Between Collaboration and Merger:

Expanding Alliance Strategies in Higher Education

Dr. Michael K. Thomas
New England Board of Higher Education

With commentary provided by:
Dr. Kent John Chabotar, Guilford College

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About this Research

To compete in today's financially challenging environment, many colleges and universities routinely collaborate with other institutions, including their competitors. These alliances can boost economies of scale and provide new pathways for learning. But as the higher education landscape grows increasingly complex, uncertain and dynamic, a more nuanced and creative approach to strategic alliances is called for — one that transcends well-established consortia while still avoiding full-on mergers.

To help campus leaders consider and craft such alliances, the TIAA-CREF Institute invited this work by Michael Thomas, who applies lessons learned from partnerships outside higher education, and Kent John Chabotar, whose commentary throughout the paper presents a practitioner's point of view. Together, they offer rigorous analysis and specific criteria for designing alliances with potential to enhance an institution's long-term competitiveness and financial sustainability.

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Executive Summary

Many U.S. higher education institutions (HEIs) face a complex combination of competitive and financial sustainability challenges that demand a more deliberate and strategic orientation toward alliances. That new breed of alliance must go beyond the valuable, but "mature" innovation of consortia and be more flexible and multi-lateral than complicated, two-institution mergers.

Drawing on the strategic alliance literature, this article considers the range of alliance arrangements, motivations and benefits, and factors for success. It identifies a "sweet spot" of HEI strategic system alliances and joint ventures to best pursue essential economies of scope and scale and core business model changes — both academic and administrative.

This next frontier of multi-HEI alliances is premised on several critical "design principles." Specifically, they are not constrained by geographic proximity and expand partner HEIs' reach. They pursue cost savings, efficiencies and integrations via partner HEIs' complementary and/or supplementary "fits." Joint resources, platforms and technology substantially increase capacity, talent and functional expertise. Such shared "utilities" can drive partner HEIs to achieve program-specific and overall enrollment growth and increased revenues.

Building the required HEI alliance capacity will require rigorous institutional self-appraisal, bold vision and focused efforts by presidents and trustees. Support from higher education-focused philanthropies and industry and sector associations will be critical. These strategic system alliances and joint ventures will likely be aided by the growing ecosystem of technology-fueled and fast-moving start-ups serving and disrupting the industry space and reconfiguring fundamental processes and activities.

Key Take-Aways

- Rather than "going it alone," collective competition through constellations of ally institutions can significantly aid HEIs in confronting their increasingly complex, uncertain and dynamic industry and operating environments.

- Achieving long-term HEI competitiveness and sustainability will require a proactive consideration of more assertive and intentional forms of collaboration and alliance — building upon the successes of geography-based consortia, but avoiding complications and limitations of institutional mergers.

- The economies of scale and scope that are critical to improved competitiveness and sustainability elude most HEIs — but are most likely to be realized through strategically selected multilateral, complementary or supplementary alliances.

- HEI leaders and stakeholders must be educated regarding collective competition and alliance strategies. This includes understanding the benefits and motivations of strategic alliances and joint ventures, learning from other industries' experiences, and providing a vocabulary, frameworks and best practices to support understanding of the continuum of options and critical variables.

- Effective alliances must capitalize on multiple key design criteria: substantial core HEI business model changes (academic and administrative); cost-savings, efficiencies and integration; expanded capabilities that drive growth and revenues; and a model of joint control that preserves institutional identity, independence and governance.

- An essential ingredient of competition-altering, strategic HEI alliances will be the creation of shared utilities: joint platforms and capabilities with top talent that provide operations at scale and with savings, quality and expertise levels that sustainability-challenged HEIs cannot achieve alone.

Introduction

 "Higher education faces a financial sustainability crisis." Variations on this refrain have been increasingly common in recent years — fueled by the prolonged effects of the global economic meltdown — and are frequently repeated in the higher education industry press, as well as in popular media.[1]

These heightened concerns about institutional sustainability have led to a renewed interest in, and discussion of, mergers between higher education institutions (HEIs).[2] While some observers warn of the industry having reached a tipping point of industry restructuring, discussion of HEI mergers is not new. The topic has arisen and been debated much by many authors.[3] This author's survey of one regional accreditors list of institutional status changes indicates that HEI mergers are not uncommon.[4]

There are undoubtedly segments or groups of HEIs that face increasing financial and competitive challenges and uncertainties due to a convergence of factors. These factors and characteristics include some combination of:

- Low and stagnant or shrinking enrollment levels — often impacted by negative demographic trends in the geographies they serve;

- Limited brand awareness, distinctiveness or reputation;

- Competing primarily on a local or regional basis and often geographically isolated;

- High or growing tuition-discounting rates, reflecting a decreasing willingness (or ability) of students to pay and resulting in lower revenues;

- Modest endowments;

- Constrained finances, including shrinking revenues, high debt levels, tight cash flows and limited working capital;

- Poor quality or non-distinctive missions and value propositions;

- High fixed and per-student costs and lacking economies of scale.

The sobering reality that these and other factors pose for a notable number of HEIs — including some in the region where I lead the New England Board of Higher Education — raises pressing questions about the fundamental organization of HEIs, the structure of the industry, and the competitive landscapes in which they operate.

New HEI Alliance Opportunities?

HEI mergers are one decisive strategy for responding to financial pressures and to changed competitive environments. Similarly, many HEIs have to utilize strong collaborations and consortial memberships to achieve the same result.

Are there, however, other opportunities and compelling strategic alliances among HEIs that can expand upon collaborative successes, but that present more flexible alternatives than institutional mergers?

I assert that the answer is "Yes," and propose to consider a series of key questions:

- Can expanded collaborations and alliances significantly alter the core competitive prospects of challenged — or soon-to-be challenged — HEIs and achieve critical economies of scale and core business model changes?

Note to the reader

The commentary that follows throughout this paper is offered by Kent John Chabotar, who served as president of Guilford College from 2002-2014. Prior to that, from 1991-2002, he was vice president for finance and administration and treasurer at Bowdoin College. Chabotar also has taught financial strategy and management to presidents and others at the Harvard Institutes for Higher Education since 1983. It is from these perspectives that he offers comments and responses to Michael Thomas' work.

 Nothing opens up an institution to the possibilities of change like a crisis. In many ways, the problems are even more complex.

- Enrollment is affected not only by lower numbers, for example, of 18 to 24 year olds but also by decreasing rates at which they are going to college.

- Many institutions fool themselves that they are distinctive because they "have small classes," "focus on student centered instruction," and "emphasize civic engagement."

- Never before have tuition discounting rates increased as rapidly. But financial aid funded by the budget is a much bigger problem — because it means every dollar allocated to financial aid means a dollar not available for something else — than when the institution has significant numbers of endowment funds restricted to financial aid.

- Can new HEI alliances or joint ventures fundamentally alter the organization and structure of the higher education industry?

- What can be learned from existing higher education collaborations and alliances — and what might the next generation of these partnerships look like?

- What can be learned from other industries and related literature, regarding strategic alliances in their varied forms?

- Besides mergers, what aggressive alliance alternatives exist and what are their respective and relative benefits?

In answering such questions, it is important to note a series of acknowledgements and assumptions, which include:

- Many HEIs have strong track records of effective multi-institution collaborations, including consortia;

- A notable number of multi-institution systems — composed primarily of public institutions — exist and have achieved resource sharing, cost reductions, and greater economies of scale and scope;

- Many HEIs increasingly alter their models and business processes by utilizing external vendors and partners to deliver new or existing functions and services; and

- Many HEIs and their leaders are demonstrating increased urgency and openness to exploring new strategies and partnerships to increase financial sustainability and competitiveness.

> With 4,000 to 5,000 HEI's — depending on who is doing the counting — there are just too many of them to survive the demographic trough. For example, independent institutions enroll about 15% of the students but account for 40% or thereabouts of the institutions, meaning many lack the enrollments and endowments to support their overhead costs and survive. These are the institutions who should run and not walk to consider collaborations and mergers.

A Collaborative and Consortial History

American HEIs have a long and substantive history of inter-institution collaborations, ranging from small to large in size, and from pairs to multiple institutions. Such collaborations involve traditional core HEI activities — teaching, research and public service — and span both administrative and academic realms.

As noted, a critical form of inter- and multi-institution collaboration is the consortium. Well-known examples include the Claremont University Consortium (California), the Atlanta University Center Consortium, the Virginia Tidewater Consortium for Higher Education, and the Five Colleges, Inc. (Massachusetts), to name but a few. Each varies in terms of age, size and diversity of member HEIs, scope of activities, strength and reputation and successes achieved.

Leaders of such higher education consortia have created their own professional organization, the Association for Collaborative Leadership (ACL), designed to support and expand consortial activity and leadership. It includes more than 60 organizational members, a notable number of which are regional, geography-based consortia of HEIs. Their activities provide considerable evidence that the scope and scale of HEI consortial entities and activities continue to grow in the United States — and bridge both independent and public HEIs.

> This is still a small proportion of the total HEI's in the United States. There is much room for expansion. We need to ask the question why more HEI's have not collaborated or merged?

> Guilford College presents examples of cross-sectoral initiatives through its alliances with:
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> - The county public school system to start the Early College at Guilford. 9th and 10th graders take high school classes with their own faculty. 11th and 12th graders take classes with Guilford students and earn college credit. Many Early College at Guilford graduates are eligible to enter college as juniors. Guilford loses money on the venture but considers it as community service and a vehicle for recruiting these exceptional students to complete their college education with us.
>
> - Two community colleges through meaningful course-by-course articulation agreements in eight majors. Many other agreements guarantee that the four-year college will accept the credits but not necessarily count them toward majors and distribution requirements.
>
> - A private K-12 institution where college employees receive discounted tuition in exchange for its students having free access to up to 12 class seats per semester.

Consortia provide two primary opportunities to participating HEIs. First, they reduce administrative, academic and other costs. Second, they expand program and service quality — academic, co-curricular and other. These primary activities commonly occur within several categories, including:

Business and administrative services and back-end functions: These include joint provision of human resource administration (payroll, benefits, etc.); training and development; finance and accounting services; records management; and compliance and risk management.

Academic offerings and services: These include cross-registration privileges, joint courses, programs and certificates (including in undersubscribed and specialized fields or majors); study abroad and global experiences; faculty development opportunities and joint faculty appointments.

Co-curricular offerings and student services: These include joint provision of arts and cultural programs and activities; student affairs, counseling and advising; disability, health and wellness services; campus police and safety; student organizations, clubs, religious life and activities; intramurals, athletics and recreation opportunities.

Shared facilities and infrastructure: These include academic, auxiliary and technology assets. Academic examples are shared libraries and library resources and technologies, as well as shared instructional facilities, research labs and field sites. Auxiliary examples include shared facilities management services, construction management and facilities planning; environmental health and safety; housing and real estate management; bookstore and food services; shared campus mail, document and imaging services. Technology examples also include IT systems (Internet, security and communications) and hardware.

In sum, consortia have achieved economies of scope and scale through shared provision of a broad range of academic and student service-oriented programs, resources and experiences. Further, they continue to drive the convergence, reduction and integration of business functions, administration and infrastructure. A substantial portion of this work is premised upon, and aided by, the geographic proximity of member HEIs.

Geographic proximity is an advantage. While email and SKYPE communications are becoming increasing user friendly, do not underestimate the personal touch for both managers and customers in getting started and resolving problems. College towns with only high numbers of students and institutions have the proximity but often not the will. That changed in Greensboro, North Carolina when the seven colleges and universities formed a consortium that will lead to, among other things, a Downtown University Center for shared academic programs.

Experiences here and elsewhere suggest that while consortia may improve quality and increase service capacity, they struggle to save money on administrative services. Why?

- *Prior Budget Commitments.* Over 50% of budgets are spent on employee compensation — and then add in financial aid, athletics, debt service and other educational expenses — rather than on the commodities (supplies, fuel) that consortia typically target for cost savings;

- *Small Size.* Unless many colleges are involved, a consortium is often not large enough to attract many volume discounts.

- *Lack of Standardization.* Sharing services (e.g., human resources, accounts payable) require common policies and practices that the colleges have been unsuccessful in achieving due to cultural and programmatic distinctiveness, dissimilar staffing philosophies, varying access to financial resources, and different academic years and computer systems. Bowdoin, Bates, and Colby in Maine once considered sharing employee medical plans. But the amounts of money we were willing to spend and what we expected for employees differed so significantly that there was no real opportunity for compromise and the effort failed.

- *Staff and Service Reductions.* Even without these differences, the labor intensiveness of our industry suggests that most cost savings in sharing services would be achieved by cutting staff. We should be concerned about consequent reductions in the timeliness and quality of service in colleges sometimes charging their customers over $60,000 per year.

Plateau or Launch Pad?

With the proper vision, leadership and resources, HEI consortia can achieve notable cost savings and quality program enhancements. In my own backyard, New England has some of the most successful, visionary and extensive HEI consortia in the world, supported by creative member HEIs and skilled executive directors with a high level of business acumen and academic experience.

Consortia are member-focused and will primarily seek to serve and address members' expressed goals and envisioned needs. For a majority of HEIs, it is likely that significantly more can be done to identify, pursue and achieve the potential benefits of consortial entities and agreements.

But what does the future of HEI collaboration hold? Is there more to be wrought by such entities, or is the common HEI consortium model a "mature" innovation, for which new and expanded alternatives are needed? While geographic and physical proximity is clearly an advantage — and key ingredient — of much consortial work, does it also *limit* HEIs' possibilities? What if an institution is geographically isolated or if its neighbors and would-be collaborator HEIs are not willing or able to participate?

Additionally, to what extent can consortia truly lead to HEI business model changes in the face of evident threats to HEI sustainability? Are their functions adjunct or add-ons to primary HEI models, achieving primarily economies of scope? Or do they alter the core business models and functions (both academic and administrative) to create greater financial sustainability and growing achievement of economies of scale?

Lastly, in an increasingly competitive higher education industry, can HEI consortia substantially improve an institution's competitive standing? The notion of collaboration is consistent with core HEI values, but do consortia significantly impact HEIs' ability to compete in an increasingly challenging marketplace of winners and losers?

It is critical to extend alliance capabilities and expertise to drive HEIs' core revenue-generating activities, including marketing, recruitment and admissions. Many financially compromised institutions need expedited and more affordable expertise that is focused on top-line growth, revenue maximization, geographic expansion, or on significantly altering their competitive standing.

If one acknowledges the pressing need for such added capacities, expertise and business model-altering alliances, then the question of whether traditional HEI consortia represent a mature plateau — or a promising launch pad — is an important one, to which I later return.

> When considering a collaboration, figuring out the costs are as important as touting the cost savings and new revenue. While the consortia may be a loss leader in the first years as start-up costs are absorbed, when does it start making a new profit or at least breaking even?

Merger Mania?

As noted, mergers of HEIs are a frequently discussed alternative — now and in previous periods of economic challenge and uncertainty. The long list of merged institutions, and their permanence, seems to indicate good prospects for viability and success.[5]

The potential benefits of mergers are several. For severely challenged HEIs, a merger can be the key to survival and avoiding insolvency, disrupted operations and closure. Mergers can facilitate the achievement of economies of scope, making it more cost-effective for the resulting HEI to offer the range of distinctive programs and services than for two separate institutions to do so. Merger also provides clear opportunities for achieving economies of scale and lowering fixed costs through consolidating academic, administrative and support assets.

> *The Times of Higher Education* (April 25, 2013) reported that Malcolm Tight, professor of higher education at Lancaster University, tracked the mergers and acquisitions between 1994-95 and 2009-10 in the United Kingdom. He found almost a third of academic institutions undergoing some type of merger since the mid-1990s. Thirty per cent of the 184 higher education institutions in existence in 1994-95 — 55 in total — had been involved in mergers by 2009-10, with a further 54 changing their names during the 15-year period.

A merger can improve brand, reputation and institutional identity for one or both HEIs. It can broaden and enrich courses, programs, degrees, activities and resources available to students and faculty. Mergers present critical opportunities (particularly when one of the institutions is financially troubled) to execute needed changes and difficult decisions. The post-merger integration process also provides opportunities to drive change, efficiency, alignment, reorganization and the achievement of economies.

Mergers can benefit students by avoiding disruptions to degree pursuit, and spill over to the communities in which HEIs reside, preserving economic activity and impact that are lost in instances of closure. In brief, a merger can breathe new life into one or both HEIs and open new chapters of opportunity, change, reconfiguration and redefinition.

Marital Realities

Interestingly, the literature on organizational mergers suggests a low percentage of success in the corporate sector, typically between 20 and 50 percent.[6] While it appears that the figure may be higher for HEIs, mergers still present daunting limitations, risks and challenges to HEIs. And permanence of marriage is not always a sign of marital bliss and accord — nor that both partners view the relationship in the same light!

Though they occur, mergers of "equals" are not common. Often, one or both of the HEIs bring problems and challenges to the mix, sometimes as the primary catalyst for the proposal and ultimate relationship.

In some instances, merger is a last-resort alternative, arising from financial problems and late-in-the game decision making at one or both of the institutions. This can constrain options, alternatives and decisions — and can curtail the bargaining power of an ailing HEI. It can result in an alteration or loss of institutional identities and unequal status in the post-merger HEI for the weaker institution and its faculty and staff.

Like consortia, mergers are often influenced or determined by geographic proximity, limiting the options and choice sets of HEI partners. Similarly, as complex and time-consuming processes, mergers are typically bilateral and limited to two HEIs and whatever economies of scope or scale their size, offerings and operating models might provide.

"Troubled" mergers can require significant time to resolve constituent HEIs' financial challenges, limiting short-term savings and financial benefits. For these and other reasons, mergers may extend the "payback" period and timeframe for achieving revenues, cost savings and efficiencies. In the worst instances, they may not result in notable changes to the overall cost structures of the post-merger institution and could, ultimately, result in closure or elimination of elements from one or both of the merged HEIs.

Mergers are complicated in terms of time and transaction costs and involve regulatory and accreditation issues and processes. They disrupt board governance — with one board of trustees disappearing or being absorbed into another — and create change and uncertainty in the already-complicated territory of faculty governance and representation. Thus, mergers typically have significant emotional and psychological costs for HEI faculty, staff and students.

A report (2012) by the Higher Education Funding Council for England argued that institutions often underestimate merger costs. Among other areas, colleges and universities must standardize administrative processes and salary and benefit structures. These costs can be quite significant when the merger is between unlike education institutions. Other costs, including opportunity costs, should not be ignored even if they are challenging to assess.

Mergers and acquisitions become more complicated when one of the potential participants has severe financial problems. The stronger institution is unlikely to take on budget deficits, a deteriorating physical plant, and large debt unless it feels that a turnaround is possible. This is no different than what happens in business.

When financially troubled St. Andrew's Presbyterian College in North Carolina looked for a merger partner, it found Webber International University in Florida in 2011. Both institutions apparently thought that the cost savings from economies of scale and shared services and programs would compensate for St. Andrew's perilous financial state that caused its accrediting body to drop the institution from membership.

The Wall Street Journal (July 6, 2015) reported that Mr. Baldasare remained head of the branch, and that the school, now known as St. Andrews University, retained most of its faculty and staff. "It was a great case study of people pulling out the stops for a tiny little nonprofit school," said Bob Shireman, former deputy undersecretary in the Education Department.

An old adage is that if your stakeholders cannot get you on the substance of a decision, they will oppose you on the pace and lack of participation in the process. For example, in the case of Sweet Briar College — a closing, not a merger — the news was sudden, few people were involved in the decision besides trustees and consultants, and at least initially the reasons given for the closure were unconvincing. The unexplained fact that the college had a large endowment and was still closing prompted much of the opposition.

While mergers can save money, they require notable investments of financial, human and other resources to support and achieve integration and success. Post-merger integration challenges (cultural, organizational, political, structural and other) commonly arise, many of which can engender resistance and, ultimately, result in siloes. Finally, mergers are "permanent" and difficult to "undo," with notable exit costs and barriers that can limit future options and flexibility.

Design Principles: Breaking New Alliance Ground

The critical need for more intensely collaborative, financially sustainable and competitive HEIs also calls for new forms of HEI alliance — somewhere between the seemingly "mature" innovation of HEI consortia and the complicated merger of two institutions. The next frontier of multi-HEI collaborations could be more substantial forms of strategic alliances and joint ventures that are built upon several critical "design principles" and:

- Are proactive, competition-oriented, and driven by motivated (but not failing or fully in-crisis) HEIs;

- Are multilateral, involving multiple compatible HEIs with shared needs and strategic objectives;

- Are not bound primarily by geography — and which might possibly increase the geographic reach of partner HEIs;

- Achieve notable cost savings, efficiencies, economies (of scale and scope), and integrations, through complementary or supplementary "fits" among partners;

- Provide substantial new expertise and capacity in critical staff, talent and functional areas;

- Drive program-specific and overall enrollment growth and increased revenues;

- Enable substantial business model changes, both academic and administrative;

- Provide alliance continuity and substantive decision authority via jointly owned and governed alliance entities that complement individual HEI boards;

- Provide flexibility and growth to HEI members, while reducing exit costs and barriers; and

- Improve the competitive positioning and strength of participating HEIs, individually and collectively.

If such strategic alliance opportunities exist for HEIs, they will certainly require a greater vision of the possibilities, a better understanding of potential forms and functions, and knowledge of factors contributing to success.[7]

Educating HEIs in Alliance Strategy

HEIs alliances can, and should, be both extremely competitive and strategically collaborative. These twin objectives are captured in the robust body of literature on strategic alliances. The literature on the competitive, economic and organizational benefits of alliances is primarily — though not exclusively — based on for-profit industries. Yet, it has important implications and beneficial applications to HEIs and the higher education industry.

Much of the literature focuses on concepts of "strategic alliances" and an organization's development of both "alliance strategy" and "alliance capacity." This literature provides a useful vocabulary; considers the range of alliance forms and arrangements; examines the value, benefits and motivations; discusses strategies for managing risks; identifies key factors contributing to successful alliances; and explores their impact on competitive environments.

> Institutions are not proactive, competition-oriented, and so on. People are. An alliance needs a "champion" who is willing to inspire others to approve and then push the implementation. If not the president or chancellor, the champion needs "air cover" from top officials to inspire others to get onboard and to provide the champion from adverse consequences from the alliance's opponents.

> The advice of British statesman Henry John Temple, Ireland's Third Viscount Palmerston, in 1848 that: " We have no eternal allies, and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow" applies to higher education today. Collaborations and alliances are means to an end and not ends in themselves. The theory has been that colleges and universities can offer a wider range of programs if they form partnerships. These programs are both academic and administrative, with information technology, library services, and international education as especially "hot" consortial possibilities in recent years. Still, if entering a consortium or entering an alliance turns out not to meet an institution's goals, that institution must look to its own interests and not those of the collaboration.

Though the literature merits detailed consideration, my purpose is not to provide a comprehensive review of said literature, but rather to offer a few key concepts that seem to have value and applicability to HEIs facing the previously noted challenges.

Definition and Characteristics

An alliance is "a close, collaborative relationship between two or more firms" (in bilateral, trilateral or "constellations" of multiple entities) for the purpose of "accomplishing mutually compatible goals that would be difficult to accomplish alone."[8] Experts suggest that strategic alliances have three primary characteristics: First, the organizations retain their legal independence throughout the alliance. Second, they hold joint managerial control over key performance tasks and share the benefits thereof. Third, they contribute on an ongoing basis to strategic technology, products or offerings.[9]

Complementary and Supplementary Alliances

Alliances are of two primary types or bases, depending on the asset base and the resource fit of the partners.[10] Specifically, they are either "complementary" or "supplementary" alliances.[11] A complementary alliance supports the sharing of different assets and resources, giving partners access to skills or expertise they do not otherwise have. It supports the achievement of economies of scope, in which efficiencies are achieved through variety and diversification, rather than volume.

A complementary alliance achieves a key goal: It aids an organization in accessing capabilities or assets that it lacks internally and which are difficult to acquire, are deeply embedded in organizations, are hard to retain, or would be too costly if obtained through acquisition or merger. Thus, a complementary alliance can create greater advantage and less organizational stress, require less integration, and provide greater flexibility.

A supplementary alliance supports the sharing or combination of similar assets, resources, skills and expertise. It helps to achieve economies of scale — supporting cost reductions, consolidation and improved efficiencies.[12]

A supplementary alliance can also achieve an important goal: the creation of "shared utilities." These are jointly held functions, entities or platforms that are established by allied organizations to perform tasks or functions in which individual partners lack scale.

A familiar business example would be VISA. Banks created it as a shared platform to process credit-card transactions. The platform also resulted in defining the industry's standards and protocols for integration.[13] Higher education has successfully created some shared utilities — such as the Common Application and the National Student Clearinghouse — but not to the extent that exists in other industries. Similarly, while some HEI consortia have built shared utilities or achieved such benefits, it is an area of important opportunity for strategic alliance and joint endeavors going forward in higher education.

Benefits and Motivations

While the literature repeatedly addresses the basic cost savings and product and service quality that consortia primarily seek, it provides a more detailed consideration of the range and variety of the motivations and benefits of strategic alliances. These include specific motivations that spring from competitive, organizational, delivery and support, and marketing and sales goals. They are further summarized and described in Appendix 1.

The list of expanded motivations suggests a broader set of opportunities for HEIs to consider as they cultivate alliance capacity and strategies. Such

The literature is a useful starting point but while much of it is inspiring, it often is far too general in scope and content. Colleges considering alliances need as much specific information as possible about how to consider, design, and implement. Essentially, they need a business plan that details revenue and costs, risk, program, and marketing. This requires a significant amount of research that is often neglected. When one large state university, for example, developed an online alliance among state institutions to boost enrollment, they did not account for how many of the online students were already enrolled, thus negating much of the projected enrollment growth.

In a review of the literature in the *Journal of Higher Education* (Vol. 79, No. 6, 2008), Eckel and Hartley point out that strategic alliances are formed for a variety of reasons:

- Alliances open doors to markets by pooling financial and human resources, thereby producing new combinations of products, services, and expertise

- They extend capabilities, improve the delivery of services, generate greater economies of scale, and reduce expenses by linking complementary technologies or sharing facilities and capacities and jointly investing in new innovations, such as technology.

- Alliances facilitate the development of new ideas and products and allow participating organizations to "leapfrog" into new areas.

an approach is consistent with the previously proposed design principles — and represents opportunities for the next generation of HEI alliances and collaborations for which I argue.

A Framework of Alliance Forms

So what does a more detailed landscape of possible strategic alliance forms for collective competition among HEIs look like? The literature sketches a landscape of potential alliance forms and the key variables related to each. It suggests a space on the continuum — somewhere between traditional consortia and mergers — where the proposed new models and opportunities for HEI alliances might exist.

A first step in the development of alliance strategies is for HEIs to identify and evaluate the types of alliances in which they are currently engaged, as well as to consider potential forms for expanded efforts. A hierarchy of alliance forms, synthesized from multiple authors and summarized in Appendix 2, provides a basic tool for both such analysis. It summarizes forms and their definitions, ranging from the lower to the upper categories in terms of complexity, risk and duration. It also outlines key distinguishing variables.

In reviewing the forms and presumed hierarchy, an HEI could consider several key questions, including:

- What is the overall level of our HEI's alliance competency?
- How far "up" the hierarchy or typology do our alliance strategies and activities range?
- In terms of further cost savings or quality improvements to programs, services and offerings, what further alliance forms could be envisioned and undertaken?
- Which forms might enable the achievement of newly envisioned alliance benefits? (See Appendix 1.)
- What alliance forms can have institution-wide application and most significantly alter fundamental HEI business model and functions?

Further Mapping an HEI Alliance Landscape and Considering Key Variables

Similarly, using additional guides and concepts from the literature, HEIs can further map the landscape of the industry, their competitive environment, and their strategic alliance positioning, as illustrated in Figure 1, which depicts a continuum of alliance forms and strategies and additional variables. Specifically, the continuum ranges along the "X" axis from "low" (or simple) to "high" (or complex) based on a variety of characteristics, including:

- The risk assumed by partners;
- The scope and complexity of the agreement; and
- The organizational structures created or required.

The height of the "Y" axis represents the duration of alliance forms, from brief and single-instance to prolonged or permanent.

This schema can be further developed and augmented (see Figure 2) to incorporate key factors and variables into the landscape, such as:

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- Partners learn from one another since buying knowledge and expertise in the marketplace can be very expensive.
- Together, organizations may find it easier to monitor the changing environment and better understand emerging opportunities or risks.
- Alliances may also be formed to defend a current strategic position.
- An organization may join an alliance to gain legitimacy through association with others, particularly larger, visible, reputable, and prestigious firms.

A book in the Jossey-Bass series on *New Directions in Higher Education* (Dotolo and Strandness, 1999) discussed four conceptual approaches to collaborations that seek to increase cost effectiveness:

- *Share the risk.* Colleges share various forms of insurance, including property and casualty, liability, life and health, and worker's compensation.
- *Share the resource.* This occurs in functional areas such as equipment, libraries, service contracts, faculty, and administrative staff.
- *Do unto and for others.* One consortium member provides a service to the others for a fee that is especially attractive when one institution is much bigger. Depending on the service, unrelated business income tax may be levied. For example, a tax liability was incurred by a hospital doing laundry for other hospitals.
- *Expand your bargaining power.* This approach relies on larger volume purchases to increase bargaining and reduce costs. Utilities, supplies, services, and software are cited as prime examples.

In exploring cost effectiveness, many colleges distinguish between cutting costs and avoiding costs. The former attempts to deliver the same service more economically, e.g., three colleges eliminate two philosophy departments and related faculty positions. The latter adds or expands a service but at less cost than doing it alone, e.g., the three colleges hire one and share one new faculty member with a specialization in the philosophy of Hegel.

- The size, or number of alliance partners;
- The scope and scale of collaborative endeavors;
- The existence of a separate and jointly governed venture or alliance entity;
- The creation of a shared utility or utilities.

Strategic Sweet Spot?

As previously suggested, I believe that the segment or space along the "X" axis of the landscape/continuum that lies between consortia and merger (the vertical shaded space shown on Figure 3 and the shaded area on Appendix 2) represents a key conceptual and competitive space where important opportunities exist for exploring and developing HEI strategic alliances and joint ventures. This sweet spot is where multi-institution alliances could pursue and achieve many of the key design principles I have suggested.

And while this compelling territory is seemingly new to many HEIs, there are initial examples from which to learn and upon which to build. Moreover, it is an area into which existing consortia could be well positioned to "shift" and explore opportunities. It could be a space in which to realize the full benefits of alliance and merger, but avoid some of the downsides of the latter.

An Illustration and Specific Example

What might such "strategic system alliances" or joint ventures look like and how might they function? Here is an illustration:

Imagine three less-selective, tuition-driven, high "tuition-discounting" institutions, with a primarily liberal arts orientation and a moderate set of professional programs. One HEI has a strong health sciences programs, another offers a graduate engineering program and the third offers a doctorate in education.

One is located in New England, a second in the South and a third in the Midwest, with enrollments at each ranging between 800 and 2,000 students. One HEI is urban, one is suburban, and one is geographically isolated from metropolitan areas. All three have distinctive elements and offerings, but struggle to distinguish themselves in a crowded marketplace and have limited online programs. Their alliance strategy provides opportunities for both complementary and supplementary advantages.

The three HEIs retain their own identities and brands, but join together to create and share an undergirding "Excalibur University System," a supporting entity designed to progressively integrate, consolidate and scale most administrative operations and to develop plans for academic integration. Each Excalibur institution retains its own governing board and regional accreditation.

Through shared task forces focused in specific functional areas, Excalibur first creates a shared set of back-office systems, merging their payroll, human resources, accounting, compliance, and other administrative services. One institution, however, has a strong general counsel's office, which subsequently serves all three HEIs. Other unique and valuable assets possessed by one of the institutions are identified and become shared utilities for all three.

With pooled resources and a focus on growth and revenue generation, Excalibur also recruits top digital and marketing talent to a centralized marketing and enrollment management team, at salary levels that any one institution would be unlikely to achieve. Each HEI has a strategic growth plan, designed to increase enrollment and revenue, notwithstanding enrollment and discounting pressures in their regions — some aggravated by a surplus of HEIs and demographic decline.

Additionally, as later entrants and non-distinctive players in the online learning space, Excalibur HEIs work together to assemble and launch — through partnerships, joint technology and other means — a shared online learning platform, supported by an experienced instructional design and online delivery team. Cross-registration among member HEIs begins and increases.

> Risk is a huge but underappreciated issue in higher education. For example, the trustee investment committee might brag about the portfolio's income and gains but not disclose how much risk was assumed to achieve those returns. The risks here include liability for litigation and whether the partnership is responsible if one of its members violates a federal standard —Title IX and sexual assault comes to mind — or an accreditation requirement. Who is responsible if the alliance fails and leaves a large accumulated deficit?

In all instances, the efforts are focused on accelerated growth at each HEI to enable the achievement of scale and financial sustainability; increasing the HEIs' competitive standing, revenue and growth; and substantially altering individual HEI business models to expand capacity and talent and reduce cost and duplication. Increasingly and over time, complementary benefits providing economies of scope are achieved — as are supplementary benefits realizing economies of scale.

From Ideal to Real: The TCS Education System

Beyond the hypothetical, an increasingly prominent example that provides a model for consideration and further experimentation is the TCS Education System, launched in 2009.[14] While it initially formed to serve the Chicago School of Professional Psychology, it has grown nationally to comprise five independent, nonprofit and accredited postsecondary institutions in three states: the Dallas Nursing Institute, Santa Barbara and Ventura Schools of Law, Pacific Oaks College, Pacific Oaks Children's School, and Saybrook University. Total enrollment currently exceeds 6,500 students.

> Dr. Mark Schulman, president of Saybrook University, said joining forces with TCS Education System will allow his institution to continue its four-decade goal of using graduate education to help individuals discover their life's work and excel in it. "Together we have the capacity to help students bring about much needed change: transforming the health care system, improving mental health services, leading new kinds of organizations."
> https://www.saybrook.edu/about/media/news/tcs-education-system-and-saybrook-university-join-forces [Accessed June 27. 2015]

In terms of IRS designations, the TCS alliance was organized as a tax-exempt, Type II supporting organization with, in the IRS's description, a "brother-sister relationship." Accordingly, it engages in activities to benefit its member HEIs and is controlled and directed by its own board.

TCS focuses on large strategic decisions and reserves specific rights and decisions for the system leadership. It requires a high level of commitment from member HEIs. A majority of the TCS trustees are sitting trustees of alliance member HEIs (which retain their own institutional boards), and additional TCS board seats include national experts. TCS has an executive cabinet that includes the presidents from each HEI, which directs and oversees shared operations.

TCS's goal was to serve the needs of several small, regional, tuition-driven professional schools, all with enrollments ranging between 1,000 and 4,000. It began by focusing on shared business functions to achieve greater scale and build significantly more talent and resources than a single institution could achieve or acquire on its own.

With time, and driven by integrated task forces examining jointly identified functional areas, TCS's shared functions and utilities have expanded. Specifically, TCS assumed primary roles of marketing, call-center support, finance, IT, and online program delivery services. It achieved back-office synergies that are largely invisible to students, but are of notably higher quality than single member HEIs could envision or achieve.

> This hypothetical illustrates the importance of being clear about cost savings goals, and whether they are being achieved. This is sometimes hard to measure because any cost savings might be reallocated to other programs and priorities — not a bad outcome but one without total cost savings.

> Another example was launched by a grant from the Mellon Foundation. Colby, Bates, and Bowdoin (CBB) Colleges joined together to develop new study abroad programs in London, Quito, and Cape Town for their students. Bowdoin managed the Cape Town Center while I was the chief financial officer. Issues that we had to address included:
>
> - *Crisis management:* In an emergency situation involving a student or faculty member from one of the other two colleges not managing the center, who is in charge? For example, if a Bates student is injured in London, is Colby or Bates or the CBB program staff person responsible for contacting parents, dealing with the hospital, and other matters?
>
> - *Liability:* Need for international insurance for faculty (especially when working in a program not managed by their "home" institution) and students, parental waivers, access to health care and local police, relations with American consulate.
>
> - *Financial:* Start-up reimbursements? Should facilities be purchased or leased? How do we deal with currency fluctuations, restrictions on foreign ownership of property? Calculation of "profits" and losses, and application of overhead in sharing costs.
>
> - *Credit/Grading:* Do student transcripts record all courses or only those taught by CBB faculty, including grades to be included in GPA?

> Joining small to medium size institutions might well constitute a prime opportunity for consortia because of their lack of access to economies of scale and enrollment issues — both volume and tuition discounting — that make it difficult to cover their individual overheads.

Importantly, TCS resources and expert capabilities have driven and supported greatly needed enrollment growth, industry research, and marketing strength for member HEIs. As an alliance of diverse HEIs with distinctive missions and programs, it has realized both complementary and supplementary aims and has achieved economies of scale and scope.

Its approach and achievements are notable and reflect many of the proposed alliance design principles. In sum, TCS has demonstrated model feasibility in the critical opportunity space, or sweet spot, that I have described and which the alliance landscape tools included in the appendices illustrate.

Critical Questions

To be sure, a range of organizational characteristics and cultural and other barriers can impede HEIs from successfully defining and pursuing such strategic system alliances. Indeed, the "brother-sister" relationship pursued by the TCS system could be difficult for most HEIs to achieve. Each of the design elements and requirements would necessitate expert leadership of organizational change in participating HEIs and skill and effort in identifying appropriate "siblings" for such an alliance.

Further, HEI leaders and stakeholders may express concerns about institutional independence and raise tough questions regarding the envisioned means and ends. A few such questions might include:

Do such strategic alliances simply amount to the "corporatization" of postsecondary education?

There is much to be learned from other industries and their alliance behaviors. Moreover, senior leaders increasingly recognize the challenge of focusing primary HEI efforts on the core — chiefly academic — capabilities that make them unique and distinctive. Non-core and non-distinctive activities are prime opportunities for efficiencies, cost-reductions, and quality improvements by allying with entities that possess — or can help achieve — greater scale, resources and expertise. This will include critical, revenue-supporting roles and functions.

The trend data on HEI costs indicate that a notable percentage of the growth in HEI expenses has occurred in non-distinctive, administrative functions.[15] Yet, achieving economies of scope and scale and making substantive cost and performance gains in such functions is challenging. Creating and utilizing new entities and shared capacities — in which corporate and business expertise can achieve both cost-reduction and revenue-growth — is a critical opportunity. Fundamentally, the goal is to support and benefit the sustainability of the core academic enterprise.

How are such strategic alliances different from what for-profit institutions have done in buying and consolidating individual campuses?

While some for-profit HEIs and systems generate controversy, several have demonstrated the benefits of consolidating, streamlining and upgrading both academic and administrative functions across multiple campuses and/or HEIs. Again, the integrity and quality of the academic programs must be the primary focus, but there are productive lessons to be gleaned from such approaches and experiences.

One benefit of a multi-institution strategic alliance or joint venture is that, like existing consortia, partner HEIs retain shared ownership and control. The HEIs also retain their institutional independence and identities, while upgrading other key capacities in ways they could not otherwise afford or achieve. Consolidation, streamlining and standardizing across "sibling" HEIs can provide opportunities and sustainable benefits.

Strategic alliance entities can help constellations of HEIs replicate and improve the positive aspects of what for-profit HEIs have achieved — in efficiencies, technology, marketing, student support and online delivery — and make it feasible for smaller, tuition-driven, endowment-poor and less competitive HEIs to more successfully compete against better-resourced competitors.

Another interesting example, though larger and more complex, is National University. According to Ry Rivard in *Inside Higher Ed* (2013), TCS is dwarfed by the National University System, on which it has modeled itself to some extent. National, which was formed in 2001, is like TCS in that it is focused on professional education, but it is much larger. It has about a dozen institutions (with National University the largest, at 23,000 full-time students), including John F. Kennedy University, which it added in 2008, and City University of Seattle, which it absorbed this year. National University has an endowment of about $500 million.

"Corporatization" is one of those words that are used promiscuously without a specific definition or identification of their dangers to higher education. (Another example is "transparency.") Business does influence higher education in the movement to find a new "business model," and in revising the curriculum to make graduates more marketable and hence employable.

Lacking the financial and investment capital that has been available to many for-profit HEIs, such prospects would not exist for most HEIs. Strategic alliances can provide access to multiple forms of capital that HEIs will not otherwise be able to access.

How do strategic alliances differ from what higher education consortia do or have already accomplished?

As noted, the accomplishments of HEI consortia are notable and have definitively raised the bar for intentional cost-saving and quality-improving alliances. I argue for the deliberate and progressive expansion of such activities — and, particularly, for this expansion to include activities that create greater revenue-generating expertise and capabilities. I also argue for creation of a greater number of shared utilities and jointly-owned functions, entities and platforms to provide what individual or smaller groups of HEIs cannot accomplish at scale.

> The goals for cost savings and quality improvement must be defined up front and tethered to the ground by performance criteria that define success. For example, how much money will be saved after the start-up costs are incurred? Such specificity lets members know when their efforts have been successful and bestow higher credibility on the alliance.

All alliances, it should be noted, exist to achieve the goals, aspirations and directives of their members. I strongly urge the best HEI consortia to actively expand their ambitions and business models, including spin-off entities that could serve and benefit larger numbers of HEIs beyond their current geographic scope. Their combined expertise is critical to the experimentation and the outcomes described here. Further, it is likely that there will be increasingly greater demand for the skilled professionals who direct them and have achieved success.

There are many public, multi-campus college and university systems that do not seem to have radically altered costs or competition. How do the proposed strategic alliances differ?

Many public multi-campus systems have strong records in integrating back-office functions, sharing resources, providing centralized services and other functions which can substantially lower costs and improve student experiences. Like consortia, they provide a good model, from which other strategic alliances can learn.

> Besides sharing with other higher education institutions, consider other non-profit and even commercial institutions. Back office operations like accounting and payroll might be shared with a bank that has excess capacity.

As public systems can be primarily "political" creations, resistance to the mandates, priorities or functions of a central office can occur. The strategic alliances and joint ventures I describe would be voluntary and visionary, premised on shared ownership, objectives and a shared competitive orientation.

Admittedly, such HEIs might also encounter resistance and misgivings among faculty or staff — and attention to the leadership, governance and change process are critical. Substantive involvement of faculty and staff are essential, in addition to strong presidential and trustee leadership.

What if elite, financially stable and endowment-wealthy HEIs create exclusive strategic alliances and joint ventures — "clubs"— that further disadvantage resource-poor institutions that are not competitively well positioned?

The fundamental truths of strategy and competition are that strength often begets strength and that successful strategic alliances require both resources and relatively strong and desirable partners — the stronger, the better.

It is possible that elite and well-heeled HEIs could create competitive alliances built upon their notable academic strengths, reputations and resources. Some instances of this have occurred, including online-learning ventures. Yet the recent history of competition in American higher education suggests that for-profit and tuition-driven independent, nonprofit institutions have consistently been the most resourceful, market-driven and competitive. My argument challenges the best of those institutions to continue to be so in new ways.

> Rich institutions are least likely to seek strategic alliances because they do not need them to meet their enrollment goals or balance their budgets. Obviously, this is not universal — witness the Five College consortium — but when survival is at stake for the poorer institutions, they are more likely to seek alliances.

I firmly believe that such HEIs have the ability to purposefully and aggressively pursue strategic alliances that achieve the primary design criteria outlined herein. Success in such endeavors is never ensured, however, regardless of the resources or reputations. Such alliances and joint ventures require a number of key ingredients, several of which I have previously noted and others described in the section below.

Conclusion: HEI Alliance Imperatives

What are the important factors that might catalyze the ability of HEIs facing sustainability challenges to proactively and successfully pursue new forms of strategic alliances that comport with the proposed design criteria? A few thoughts include:

Choose Collective Competition

As one alliance expert urges, organizations facing high complexity, uncertainty, and fast rates of change should favor building strategic "constellations" of allies, rather than going it alone.[16] Most HEIs are competitive in the basic sense of attracting student enrollment and in knowing the specific HEIs against which they compete. They are also collaborative with neighbors and, through consortia, demonstrate their ability to temper the pursuit of complete institutional independence and inclinations to achieve comprehensive offerings alone.

Yet, most HEIs will need to deliberately bolster both competitive and collaborative capacities: They should understand and cultivate the posture of "collective competition."[17] This will involve real strategic alliances with the intent of significantly improving the competitive stance of like-minded institutions and of altering the competitive landscape in their favor.[18] For many, the prospects for long-term competitiveness, financial sustainability and real business model change will depend upon such an approach.

Get Beyond Geography

Geography has been a key enabler of HEI collaboration and consortia — and it should be used to maximum benefit. HEIs will need to look beyond their immediate geography and neighbors, however, to identify and cultivate optimal constellations of ally HEIs. This has long been true in alliances among for-profit entities and in healthcare, made increasingly possible via technology. Reaching beyond geographic confines can enable the achievement of complementary and supplementary fits with like-minded HEIs, leading to economies of scope and scale, as well as to opportunities to attain other noted alliance benefits and motivations (including accessing new students and markets).

Build Alliance Capacity

HEI trustees and leaders must deliberately cultivate alliance capacity at multiple institutional levels.[19] First, HEI leaders must foster the understanding, vision, attitudes, skills and resources that enable development and execution of multilateral alliances.[20] This requires institutional self-knowledge and awareness, borne out of detailed and critical reviews of the HEI's distinctive strengths, assets, needs and weaknesses. "Know thyself" must be a data-driven process by which stakeholders attain a clear enough picture of the HEI's situation to accept the need for change, alliance and innovation. This will require skilled leadership from presidents, trustees and administrators — with due consideration of the needs and participation of multiple HEI stakeholders, particularly faculty members.

Further, HEI presidents should create a specific role or formally task a senior, cabinet-level leader to function as the institution's "chief alliance officer." In addition to facilitating the described institutional self-examination process, that individual would lead a full review of alliance capacity, resources, current activities and possibilities (ideally, aided by the typology in Appendix 2), and have ambassadorial duties to engage expert advisors and ally HEIs.

Second, there are important roles for the large U.S. philanthropies focused on higher education and for higher education's multiple industry and sector associations (including the Washington, D.C.-based Higher Education Secretariat organizations). They can support further refinement of models for multi-institution strategic alliances and joint ventures, and provide HEIs with consulting support and expert advice from alliance experts, including those from the corporate sector.

This position is critical. Remember the advice that "duties that are the responsibilities of everyone soon become the responsibilities of no one." Higher education learned this lesson on priorities such as diversity and information technology which eventually became institution-wide senior officers. Having the "chief alliance officer" report directly to the president or chancellor provides visibility and authority but the institution must be seen to be solidly supportive of alliances if the position is to be effective.

Philanthropies and the national and sector-specific higher education organizations can also serve as brokers and intermediaries by providing meetings and a platform to facilitate conversations among interested HEIs. They can provide and identify possible seed capital to support bold multi-HEI joint venture and system alliance business plans that pursue the primary alliance design criteria previously noted.

Finally, as mentioned, the most expert and advanced HEI consortia, which have developed notable expertise, capacity and business acumen, should likewise be supported in expanding their scope and repertoire, serving as launch pads for new alliances and joint ventures.

Seek Shared Utilities and Top Talent

Acting alone, most HEIs are simply unable to achieve economies of scale in both business/administrative and academic areas. Thus, a primary ingredient of competition-altering, strategic HEI alliances is the creation of shared utilities: jointly held entities and platforms providing services and operations that achieve scale, savings, quality and expertise at levels most sustainability-challenged HEIs cannot currently envision, much less achieve.

Many such HEIs struggle to attract top talent with cutting-edge skills in business-critical areas such as labor and market research; digital marketing; admissions and enrollment management; administrative technology; academic technology; and program delivery. Shared utilities staffed with top talent can support the achievement of scale, execution of high value-added, competitive and revenue-generating activities — as well as letting go of costly, non-distinctive and low value-adding activities where mediocrity mires many.

With luck, such jointly owned entities and shared utilities might evolve into a new generation of trusted, top-notch, scale-achieving higher education management companies, to which HEIs of all types and in all circumstances can further outsource important functions.

Engage the Higher Education Innovation Ecosystem

Ours is a compelling and opportunity-filled time: The higher education-related start-up environment and innovation ecosystem is larger and more active than ever before. Talented, technology-fueled, and fast-moving start-ups are actively vying to serve — and certainly disrupt — our industry space, supported by growing infusions of angel investment and venture capital from around the globe.

Such start-ups and innovators will continue to drive the reconfiguration of the higher education value chain and of HEI's fundamental processes and activities. Strategic alliances of HEIs seeking shared utilities, top talent, and the best technology should engage directly with these outside disruptors to seek partnerships, preferential investor status, and product and service design input — and to lock in first-mover advantages.

With significant support from the Mellon Foundation and other sources, the three CBB libraries — Colby, Bates, and Bowdoin — shared resources for 20 years, including reciprocal borrowing privileges, automating and linking their catalogs, tape loading periodical indexes, volume purchasing, and videoconferencing technology. The three colleges also cooperated in language teaching technology and use, and offered some administrator training programs. For example, they held a joint training session for 50 participants on recruiting employees, with the human resources staffs serving as trainers. Colby sent employees to Bowdoin for harassment training and TIAA-CREF and Bowdoin employees went to Colby to review benefit plan compliance issues.

Whenever your institution accepts funding or help from others — the government, corporations or nonprofits — be careful that any "strings" attached in terms of restricted uses of the funds or reporting requirements do not impede your alliance.

Many in higher education have an irrational prejudice against employees and applicants from business and even other types of nonprofits. Focus on what they can do and not where they did it. At Guilford College, for instance, the top two officers in the finance division came from hospitals. To be sure, they will need orientation and mentoring about colleges and universities but this is a small inconvenience compared to the skills they bring.

Higher education is risk averse, yet innovation often involves trial and error. Immediate failure should not shut down the effort but rather inspire research on what went wrong and how to correct it. Obviously, this experimental attitude involves risk and cost but seems compatible with the innovation ecosystem surrounding higher education today.

Pursue Multiple Design Criteria

If new alliance approaches are to be of advantage to the HEIs most concerned with financial sustainability, it will be critical to pursue and achieve as many key design criteria as possible. Simply put, "The more, the better."

The combination of such criteria can surely be further informed by HEIs and leaders with substantial experience in consortial collaborations and by those that earnestly pursue multi-HEI strategic alliances and/or joint ventures of the type described and illustrated.

This is a critical point. One size does not fit all. The programs and services capable of being shared come first. How you structure the sharing as a merger or a strategic alliance is a secondary issue. Do not let the structure get in the way of gaining the benefits of doing more together.

The primary significance of such criteria — however articulated or informed by experience — is this: the critical need for HEIs to deliberately move beyond too-narrow, supplementary and incremental collaborations that leave primary functions and activities unaltered, resources and capacity inadequate, and growth possibilities unfulfilled.

Learning to walk before running is important, however. HEIs must build alliance strategies and capacities with time and experience. Success is not guaranteed and, beyond specific criteria or potential allies, HEI leaders will face real and day-to-day challenges in managing changes in organizations in which multiple possible impediments exist.

A Strategic, Shared Future

Given the likelihood of continued and accelerating change in the higher education industry, proactive and ambitious alliance responses by vulnerable HEIs are needed. Will there continue to be HEI closures? Yes. Will there be more HEI mergers? It is quite likely. Will all multi-HEI strategic alliances or joint ventures succeed? No. As in other industries, there are successes and failures.

Most HEIs have unique strengths and assets. What an HEI might lack, or is unable to achieve by itself, should be viewed as an invitation and opportunity to explore an alliance. The imperative is for HEIs to not work alone — and to find alliance opportunities that exceed current and common collaborative solutions.

About the Authors

Michael K. Thomas is president and CEO of the New England Board of Higher Education (NEBHE) in Boston, Massachusetts, working with senior higher education, government and business leaders on critical issues facing postsecondary education. Thomas joined NEBHE in 2002 as director of policy and research and subsequently served as senior director and senior vice president. He previously worked in corporate training and human resources and in multiple roles in public and independent universities, including executive assistant to the president of Lesley University.

Thomas has been a faculty member, adjunct professor, and lecturer at several universities and served as trustee and vice chair of the board of Worcester State University. He earned his BA in philosophy from Brigham Young University and master's degrees in higher education from Teachers College, Columbia University and Harvard University. He earned his doctorate in education and social policy from Harvard University and an MBA from Boston University.

Kent John Chabotar is president emeritus of Guilford College, a position he held from 2002 to 2014, and is a professor of political science there. From 1991 to 2002, he was vice president for finance and administration and treasurer at Bowdoin College. Since 1983, Chabotar has served on the faculties of the Harvard Institutes for Higher Education summer executive programs. Previously, he was on the faculty at the Harvard Graduate School of Education, associate professor of management at the University of Massachusetts, and assistant professor of political science and coordinator of public administration programs at Michigan State University. Chabotar received the Fussa Distinguished Teaching Award at Harvard and the Distinguished Educator Award for teaching excellence at Michigan State University.

Chabotar earned his BA in political science from Saint Francis University and MPA and Ph.D. degrees in public administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University.

Appendix 1: Summary of Benefits and Motivations for Alliance Strategy[21]

Motivations, Goals and Benefits of Strategic Alliances

Competitive
- Alter industry's competitive landscape
- Improve organization's competitive positioning
- "Strength in numbers"

Economic
- Reduce costs
- Achieve economies of scale and/or scope
- Grow revenue
- Share risk

Organizational
- Build or combine momentum
- Drive culture change
- Achieve synergies

Expertise and Skills
- Acquire learning and knowledge
- Improve skills and expertise
- Expand process improvements

Technology and Intellectual Property
- Acquire technology
- License technology
- Acquire R&D capabilities
- Increase knowledge generation and transfer

Design and Production
- Increase product (service) design and development capability
- Improve/expand design, production, operations, efficiency
- Expand product (service) knowledge and offerings
- Improve or integrate sourcing network and supply-chain management

Delivery and Support
- Expand distribution, delivery and fulfillment
- Shorten time to market and/or customers
- Improve knowledge of customers
- Expand service knowledge or capability (customer support, engagement and satisfaction)

Marketing and Sales
- Expand marketing reach or capabilities
- Grow or improve brand(s) and awareness
- Increase sales, sales productivity and market share
- Link markets or expand geographic reach
- Reach new market segment (e.g., Spanish speakers)

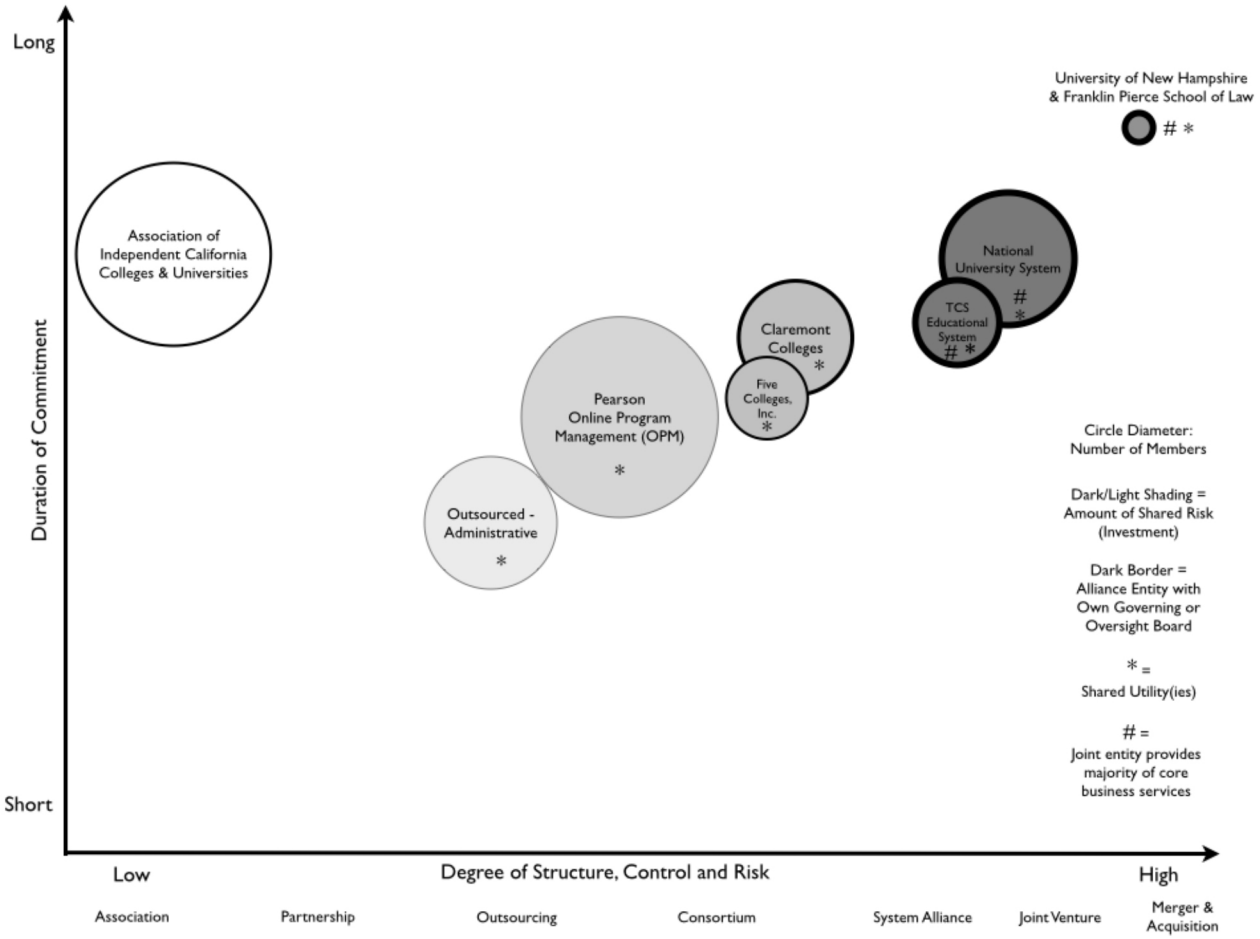## Appendix 2: A Hierarchy of Collaboration Strategies and Alliance Forms[22]

Forms	Description
Merger or Acquisition	One entity assumes control of the assets of a second. Through ownership rights, it directs and coordinates action of the combined entities
System Alliance or Joint Venture	A legal entity, jointly owned by two or more organizations, to perform specific functions and activities for its parent entities
Equity Investment	An organization acquires a share, either majority or minority, of a second entity via a direct stock purchase
Strategic Cooperative Agreement	Contractual networks with shared, multi-party strategic control and shared performance outcome responsibilities, with collaboration on key strategic decisions
Consortium	Two or more entities working to pursue common objective(s), each responsible only for contracted obligations and independent in all non-consortial operations
Cooperative	A coalition or collective of entities that pool, manage and coordinate shared resources
R&D Consortium	Inter-entity agreements supporting collaborative research and development, shared capabilities and findings in dynamic science and technological fields
Franchising	Granting (or acquiring) use of brand identity and core services (by specific geographic zones) with prescribed pricing, operations, marketing and product/service standards
Licensing	Granting (or acquiring) rights to use proprietary technology, processes or other assets through royalty or fee payments
Joint Marketing and Distribution	Multi-partner agreement to market and distribute one another's offerings and services to prospects and customers
Outsourcing (and Private Label)	Replacing internal products and services with those of an external source; "labeled" or packaged with the retailer's name, not the manufacturer
Supplier or Supply-Chain Network	Real-time scheduling, linkage and integration with suppliers on price, supplies, production and delivery processes
Industry Standards Group	A group that seeks agreements among member organizations, related to specification and adoption of technical standards
Action Group	Coordinated, short-term arrangement for lobbying and influencing opinion, actions and public policymaking
Buyer & Seller	Direct, one-to-one, arm's-length transactions between organizations, coordinated by the price mechanism (single and recurring transactions)

Figure 1: Mapping the Higher Education Alliance "Landscape"
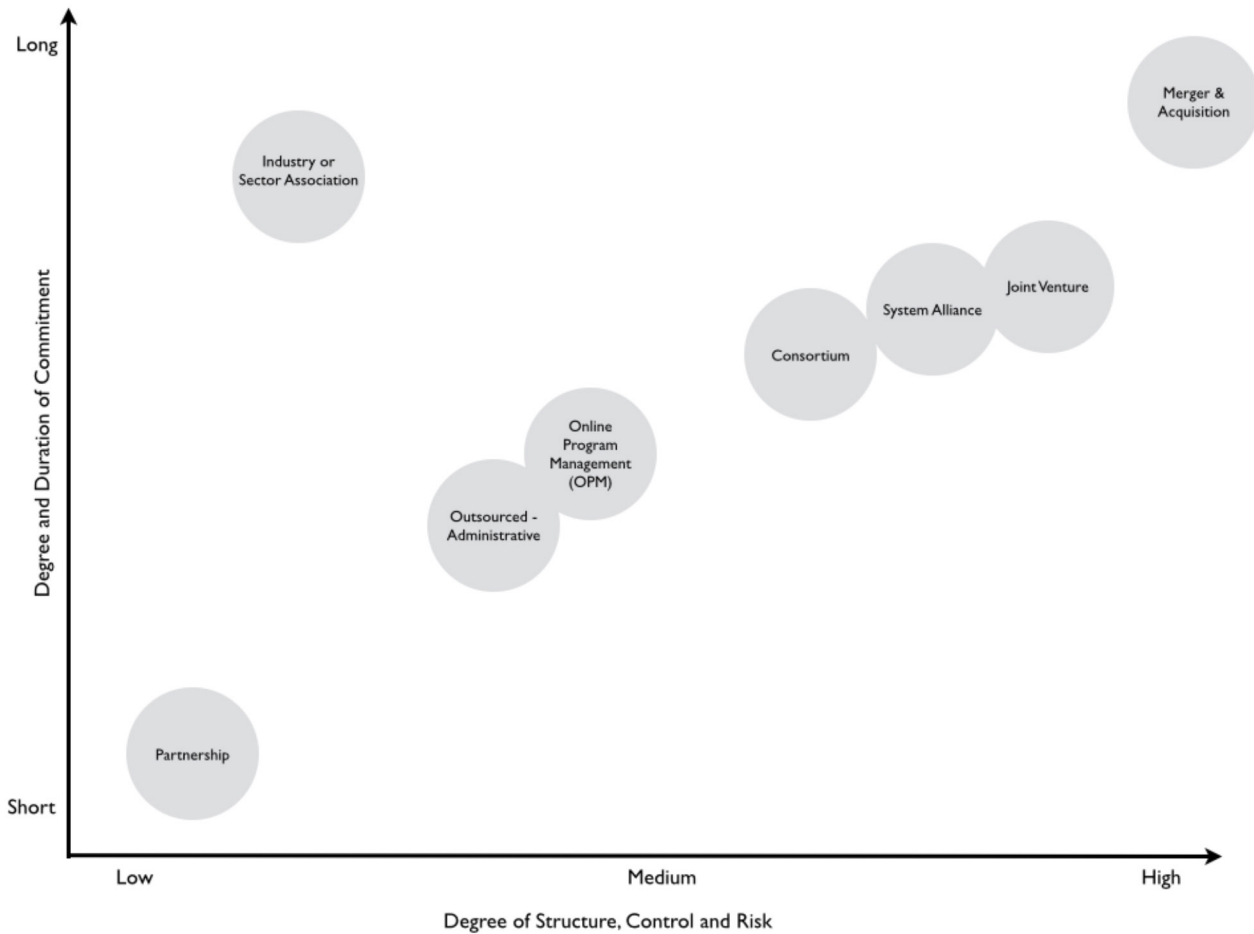
Adapted from Spekman, Robert E., and Lynn A. Isabella. Alliance Competence: Maximizing the Value of Your Partnerships. New York: Wiley, 2000, pp. 36, 41.

Figure 2: Mapping the Higher Education Alliance "Landscape": Illustrating Key Variables

University of New Hampshire
& Franklin Pierce School of Law
# *

Long

Duration of Commitment

Association of
Independent California
Colleges & Universities

National
University System
#
*

TCS
Educational
System
*

Claremont
Colleges
*

Pearson
Online Program
Management (OPM)
*

Five
Colleges,
Inc.
*

Outsourced -
Administrative
*

Circle Diameter:
Number of Members

Dark/Light Shading =
Amount of Shared Risk
(Investment)

Dark Border =
Alliance Entity with
Own Governing or
Oversight Board

* =
Shared Utility(ies)

=
Joint entity provides
majority of core
business services

Short

| Low					High
		Degree of Structure, Control and Risk			
Association	Partnership	Outsourcing	Consortium	System Alliance	Joint Venture	Merger & Acquisition

Adapted from Spekman, Robert E., and Lynn A. Isabella. Alliance Competence: Maximizing the Value of Your Partnerships. New York: Wiley, 2000, pp. 36, 41.

Figure 3: Mapping the Higher Education Alliance Landscape: Sweet Spot for Strategic System Alliances?
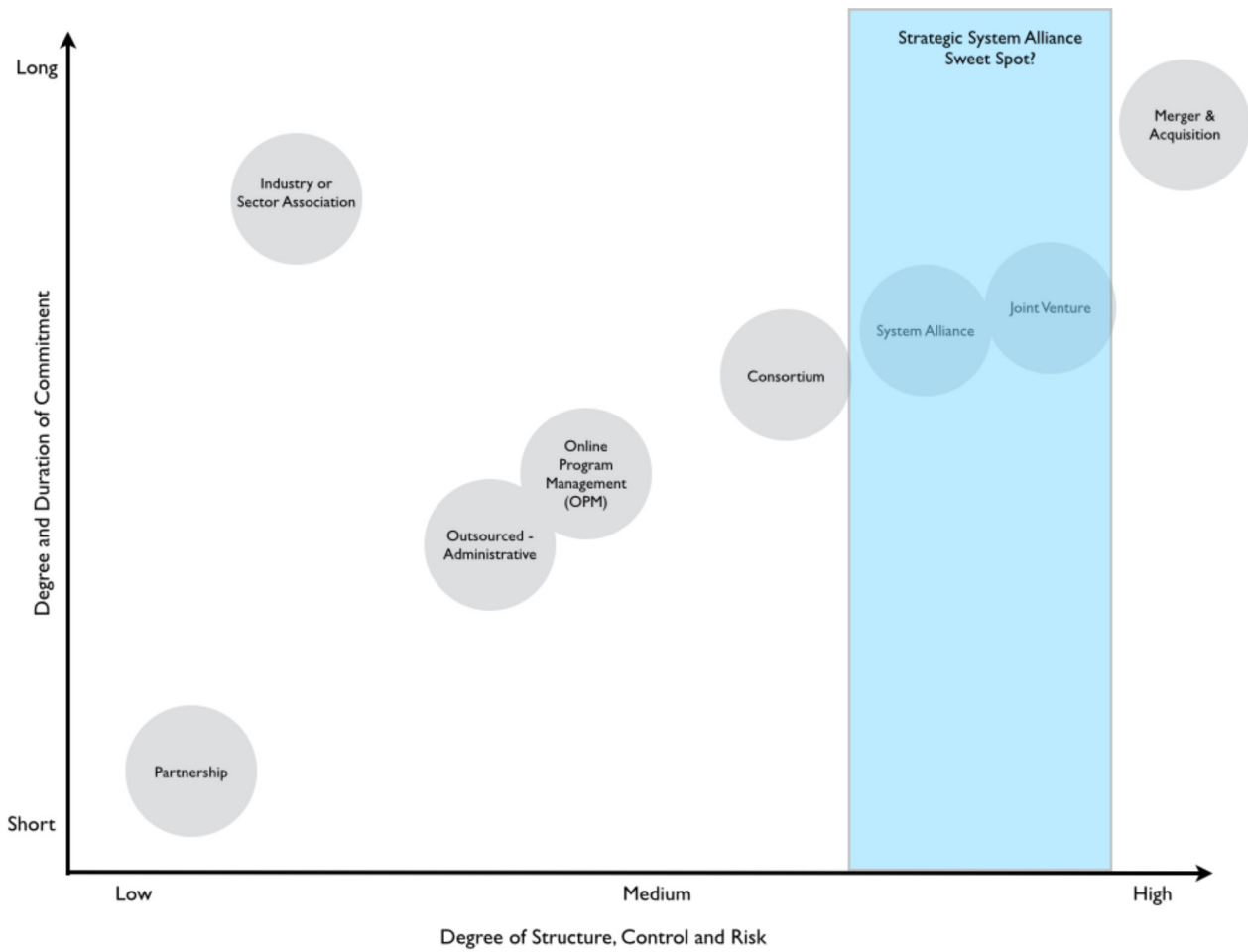
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