Global Higher Education Strategy

Monitor

VOLUME I
ISSUE I
summer 2011

HIGHER EDUCATION STRATEGY ASSOCIATES

The *Global Higher Education Strategy Monitor's* mission is to tell the story of how higher education leaders – primarily at the institutional level, but also at the national level – are using strategy to improve their institutions and systems. We complement existing day-to-day news sources by taking a longer view, focusing on how institutions and governments choose to leverage particular strengths or make targeted invest-ments to drive long-term innovations and quality improvement in higher education.

THIS ISSUE: IN WITH THE NEW...

We have chosen to focus the inaugural issue of our *Global Higher Education Strategy Monitor* on other newcomers in higher education: new institutions, new schools and new branch campuses.

In this issue, we focus on three institutions that share a commitment to producing entrepreneurial leaders who are able to effectively address the world's problems. All three have benefited from far-sighted leaders whose vision has been critical to their development. The new Johns Hopkins University Carey Business School is building on JHU's traditional strengths in the sciences while also adopting an innovative interdisciplinary pedagogy and an international perspective. The Sampoerna School of Education (SSE) in Indonesia and Ashesi University College in Ghana have both borrowed from and adapted American higher education models – the comprehensive American land grant university model at SSE and the liberal arts model at Ashesi. Both institutions are also committed to making traditionally underserved populations a significant proportion of their enrollments.

In addition to these articles are two more in what will be continuing series in our pages. In our first article on cross border education, we look at the recent failures of two US branch campuses in the United Arab Emirates and what individual institutions can learn from them. And in our *UK Watch* feature we'll be devoting continuing coverage to the United Kingdom, where radical policy shifts have created an entirely new higher education landscape that we believe will likely provide new strategic models for the sector that may eventually be adopted world-wide. This issue, we look specifically at the strategy behind tuition policies in the new de-regulated environment, and what they tell us about competition in higher education.

The Johns Hopkins University Carey Business School

"NOW IS NOT THE TIME FOR A TRADITIONAL MBA"

While Johns Hopkins University had always taught business at its School of Professional Studies in Business and Education, a $50 million donation in 2006 from Trustee Emeritus William Polk Carey allowed it to create a full-fledged business school for the first time, setting up an interesting challenge: even with all that money, would it be possible for a new business school, entering a crowded market against some highly established brands, to gain the necessary reputation and status to seriously compete in the marketplace?

January 2007 was hardly an ideal time to be opening a Business School; the Carey Business School opened just at the start of economic downturn, Wall Street was being blamed for the financial meltdown, and the value of traditional MBAs – possessed by nearly all of Wall Street's big players – was increasingly questioned. On top of that, Carey lacked faculty, permanent buildings or a proven track record, was years away from receiving accreditation from the Association to Advance Collegiate Schools of Business (AACSB), and still needed to raise another $50 million in matching funds to meet the terms of the Carey donation. With these kinds of challenges, how could Carey hope to recruit the kind of gifted students that would be needed to make its reputation?

The key for Carey was to build on its strengths, of which three were particularly important.

The first strength was its mission statement. The purpose of the Carey donation was to produce innovative leaders with broad interdisciplinary knowledge. Within business education, there have been numerous calls in recent years to move away from what many feel is an excessive, and often exclusive, focus on functional business skills and become more like professional schools such as law, public health and journalism, where students learn from multiple disciplines to become able to deal with complex, unquantifiable issues. The AACSB has long been encouraging business schools to move in this direction. Clearly, then, Carey's mission would allow it to meet a definite need in the marketplace.

The second strength lay in Carey's relationship with its parent institution. Because Carey was created within a university with internationally recognized strengths in the fields of medicine, engineering, international relations and biomedical research, it was able to design an interdisciplinary pedagogy very different from the traditional business school model. The school gave students the opportunity to earn dual MBA/MS or MA degrees with other Johns Hopkins disciplines like public health, biotechnology and government, and to take specialized MBA programs with an industry specific focus such as medical services management or organization development. JHU's longstanding commitment both to fostering the production of knowledge and to providing that knowledge for the purpose of improving health, education and the environment fit very well with the Carey vision of making the solving of critical societal problems a fundamental part of its program.

The third strength was simply the Johns Hopkins name. It is an extremely prestigious institution – it essentially invented the American Research University tradition in the 1870s – with a long history and a presence in 130 countries around the globe. Leveraging this asset would be of enormous importance.

FINDING A UVP

Those three inherent advantages were key, but probably not enough on their own to guarantee success. In particular, the lack of AACSB accreditation would seem to have been a particular barrier. There remained the need to find some kind of unique value proposition (UVP).

That UVP, it turned out, was a very specific focus on the international market – not just in terms of students, but also in terms of curriculum. It is widely recognized that business in the 21st century will be far more international than in the last, and that an ability to understand other societies and the

> "Strategic planning is change that is purposefully induced to shape the diffracted elements of an unknown future into a sequence of elements that lead to a preferred future."
>
> - Rowley, Daniel James, Herman D. Lujan and Michael G. Dolence. 1997

opportunities and constraints for businesses in them will be fundamental for success. Therefore, from its inception, Carey has integrated this international orientation into all of its operations including student and faculty recruitment and curricula design for its different programs. It has also tried to develop a very different *kind* of graduate – intellectually flexible and empathetic graduates concerned not only with maximizing a firm's shareholder value, but also with strengthening the community in which it operates.

GUPTA IDENTIFIED INTELLECTUAL FLEXIBILITY, CULTURAL LITERACY, GROUNDING IN ETHICS, THE ABILITY TO COMMUNICATE, OPTIMISM, CREATIVITY, A COLLABORATIVE OUTLOOK AND THE WILLINGNESS TO LEAD AS KEY SOFT SKILLS.

While several business schools have, of course, been working on redesigning parts of their pedagogical approaches by becoming more international (INSEAD), more interdisciplinary (Yale, Philadelphia University) or both (Wharton), they have not necessarily had the freedom to make reforms on all the fronts that are necessary to respond to changes in the business environment. Given its later entrance into the business school field, Carey was able to capitalize on the most recent currents of thinking in business education without being limited by any entrenched institutional interests concerned with maintaining the status quo. Being a brand new school offered the advantage of a blank slate, and a freedom to implement new ideas with a speed not possible in established programs at a time when the business school paradigm of the last 50 years was falling into disrepute.

DELIVERING THE GLOBAL MBA

Yash Gupta was hired as Dean in 2008. His principle responsibility was to raise the stature of the Carey Business School by creating a Global MBA that would compete with the most prestigious MBA programs in the world. In the end, it took almost three years to design the curriculum, raise funds and recruit faculty. The first Global MBA class entered in the fall of 2010.

The Global MBA built by the Carey faculty embodies the interdisciplinary pedagogy, international orientation and service emphasis of the Carey Business School and, more broadly, Johns Hopkins University itself, and integrates them into its student and faculty selection, teaching methods, course content and available specializations. It explicitly seeks an equal mix of American and international students and students with diverse academic and professional backgrounds who are at different stages of their professional careers in order to bring in a variety of experiences and perspectives. It interviews each applicant as part of the selection process and strongly values applicants' community service backgrounds and professional and personal aspirations. Students are recruited internationally using need-based admission. If a student is a good fit, the school will find a way to make it possible for him or her to attend using grant and scholarship aid, loans, payment plans, and tuition reimbursements.

Faculty are recruited from different fields and once onboard are given no titles beyond professor or assistant professor. They are not assigned to a specific department or functional area. Many of the new faculty gave up endowed chairs at other universities to come to the Carey Business School because they were attracted by the school's innovative curriculum and opportunity to pursue interdisciplinary research. In addition to its own staff, Carey draws on faculty from the other Johns Hopkins schools in order to provide students with knowledge and insights from experts in other fields, especially those in which Johns Hopkins has a comparative advantage.

Similarly, the interdisciplinary pedagogy, international orientation and service emphasis inform the program's teaching and course curriculum. Essential business skills are taught not as isolated areas of study, but rather as interconnected parts of modern businesses in a series of four integrated modules in Financial Resources, People and Markets, Business Processes and Managerial Decision Behavior. Each core class is taught by two professors from different disciplines. In their second year, students can develop interdisciplinary specializations that link a functional business area such as accounting, finance, information systems, marketing, management, strategy and operations with an industry vertical such as cost management, managing health care professionals and leading health care organizations. As part of the *Innovation for Humanity Project*, students go to another country for three weeks at the end of the first semester not only to gain experience into how businesses and people operate in different cultures, but also to work on solving pressing infrastructural problems in water, energy and health systems such as the distribution of antiretroviral drugs.

The Global MBA also emphasizes what Yash Gupta calls the soft skills to management that, he asserts, often differentiate the merely average from the truly great. In a piece written for the *Chronicle of Higher Education in 2010*, Gupta identified intellectual flexibility, cultural literacy, grounding in ethics, the ability to communicate, optimism, creativity, a collaborative outlook and the willingness to lead as key soft skills. To develop them, students take a four-semester *Thought and Discourse*

Seminar that explores complex issues such as ethics, leadership, regulation and governance with participation from business leaders and policy-makers.

Throughout Johns Hopkins there is a belief that learning is most meaningful if it can be applied. The Global MBA purposefully mixes the academic and professional development processes through experiential learning initiatives such as the previously mentioned *Innovation for Humanity Project* and the *Discovery to Market Project*. In the latter, small groups of students identify profitable opportunities in potentially patentable inventions and drug discoveries by university engineers and scientists and then create business plans for their commercialization.

The early indicators are that Carey's launch has been successful. They have been able to remain highly selective - Carey picks three out of every 500 faculty applicants and had 500 students apply for the Global MBA's 80 spots – which is an important prestige metric. Twenty-three international institutions have indicated an interest in establishing partnerships, though again, this is something that Carey is approaching with care to make sure that partnerships build comparative advantages. And it is adding new programs: in May 2011, it launched an executive MBA program that will combine online distance learning with a series of 10 residencies in Baltimore and abroad, and several business schools are interested in exploring collaboration. As a recent *Bloomberg Businessweek* article said: "The Carey school faces big obstacles, but its innovative focus and the Johns Hopkins reputation may set it apart."

"The Carey school faces big obstacles, but its innovative focus and the Johns Hopkins reputation may set it apart."

-Bloomberg Businessweek

Carey certainly seems to be off to a good start, and this is thanks mostly to the strategic vision at the outset of the program. But continued execution is key: obtaining accreditation and continuing to raise funds in a challenging philanthropic environment will be critical over the next few years. But most important of all will be its performance in post-graduate placement. At the end of the day, B-schools are always judged on their graduates, and the true test of the Carey strategy will lie here.

[Note: In June 2011, Dr. Gupta stepped down as Dean to become CEO of SDP Telecom Inc., a Canadian telecom firm. An international search is underway for his successor.]

The Sampoerna School of Education

WILL A U.S. LAND GRANT MODEL WORK IN INDONESIA?

Putera Sampoerna, a successful Indonesian businessman, has a vision for higher education in Indonesia. He plans to create a university made up of constituent colleges that, like America's flagship public research land grant universities, will provide practical training to students from all socio-economic backgrounds in fields that are needed for national development. In pursuit of this goal, the Sampoerna School of Education (SSE) was opened in 2009 as the first constituent college of the Putera Sampoerna University.

Having opened with just 190 students, the SSE is expected to grow to about 600 to 700 students within four years. The school aims to prepare a new generation of high quality Indonesian teachers and serve as a model for education teaching in Indonesia. A second college, the Sampoerna School of Business, opened in April 2010. Officials hope to eventually open agricultural and engineering colleges.

The School of Education was chosen as the first constituent college because teacher education is essential for Indonesia's economic and social development. About 95 percent of Indonesian children are enrolled in primary school, but the quality of that education suffers from underprepared teachers, less than half of whom possess four-year college degrees. The Dean of the School, Prof. Dr. Paulina Pannen spoke to us recently and identified the main challenges facing the school. One of its most critical challenges is finding faculty who can both make through a tough selection process and be a right "fit" for the School's mission. A second challenge is building the image of a completely new institution that will be able to receive accreditation for three or four years. A third challenge is financing, particularly with respect to providing financial assistance (discussed below); though the School was generously bankrolled by the Sampoerna Foundation at its inception, the Foundation has made it clear that it needs to become self-reliant quickly as it will not cover the school's continuing costs.

The SSE is clearly pursuing a three-fold strategy of differentiation. Its value proposition lies in differentiating itself from other Indonesian institutions in terms of who it teaches, what it teaches and how it teaches it.

WHO IS TAUGHT?

Enrollments in Indonesian public higher education are very limited and skewed towards wealthier students from urban areas. Only a small proportion of all university students come from rural areas and the lowest economic quintile. Private institutions have proliferated to absorb some of the demand that the 80 public universities cannot admit, but these are of variable quality and charge tuition fees that are far higher than many students can afford. As of 2010, 42 percent of students who have completed senior high school are not able to continue on to higher education due to inadequate financial resources. This represents a loss of talent not only to the nation but to individual schools as well, who could be missing out on talented but penurious students.

The Sampoerna School of Education aims to attract some of this 42 percent by offering them substantial financial assistance through its Student Financing Program, a combination of soft student loans and living allowances. The loans carry no interest and require no collateral. Repayments begin after graduation on an income-contingent basis. The school is also planning a new student loan program based on Sharia law.

In order to meet the challenge of publicizing the school to potential students in rural areas, the SSE uses the Sampoerna Foundation's network around the country to hold information sessions and has developed good collaboration with local teachers' institutions. The admission process is quite rigorous (applicants have to take four separate tests and participate in a number of interviews), but admission is not exclusively based on academics, as the school is looking for students who have the capacity to become future leaders in Indonesia and who will transform the local educational system. More than 1,000 students applied for the 89 spots in the school's first class.

To address its financial challenge, as the school's reputation grows the school plans to start attracting international students who will pay full tuition fees.

WHAT IS TAUGHT?

SSE is the first institution in Indonesia to offer the four-year undergraduate Bachelor of Education program. Generally, primary and secondary teachers participate in two-year certificate and, less frequently, four year degree programs in teacher training institutions (Institut Kegurun dan Ilmu Pendidikan). Together with its international partners Massey

University (New Zealand), Nanyang Technology University (Singapore) and Iowa State University (United States), SSE has developed a pedagogical model designed to meet a specific market niche that will both offer jobs for graduates and promote societal objectives. Because they are creating a completely new school, the SSE administration has had the freedom to implement innovative ideas that differ substantially from established Indonesian practices without having to deal with an existing curriculum and the entrenched interests that go with it. The partner organizations have also offered training to SSE faculty.

At present, the school offers degrees in mathematics education and English literacy education. It plans to move into other programs such as early childhood in the future. The curriculum is bilingual in English and Indonesian and unlike more traditional teacher training institutions, it has a strong research orientation starting from the first semester, so that teachers are equipped with the skills that they will need once they start teaching, such as the ability to explore and evaluate available teaching methods first hand.

The School has also been created with a curriculum designed to meet a particular market niche. Its students are being specifically trained to supply teachers to the international schools in Indonesia that offer a more rigorous education. These could be national schools that have international quality standards called Sekolah Bertaraf Internasional, the national schools that use English as the main teaching language and offer additional extracurricular programmes and international standard examinations, the so called "Plus Schools" or the traditional international schools from the United Kingdom, Great Britain, the United States, etc. There are about 20 international schools in Indonesia and the number is growing.

HOW IT IS TAUGHT

The SSE curriculum emphasizes action learning and places students in schools very early in their programs to observe and eventually get firsthand teaching experience with children. In more traditional teacher colleges this school experience only happens towards the end of the program. There is also an emphasis on providing the students with a familiarity using various information technologies so that teachers will have a technical knowledge at least commensurate with the students they are teaching. Finally, the school has a specific emphasis on building character. In all of these ways, the SSE is following a path which is overtly more American and less Asian than do other local teacher training institutions.

THE FUTURE

The Sampoerna School of Education has gotten off to a good start, and has introduced innovations to teacher training that together with the university's other constituent colleges will show that non-traditional approaches to higher education can work in Indonesia. Nevertheless, it does appear that the goal of providing traditionally underserved students with a world class education may be in conflict with the strategy of attracting full-fee paying international students to pay for it and that further reflection about alternative financing strategies may be required. At Ashesi, for instance (see next article), expansion of a model that served a similar group of students was only possible with the aid of overseas philanthropic assistance. If the Sampoerna Foundation does reduce funding precipitously, SSE may find itself needing to make difficult choices between its quality mission and its access mission.

Ashesi University College

A LIBERAL ARTS EDUCATION MODEL FOR AFRICA

Ashesi University College, located near Accra, Ghana, opened in 2002 as a very different type of institution from the traditional rigidly discipline-based (and distressingly overcrowded) Ghanaian public university. Not only is Ashesi private (private higher education institutions accommodate only about five percent of the country's students), but it is specifically designed to attract a student body that is far more diverse than usual in Ghanaian higher education, which tends to cater to better-off students from urban areas. It is also based on a four-year liberal arts education model, which is virtually unheard of in Africa. Its mission, as explained on the university's website, is "to educate a new generation of ethical, entrepreneurial leaders in Africa; to cultivate within our students the critical thinking skills, the concern for others and the courage it will take to transform a continent." The school just graduated its seventh senior class of 81 students in June and will achieve yet another milestone this summer when it moves into its permanent new campus about 15 miles north of Accra.

"Why ethics?" asks Ashesi's Founder and President, Patrick Awuah. "Because so few go to college (in Ghana), those who do become leaders, but they don't have a lot of people watching over them so (this scrutiny) needs to be done from within." This defense of morality as a pre-requisite for development is a significantly different point of view from that of the World Bank and other development agencies, which tend to stress formal systems of transparency and accountability. While not disputing this approach, Mr. Awuah asserts that the size of Africa's task in terms of economic and social development and the rule of law, that it is time to explore additional ways to promote change, such as through the educational system. It is precisely in order to contribute to such change that Aseshi decided to organize its curriculum not just around technical and commercial skills, but on the Liberal Arts as well.

Mr. Awuah developed the idea for the school in the late 1990s. Leaving a secure job as a software engineer at Microsoft, he enrolled in Berkeley's Haas School of Business where he developed the Ashesi model together with some of his classmates and set up the Ashesi University Foundation in the United States to raise funds for the school's launch. When the doors opened in 2002 with 30 students, Ashesi University College was an anomaly in the Ghanaian higher education landscape and one whose survival was far from assured.

As a new institution in 2002, Ashesi was faced with a number of challenges. It had no reputation or infrastructure and had problems attracting faculty especially as private higher education institutions were a relatively new phenomenon in Ghana and faculty were wary of working in them. Because higher education access in Ghana is differentiated by socio-economic status, region of origin, and types and locations of secondary school, with most students coming from wealthier families, a limited number of secondary schools and the more economically advantaged regions, there were no established practices for recruiting students from rural areas. Financing was therefore necessarily a concern as the university college had to find a way to be self-sustaining, as funds raised by the Ashesi University Foundation in America were intended to be used only for startup and capital costs.

> **"To change the Africa of tomorrow, Africa must educate this 5% [who have access to postsecondary education] differently, with a completely new curriculum that fosters ethics, and innovative thinking."**
>
> **-Ashesi University College website**

STRATEGIES FOR SUCCESS

Ashesi developed a number of strategies in order to pursue its goals and meet these challenges. Essentially, the key was to be able to promote an image of quality and uniqueness in advance of actually having a track record in the area. To achieve this, the institution focused heavily on three things: curriculum development, developing an ethical core to the institution and hiring foreign faculty.

With respect to curriculum development, Swarthmore College, the University of California at Berkeley and the University of Washington were all involved in the efforts to enmesh the school's three program curricula (business administration, management information systems and computer science) with a Liberal Arts curriculum. All students in the university college's three majors must take the liberal arts core curriculum with leadership seminars and courses in mathematics, social sciences, humanities and Africa studies. The curriculum provides students with broad perspectives, and the critical thinking and creative problem solving skills needed to determine what a good society should be so that engineers, for example, understand not only "how" to build, but also the purposes for which and the social ramifications of what they are building.

ASHESI

The university has also developed courses with other university and cultural institutions and has participated in training projects with multiple partners. Several years ago, Ashesi participated in a project with the Institute of Development Studies at the University of Sussex in which its faculty received training in research methods. To promote local networks, faculty from some public institutions were also invited to participate. In another ongoing project, Ashesi is one of three hub institutions in Africa providing intense training in research methods to junior faculty from sub-Saharan African higher education institutions in partnership with several Africa, North American and European institutions. By situating Ashesi within these global networks at the outset, it was able to project an image of quality that most African universities find difficult to attain.

In order to further its aim of educating its students to be ethical and to reject the culture of corruption that is pervasive in Ghana, the university follows a strict "no-bribe" policy, developed an honor code that was voted into force by students in 2008 and requires students to complete a community service project. Each new class that joins the university decides after its first semester whether it will join the honor system. If it does, all students in it must abide by the examination honor code and sign a pledge at the end of each exam that they have neither given nor received unauthorized assistance nor seen instances of academic misconduct. If a class opts not to join the honor code, its members receive less trust from faculty and staff and are more closely monitored. Staff also tracks the career placement rate of their graduates and their behavior in the corporate world – i.e. how they are ranked by their employers in terms of their communication skills, their ethical sense, etc. All students are also required to complete a service project in the community. For example, some Ashesi students volunteer in primary schools where they teach information communication and technology skills and personal financial management and others work with local libraries to update resources and develop activities to encourage young people to read.

Finally, Ashesi was able to attract faculty from the United States and the United Kingdom for the first several years of operation, until local faculty and Ghanaians abroad started to gain confidence in the model and began to apply for teaching positions.

By providing an impressive technological infrastructure, a low student/teacher ratio, qualified faculty, and a curriculum developed with experts from prestigious U.S. universities, Ashesi could put an excellent value proposition to students. But, recognizing that many were nervous about attending an institution with a short track record, Awuah chose to alter the academic schedule slightly and start its semester earlier than other universities in Ghana. This gave students an opportunity to sample Ashesi and then enroll in another institution if they found that Ashesi was the wrong fit.

Apart from the quality goals are the ones concerning equity. Mr. Awuah and his team are pursuing their diversity goals by attracting students (and especially girls) from rural areas and all socio-economic strata of society. Ten percent of its students are from low-income homes and four percent come from backgrounds of extreme poverty. Staff has been visiting secondary schools in rural areas to advertise Ashesi where they provide information about the school's generous financial assistance program. These secondary school visits are critical for convincing prospective students that Ashesi and its commitment to diversity is for real. The team also runs a summer program that brings girls from rural villages to campus where they are encouraged to aspire to higher education. Financial aid is another tool being used to encourage diversity and the university college has awarded over $2 million in student assistance since its inception. About forty percent of Ashesi students receive some financial aid.

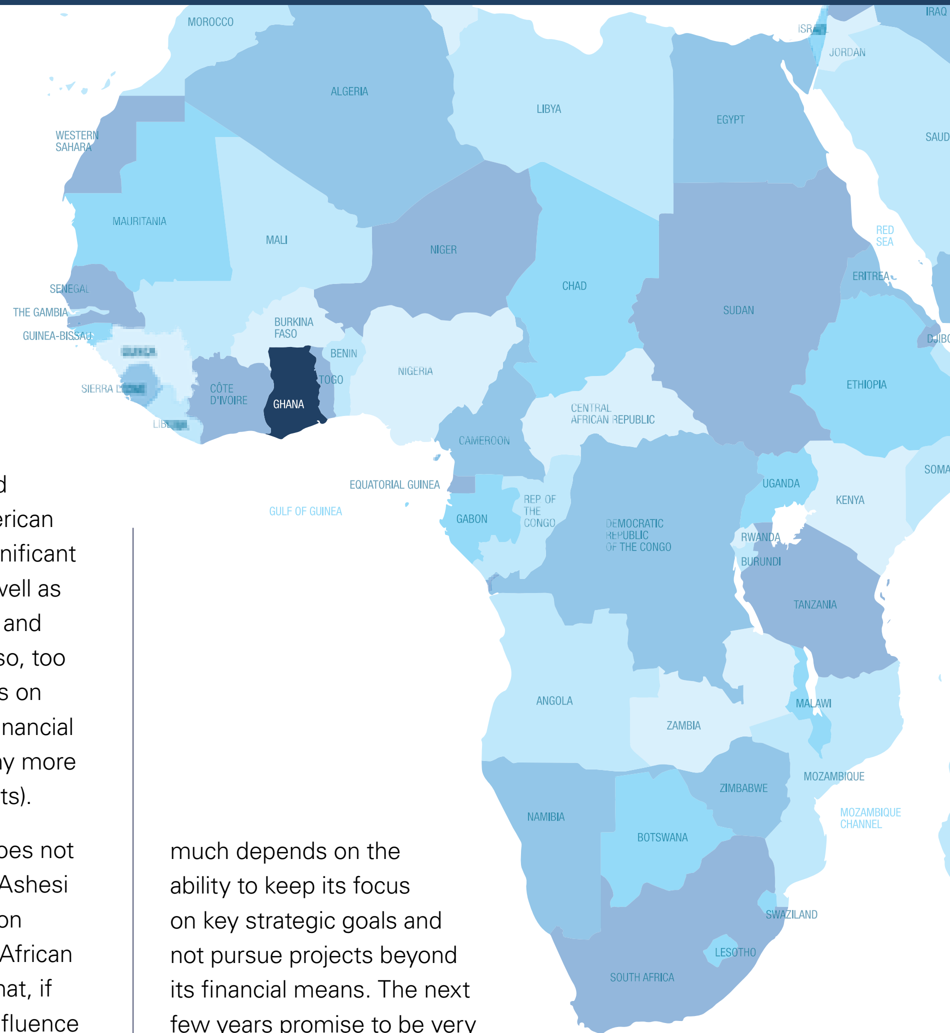
HIGHER EDUCATION IN GHANA

Ghana is a lower-middle income West African country slightly smaller than the United Kingdom with some 24.7 million people, about half of whom live in rural areas. Its public tertiary education sector is composed of eight universities, ten polytechnic institutions and several professional institutes. Since 1999, the number of private institutions has grown from two to more than 50, but these still account for only about a fifth of total tertiary enrollments.

Despite exponential growth in both the public and private tertiary education sectors in the past 10 years, financial, staffing and space constraints have kept the gross enrollment ratio for the 18-22 year old age cohort to only nine percent, higher than the average of six percent for sub-Saharan Africa, but far below the average of 72 percent for North America and Western Europe. Less than 35 percent of the students who apply to higher education institutions in Ghana are admitted due to these constraints and to the growing numbers of qualified secondary school leavers (GER of 49 percent for secondary education). Two-thirds of those who apply for admissions at the University of Ghana, the largest university in Ghana, for example, are rejected.

FINANCING THE ASHESI MODEL

The university college covers about 90 percent of its operating costs with tuition fee revenue and aims to balance sustainability with access by charging tuition fees to those students whose families can pay, and offering scholarships (using funds from its foundation) to students whose families cannot. Tuition fees at Ashesi are roughly $2,800 per semester for Ghanaian students, significantly higher than the tuition fees at other private institutions ($850 per semester). Sixty percent of the funds for the new C$6.35 million campus came from donations (primarily through the university's US-based Foundation), with the rest being covered through a loan from the International Finance Corporation.



In African terms, Ashesi's finances are enviable; its fundraising efforts are exceptional and its high tuition revenue gives it a substantial boost as well. But it is also a high-cost model; foreign faculty are not cheap and the (for Africa) unprecedented decision to adopt an American student aid model to support its diversity efforts is a significant drain on funds. The need to repay a loan to the IFC, as well as the desire to introduce new majors such as engineering and applied sciences are also sources of financial pressure; so, too is a plan to build additional low-cost housing for students on financial aid (the school has already added 60 beds for financial aid students on its new campus, but hopes to have many more in the future in order to better assist low-income students).

The university college currently has 400 students and does not plan to grow beyond 2,000. Mr. Awuah aspires to keep Ashesi small, but expects his graduates to have a large impact on society. Ashesi itself could offer a model of sustainable African liberal arts education with marketable in-depth majors that, if replicated around the continent, would give Ashesi an influence far beyond its size. But as with all private educational endeavors, much depends on the ability to keep its focus on key strategic goals and not pursue projects beyond its financial means. The next few years promise to be very interesting.

SEE PAGE 12 FOR MORE INFORMATION

U.K. WATCH

Price and Competition

A GOVERNMENT FUNDAMENTALLY MISUNDERSTANDS THE NATURE OF UNIVERSITIES

In this month's U.K. Watch, we'll answer the question: *why did so many universities choose to raise tuition fees to the maximum allowable amount?*

In 2011, the U.K. government announced its response to Lord Browne's *Independent Review on Higher Education & Student Finance in England*. Having already announced a cut of 40% to the Higher Education budget between 2010-11 and 2014-15, the government announced that English universities would be allowed to charge tuition up to £9000 per year, with the proviso that institutions charging over £6000 would have to submit plans to protect the diversity of their student body to the Office for Fair Access (OFFA), a kind of Access regulator. What followed apparently took the government by surprise; instead of this policy conjuring up a competitive market where institutions were offering a variety of offerings for a variety of price points, virtually everyone headed to the £9000 limit (OFFA has recently calculated that the average tuition next year will be £8393).

Why did this happen? Why did all vice-chancellors apparently make the same strategic decision? Michael Porter's "five forces" model, which is designed to help companies think about their competitive positions within their industries, is a useful tool to analyze their situation and why they acted the way they did.

Porter's "five forces" are: *1.The Threat of Substitute Products or Services, 2.The Bargaining Power of Buyers; 3.The Bargaining Power of Suppliers; 4.The Threat of Entry of New Competitors; and 5.The Intensity of Competitive Rivalry*. Between them, these five forces are the ones that shape an institution's competitive strategy. So it's instructive to think which of these five forces changed when the Government changed the rules of the game and tripled the maximum tuition fee from £3000 to £9000.

Two forces didn't change at all, and nor were they expected to. There is really no threat of universities facing any substitute products or services that would draw customers away. Degrees from approved or accredited higher education providers are so crucial to the signaling functions within the labour market that it's hard to imagine how they could ever disappear. As for supplier power – there is no question that it is very strong in higher education due to the restricted supply of labour (the difficulty of obtaining a PhD is the main barrier to increased supply) and the power of academic unions – and nothing in last year's reforms really changed this.

A third force – buying power – was widely expected to have an effect on the market; much of the Government's rhetoric centred around the idea that by increasing tuition fees, it was altering the competitive landscape by increasing the bargaining power of buyers. But, as Porter notes, buyers' bargaining power does not increase with price, it increases with *concentration* because of monopsonistic forces. Arguably, the universities faced more consumer power when governments were footing the bill.

The 2010 reforms did, however, dramatically interact with the other two competitive factors: the threat of entry and the intensity of competition. The interaction between the two reveals some peculiarities of the higher education market place that are worth underlining.

Higher education institutions, it needs to be underlined, are not profit-maximizers. Rather, what they set out to maximize is *prestige*. Now, prestige can be garnered in a number of ways, but the main way is through spending more money on highly-talented faculty and on the advanced research facilities required to attract said faculty. Since, as Charles Clotfelter has noted in his *Buying the Best*, virtually any institutional spending can be justified in the name of higher prestige, institutions have an intrinsic incentive to become *revenue*-maximizers. Thus, when offered the opportunity to raise tuition fees *up to* £9000, the natural tendency would have been for institutions to do this, even had the government not chosen to cut base funding by 40%.

Uneconomic competition for prestige isn't completely unknown in other industries – Formula One racing comes to mind – but what the competition enthusiasts missed here was that at the end of the day, in higher education "market share" is a meaningless concept. No institution is trying to maximize their share of the market since they aren't desirous of expanding to service more than a tiny slice of the overall market. Even if this were not the case, universities have very high capital needs and would be ill-equipped to increase their size to support a low-cost, high-volume strategy in any time frame much under a decade. In the absence of a profit motive, institutional strategy turned naturally towards maximizing prestige, which in practice means maximizing revenue. Hence, the rush to £9000: in this market, Porter's competitive rivalry permits no other outcome.

The reformers had assumed that the threat of new entrants into the system might act as a spur for universities to keep prices down. Other aspects of the government's reforms certainly provided the policy basis for new private institutions to act (either individually or in partnership with existing providers) to play a role in keeping tuition low. Further education institutions were also seen as a possible competitive threat, with two-thirds of them choosing to keep their fees for university-level courses below £6000.

If students were just in the market for *learning outcomes* (i.e., assistance in mastering certain skills and fields of knowledge), this all might make sense and new market competitors making serious, credible efforts to force down the average cost of tuition could easily be imagined. Certainly, there is a lot of room for cost reduction in higher education, especially in traditional humanities and social sciences departments. Indeed, as of 2009-10, the combined tuition-and-HEFCE-grant per student in all non-science or performance disciplines such as law, education, humanities and social sciences was only around £7000. (This is an important point to keep in mind; the 2012 policy changes – assuming unchanged demand – will for most institutions actually constitute a one-off £2000 per-student resource *increase*). So there certainly is a great deal of scope for lower-cost competitors to enter the market.

However, the hunch that underlies universities' strategy on pricing is that students are not, in fact, consumers of teaching. Rather, the institutions believe, students are consuming *credentials*. And since the value of credentials is related to the prestige of the organization giving them, universities see little value in trying to become a lower-cost provider. The fact that so few new providers have materialized to challenge existing providers on a cost/quality basis suggests that other market competitors think they might be right.

There is, of course, a third, non-exclusive possibility – that students are in the market for *experiences* as much anything else. This is clearly the view taken by A.C. Grayling and his backers, who announced plans in June 2011 to set up a new "New College of the Humanities." This college is not intended to be a degree-granting entity; rather, it would teach preparatory classes for the University of London standard examinations and in addition offer its own "Diploma of New College". But the owner-founder professors (who include such luminaries as Niall Ferguson, Simon Blackburn, Richard Dawkins, Steven Pinker and Ronald Dworkin) who will teach at the college evidently think their own reputations are so superior that students will be prepared to pay twice the £9000 maximum for public universities for the experience of being near to them. Much of the controversy around this new endeavour – ably chronicled by the *Guardian's* education writers – implicitly suggests that most critics fear they are right.

This has put the government in a bit of a dilemma; with tuitions rising more uniformly and to a higher level than expected, an enormous amount of financial pressure is being put on the government's student loan program, which acts as an indirect subsidy to the institutions (one estimate suggests the Treasury is looking at a funding gap of about $1 billion annually as a result of having underestimated institutions' fee ambitions). Politically, the situation is also embarrassing since the near-uniform rise to £9000 makes it difficult to portray the policy as resulting in "competition" in any meaningful sense.

What the government clearly wanted – and expected – was for institutions to spread out their tuitions a bit – to try to fall at different places in the cost/quality curve. In a subsequent White paper, they have tried to incentivize some institutions into lowering their prices and creating such a spread by offering new funded places only to those universities with tuition fees lower than £7500. But in a sense, this is shutting the barn door after the horses have bolted. Governments expected price competition; universities delivered quality competition, and hung the cost.

There may be, of course, a tragedy of the commons situation on the way, where each individual institution's attempt to maximize its own competitive goals results in a collective loss of access and falling participation because of a lack of affordable places. If there were a mass affordability challenge, and some institutions found themselves with an enrolment problem, then in Porter's logic, it would be equivalent to buyers' gaining some power (at least with those specific universities). It seems likely that if this were the case, the pressure for lower fees would likely be stronger at newer institutions with weaker brands; older, more established universities seem likelier to retain their pricing power.

But none of this will become clear for at least another ten months or so; if and when it happens, there will need to be another round of strategy-making for some institutions, based on experiences with the market and more hard-headed assessments of what the market will bear. Stay tuned.

CROSS BORDER EDUCATION

American Universities in the Gulf

A FAILURE OF MARKET INTELLIGENCE

Back in 2008, U.S. universities were rushing to establish branch campuses in the Middle East and Asia in order to increase their prestige, access top research talent abroad and tap into new markets for undergraduate students. The focal point for this activity was the United Arab Emirates (or UAE, a federation of seven individual kingdoms on the eastern shore of the Arabian peninsula, including Abu Dhabi and Dubai), which hosts about one-quarter of all international branch campuses worldwide.

Now three years later, two public U.S. university branch campuses have closed in the UAE: George Mason University in Ras al Khaymah (in 2009) followed by Michigan State University (MSU) in Dubai (in July 2010). In both cases, their inability to attract a sufficient number of qualified students was given as the primary reason for their demise. Taking a closer look at how this happened can provide some insights for other institutions considering establishing branch campuses in the future.

The George Mason venture in Ras al Khaymah, founded in 2005, initially received financial support from a government-backed educational promotion foundation called Edrak to help cover its startup costs. From the outset, it was expected to become self-sustaining within five years though enrollment growth. The plan was to attract students primarily from within the Emirates, and secondarily from India, Pakistan and Saudi Arabia. However, the university found few interested Emiratis with the necessary SAT scores and English-language skills to meet its enrollment standards, which significantly affected overall recruitment efforts. With enrollments significantly below projections, the university was ill able to absorb the financial blow that occurred in 2009 when Edrak announced that it was halving its support to the new campus. The cut in funding was likely a product of the global financial crisis, but there had also been disagreements between George Mason and Edrak over the identity of senior administrators, with the latter allegedly having sought to have a vice-president appointed who would report to the local authorities rather than to the normal George Mason hierarchy.

The MSU campus in Dubai faced a similar situation, but began on more fragile financial footing. As a public institution, it could not use its own, taxpayer-generated institutional funds to backstop the branch campus. Moreover, it had limited access to funds from local government or para-public partners – a $2.7 million loan (later forgiven) to cover start-up costs from Dubai Holding – and in addition needed to pay rent on its premises. Therefore, the campus was required to be in the black financially from a very early date, which implied an aggressive recruitment strategy. The initial recruitment focus was the children of expatriates in the Emirates – a group that makes up the majority of the population but that cannot access local Emirati universities. However, as was the case for George Mason, a lack of qualified local applicants became a serious issue, and the institution was unable to attract sufficient numbers of students to cover the costs of operation.

Within MSU, the post-mortem on the Dubai venture suggested that the less-than-expected expatriate demand could be blamed on the effects of the financial crisis. However, other institutions in the region contend that MSU paid insufficient attention to the local environment and in particular set tuition fees too high for an institution with an unproven track record in the local market. Certainly, other reputable programs in the region with lower tuition fees experienced no reductions in demand due to the crisis. Another theory is that the opening of the much-heralded New York University in Abu Dhabi, with its broader range of academic offerings, might have contributed to MSU's recruitment woes. However, since NYU's enrollment was small (only 150 in 2010, the year MSU faltered) this seems an unlikely explanation.

The experience of the two universities underlines the need for better market intelligence before moving into a foreign higher education market. Such an investigation includes the identification of local curricular needs, an assessment of the institution's ability to fill these needs and an appraisal of other competitors in the area who may be operating in the same market. Due diligence also requires an appraisal of the level of tuition fees that the local market will support and attention to the type of governance systems that are needed to guide the relationship between the branch and home campuses and between the branch and any foreign partners, including processes to resolve differences. A recent study carried out by a local market research group for Duke University in China suggests, for example, that many students do not find a degree from branch campuses to be worth the higher tuition fee costs. A recent Higher Education Strategy Associates survey in India showed that on any given measure of quality, local high school students were substantially more likely to rate local universities higher than foreign branch campuses.

A RECENT HIGHER EDUCATION STRATEGY ASSOCIATES SURVEY IN INDIA SHOWED THAT ON ANY GIVEN MEASURE OF QUALITY, LOCAL HIGH SCHOOL STUDENTS WERE SUBSTANTIALLY MORE LIKELY TO RATE LOCAL UNIVERSITIES HIGHER THAN FOREIGN BRANCH CAMPUSES.

American institutions are hardly the only institutions to face these problems. The Indian University of Pune, a top-rated Indian state university that like George Mason opened a campus in Ras al Khaymah, faced unsustainably low enrollments. Despite its excellent reputation and low fees compared to its competitors in the region, it did not take any new students in September 2010 and froze admissions in February 2011. It contends that its enrolment problems stemmed from its remote location and the lack of nearby services for students. More famously, the University of New South Wales (UNSW) had to shut down its branch campus in Singapore in 2007 after only three months of operation due to insufficient enrollment. Students were unwilling to pay tuition fee costs equal to those of the UNSW home campus in Australia especially given the fact that Singapore's cost of living was not much lower than Australia's although its wages (after taxes) were significantly lower.

But failure can sometimes lead to success further down the road. The Royal Melbourne Institute of Technology pulled out of Malaysia in 1997 when its Malaysian partner was hard hit by the financial crisis. Having learned the importance of a reliable financial base and realistic assessments of student demand, it went on to establish two successful branch campuses in Vietnam.

WHY DOES THE WORLD NEED ANOTHER PUBLICATION ON HIGHER EDUCATION?

BECAUSE THE WORLD OF HIGHER EDUCATION IS ABOUT TO CHANGE SIGNIFICANTLY.

At Higher Education Strategy Associates (HESA), we believe that sometime in 2009, the developed world as a whole reached "Peak Higher Education" – the point at which public investment in higher education hit an all-time high, after which expenditures began, inexorably, to decline due to a combination of demographic shifts, declining youth populations, and mounting fiscal and financial problems across much of the developed world. World-class systems like those of California and the United Kingdom are undergoing cataclysmic change, and more will likely follow. True, we're seeing a substantial growth of higher education in Asia (and to a lesser extent Latin American and Africa), but these systems are far more reliant on private funding than are those of OECD countries.

All of this is happening at a time when higher education is becoming more globalized – both in terms of mobility of faculty and students and in terms of the way institutions are beginning to compare themselves to one another. And it is happening at a time of immense economic change, with many countries in Asia, the Middle East and Latin America ascending to positions of global leadership in the "post-American" world, and wanting to see that leadership reflected through global recognition of their universities' achievement.

That recognition won't come easy. Even if America's higher education institutions are in trouble, it is still globally admired and has reserves of financial, intellectual and cultural capital that can keep it at the top for decades to come. But doing so will require a lot more work than it did in the past. America is no longer the default destination for top academic talent. The funding crisis in America and elsewhere means that other countries - such as Canada, Germany, Switzerland, the Nordic countries as well as the Asian Tigers – can now also compete for top talent. The university equivalent of the War for Talent (call it the War for Erudition) is intensifying.

The new world of higher education is thus one where there are more competitors internationally (reflecting the rise of non-OECD countries in higher education) but also more competition within individual nations – more competition for increasingly scarce public resources, and new competition for the increased private resources that will need to be called upon to make up for falling public investment.

With apologies to Burton Clark, we are all entrepreneurial universities now. And with entrepreneurialism comes a need for institutional strategy. And not the kind of strategy we know from anodyne strategic plans that blandly proclaim the need for excellence – but rather the kind of strategy that implies difficult choices to support those areas of activity where an institution possesses clear and unique strengths that give it a competitive advantage in the tussle for top students and faculty. It's not a type of strategy with which most universities are familiar; however only the ones that employ it are likely to survive the next couple of decades with their reputations enhanced.

Yet despite the centrality of strategic thinking to success in this new environment, it is surprising how little attention to strategy there is in the higher education press. Sure, there is a lot of coverage about government policy (not all of which is particularly strategic), which is covered in depth internationally by *University World News*, and to a lesser degree by the *Time Higher Educational Supplement, The Chronicle of Higher Education* and *Inside Higher Education.* And while these papers also contain plenty of stories about institutional goings-on, news coverage tends to focus on the transactional: who became president where, which faculty union is on strike, etc.

What gets missed in all this is the strategy: the attempts institutions make, quietly and patiently, to build on their strengths. How they find niche specialties and exploit them. How they identify and acquire talent and esprit de corps. How they build excellent executive teams which can obtain for staff the money and freedom required to perform top research. And, above all, how they identify strengths and opportunities and have the courage to invest in them when so many siren voices within institutions clamor for spreading the wealth around.

That's where the *Global Higher Education Strategy Monitor* comes in. In a competitive and increasingly market-focused landscape, there will be many roads to success, but all of them require strategy to successfully navigate the changing demographic, technological and financial landscape. Our mission is to tell the story of how higher education leaders – primarily at the institutional level, but also at the national level - are using strategy to guide their institutions and systems towards new and better pastures.

So, we're not another higher education news outlet; rather, we're here to find and analyze examples of long-term institutional and system-level strategies at work. As institutions deal with the implications of Peak Higher Education, globalization and the "post-American" world, we'll be showing how the world's most innovative institutions are adapting. And given HESA's global higher education practice, we'll be finding examples not just in North America and Europe, but in Asia, Africa and Latin America as well.

We hope you will join us. Happy reading.

GLOBAL HIGHER EDUCATION STRATEGY MONITOR IS A PUBLICATION OF HIGHER EDUCATION STRATEGY ASSOCIATES

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Higher Education Strategy Associates (HESA) is a Toronto-based firm specializing in research, data and strategy. Our mission is to help universities and colleges compete in the educational marketplace based on quality; to that end we offer our clients a broad range of informational, analytical, evaluative and advisory services.

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Institutional and National Responses to the Problem of Graduate Unemployment Around the World

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