent decades, typically of small, often religiously affiliated institutions. And many academically oriented consortia do exist within cities or regions, ranging from the well-established model of the Claremont Colleges in California to other local collaborative arrangements focusing on such areas as library resources, access to scientific labs and coursework, and use of various other types of facilities. However, we believe that the current explosion of communications technologies offers many more promising, wide-ranging opportunities for new alliances, especially at smaller institutions, to expand students’ opportunities and faculty expertise.

## THE DECISION TO ALLY

The “build” versus “buy or ally” conversation usually focuses on how to maximize resources and mitigate risks, a framework that is used extensively in corporate America. A review of a college or university’s balance sheet quickly reveals physical infrastructure and human resources, and in some cases intellectual property, as key assets. These resources help deliver not only the institution’s core work (educating students), but also the essential support (housing, food services) and strategic support (health-services management for students, faculty, and staff and management of university facilities) needed to provide students with a complete learning experience. Some institutions are looking to explore partnerships when it comes to essential support services, the most prevalent example being new student housing;

## TAKEAWAYS

- 1 **Colleges and universities historically have had a captive market for the dispersal of information and expertise within a geographic or demographic market. In the digital age, that has all changed.**
- 2 **The concept of “build, buy, or ally,” taken from the business world, can have enormous implications for higher education at a time when its business model is being challenged.**
- 3 **Colleges and universities that are able to leverage strategic alliances not only augment their long-term viability but add significant value for their students.**

increasingly, they are looking for opportunities to partner with companies to upgrade their outdated dormitories. Beyond such service areas, however, we believe much more could be done in terms of alliances to revamp or expand the *academic core*.

Arguably, the most important resource of any institution is its human resources, especially the faculty, with its in-depth expertise across a wide range of disciplines. Even though it is costly to hire, employ, and promote faculty members, typically every institution has felt compelled to offer a full suite of faculty expertise, often resulting in significant redundancy if more than one institution exists in a city or local region. This appears to be a lost opportunity to focus on institutional academic strengths and collaborate with others, whether in traditional classrooms or online, to offer

the highest-quality teaching for students. But why is this the case? We believe there are multiple factors shaping this situation, including transferability of resources, perceived urgency, and desire for control.

## A LOST OPPORTUNITY

The traditional model of higher education usually involved a single faculty member meeting with a class one or more times weekly. Information was scarce, and the only way to access it was through one-on-one interaction with an expert. Acquiring a wide range of expertise was expensive for institutions, but necessary. Every college or university felt compelled to hire enough faculty members to ensure it had the breadth of information needed for the intellectual development of its students. A lack of perceived urgency based on historical trends made it easier to “take the time necessary” to develop resources in-

house. Indeed, it was difficult to share faculty resources outside a small geographical area; the only reasonable potential alliance options were with other institutions within close vicinity—but those institutions also represented the competition. In order to survive in this relatively closed competitive environment, colleges and universities created market perceptions and branding that signaled their assertion that “nobody does it as well as we do.” This is pervasive throughout higher education. In an environment in which everyone claims to offer superior services, the propensity to collaborate across programs is greatly reduced.

The need for many institutions to go beyond this model is urgent. College and university enrollments are projected to fall, at least in the next few years, and tuition levels have already created hardships for many students and families and caused institutions to allot more of their own resources to “tuition discounting” to recruit and retain a diverse student body. One of the core advantages of allying with others is to quickly access resources to appeal to new markets; fortunately, the explosion of information technology and the rapid expansion of communications venues are making it increasingly reasonable for institutions to form alliances. Information technology is not just a novel tool that can be tested in a leisurely, experimental way; rather, it may become a vital tool for some institutions to maintain their ability to recruit and retain the students needed for the institution’s continued fiscal health, as well as for keeping their academic offerings responsive to local needs.

So what should trustees be asking administrators in this milieu? The following questions are not exhaustive—and may have been asked previously by some boards—but are useful to ask or revisit given the current challenges:

- Which of our academic degrees or programs need refreshing? Is it possible to do so through alliances with other institutions, particularly online, rather than adding faculty lines or hiring more adjunct faculty members?
- Are there state or local requirements or regulations that present obstacles to doing this?
- Is our board willing to support

administrators trying to pursue some collaborative agreements?

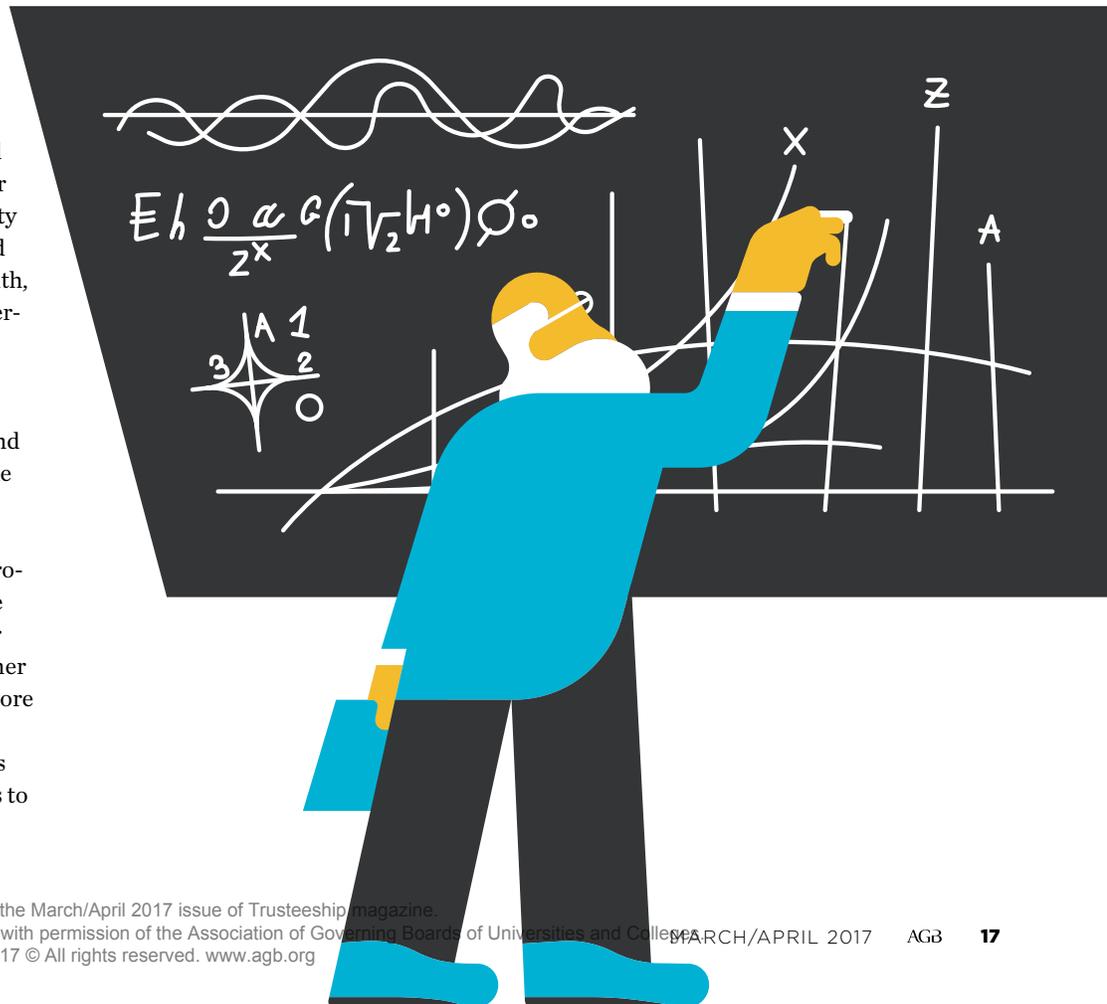
- How would this fit with our current strategic plan?
- What does the current research say about experiments such as MOOCs—massive open online courses?
- Is our institution already experimenting with online information technologies? What have the results been? If we have online degrees, can they be expanded through links with other institutions or vendors?
- Are our investments in information technology adequate to support the wide use of some of the newest communications media on campus?

### CHANGES IN THE HIGHER EDUCATION MARKETPLACE

There are two environmental changes that should significantly influence the build, buy, or ally decision in higher education. First, as noted, thanks to digital technologies, academic expertise is readily available and does not need to be accessed using just on-

site faculty resources. Second, competition is increasingly coming from outside higher education through other vendors such as Kaplan and LinkedIn, and various professional organizations, such as the American Marketing Association and the American Institute of Certified Professional Accountants. Certificate programs, coding schools, online universities, and the like create new sources of higher learning. Some trustees are finding that their biggest competition is no longer the institution down the street; substitutes outside higher education increasingly present a challenge to universities’ local monopoly on education.

The transferability of information creates significant opportunities for higher education. For example, the University of San Diego—a private, Catholic institution—allies with faculty members from across the globe to offer a high-quality, online master’s degree in supply-chain management. While this enhanced access to information has largely been done via individual faculty contracts, the opportunities for alliances among colleges and universities are



## Online Education, Global Faculty

**A Catholic university in Southern California is forging global faculty alliances through its online master's program in supply chain management. The University of San Diego offers students five different, five-day residence sessions on-campus over the course of the program, facilitating a comprehensive and robust learning environment for working professionals. Students benefit from both a wide range of global expertise among the faculty as well as an optional week-long study abroad opportunity in Asia where they can complete a core course requirement and explore firsthand the essentials of supply chain management in the global marketplace. The program includes international faculty like Dr. Simon Croom, who received his doctoral degree in strategic management, innovation, and supply chain management from the University of Warwick in the United Kingdom, where he continues to serve as a senior lecturer. The program culminates in an employer-sponsored, supply-chain-based capstone project with the potential of contributing significantly to the sponsoring employer's bottom line by discovering supply-chain-based savings to the organization. This Institute for Supply Management-approved program is the first U.S. degree accredited by the Chartered Institute for Purchasing and Supply (CIPS), headquartered in the United Kingdom. —Trusteeship**

significant. The example of Western Governors University (WGU), founded in 1997, is instructive. WGU offers a full suite of undergraduate and graduate degrees in business, all via online education. It has the legitimacy of being accredited by the Northwest Commission on Colleges and Universities but does not carry the traditional campus' fixed costs for physical infrastructure or dedicated faculty resources. As a result, WGU is able to offer a four-year bachelor of science in accounting for under \$24,000. WGU also has the advantage of being unconstrained by traditional physical enrollment barriers. Students can enroll from anywhere online access is available. As of June 2016, WGU had more than 70,000 students enrolled in its various programs. This exemplifies the marketplace acceptance of a non-traditional approach to educational delivery.

Many traditional colleges and universities already have responded to the new threats of competition by creating online offerings of their own. Online MBA programs now number in the hundreds. While these new online programs remove the

physical enrollment barriers of traditional universities, they do not fully leverage the opportunities for alliances made possible by the transferability of information resources. The vast majority of these programs are still constrained by the expertise available to the institution through its existing faculty resources. This may be adequate with a more generic offering such as the MBA. Offering a more specialized degree (such as supply-chain management) can be problematic and too costly for many institutions.

### THE POTENTIAL POWER OF ALLIANCES

With the increased transferability of information, there exists a real potential to leverage resources across higher education. For example, expertise in business logistics and supply-chain management is a significant need in central Indiana. Butler University knows the local market needs and could add significant value given the appropriate information resources. Yet the cost for Butler to develop its own faculty

expertise in logistics and supply chains is significant. The University of San Diego has a highly developed and well-regarded program in supply-chain management (see sidebar). One possibility might be for Butler to develop an alliance with the University of San Diego to bring its expertise in this area to central Indiana. Similarly, Butler University has detailed expertise in the area of insurance education not available at the University of San Diego. An alliance that shares faculty expertise across these two universities could result in an expansion of market opportunities for both.

"Going it alone" is no longer the answer to meeting all the needs and expectations of college-bound students and stakeholders, who include alumni, donors, and local or regional employers. Whether delivering the core work of education or the various support or strategic services that students need, trustees should continue to look hard for ways to share expertise through the use of alliances. Such collaborations can be cost effective and help address various types of risks, be they human (the need to maintain enrollments), business (the obligation of providing effective, up-to-date education and the value associated with it), or legal (dealing with regulations or industry practices).

To guide boards' thinking going forward, we offer three specific recommendations:

- *Develop a detailed understanding of the higher education needs of the markets you serve.* Many institutions will already have done this, but given the changes in local economies as certain industries have fallen by the wayside and new ones have recently developed, boards may want to ensure that administrators have up-to-date information about local, regional, or national job markets for their students. Indeed, federal and state governments are pressing for assurances that students will be able to find jobs upon graduation, given the growing costs of obtaining a degree. The transferability of intellectual resources via digital technologies creates new opportunities to serve new markets. Boards might ask administrators to see if there are unmet job opportunities for their students that have developed in the past few years and then analyze whether the

institution might be able to meet those needs through new alliances with other institutions. Institutional research offices may be particularly helpful in this process, depending on their focus.

- *Consider what your core areas of strength are, be they specific academic programs or technical expertise.* Once emerging market needs are determined, boards, if they have not already done so, can ask administrators to create a comprehensive understanding of the core strengths the institution possesses and the alignment of those strengths relative to market opportunities. Alliances are cost-effective and can add a depth of capabilities that enhances the value the institution offers students and employers. Effective alliances require that both parties bring valuable resources to the relationship, so developing a clear understanding of the strategic resources an institution can provide is a key step in identifying potential partners for strategic alliances.
- *Explore the availability of partnering organizations whose core capabilities*

*can complement your own, thus improving the value your institution provides.* The final step involves identifying those key resources and capabilities that are needed to best serve new market opportunities but that are absent or inadequate at your institution. Is there a specific expertise that is lacking that could be created? Do you have the expertise but need local knowledge in order to penetrate a particular market? The transferability of resources now available in higher education creates new opportunities to leverage the unique expertise of potential partners that would previously have been difficult, if not impossible, to accomplish. Again, offices of institutional research, along with faculty knowledge of particular academic programs beyond their own and studies by professional associations, may be useful here. Outside research firms also may be helpful in identifying programs that provide targeted resources that your institution lacks.

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## IN CONCLUSION

The potential advantages of alliances have long been recognized in the business world, where the ability to share risk and expand opportunities makes alliances a core resource. Higher education traditionally has been far less receptive to alliances, in large part due to a lack of perceived urgency, the tendency to develop academic resources internally, and institutions’ desire to present themselves as doing what they do better than any other institution. But demographic and financial pressures, coupled with the growth of digital technologies, have highlighted the opportunities for new approaches. Colleges and universities can embrace these new opportunities by doing a better job of determining specific market needs, being clear on the strategic advantages the institution has to offer, and identifying partners that may add complementary resources, in order to create new value for the students and regions served. Institutions that are able to leverage strategic alliances not only augment their long-term viability but add significant value for their students. Ideally, the variety of expertise typically found among members of boards of trustees can help administrators weigh the opportunities for strategic alliances and oversee their effective development. ■

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