



Competition and strategy in higher education: Managing complexity and uncertainty



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Abstract Like several other nonprofit and for-profit industries, the higher education sector has been subject to a series of fundamental challenges in the past decade. Education used to be considered a public good, provided by nonprofit organizations that were unexposed to market pressure and had clear societal missions. Now, education is becoming a global service delivered by quasi-companies in an ever-more complex and competitive knowledge marketplace. To cope with these challenges, higher education institutions need an appropriate strategy, a necessity reflected in numerous calls for research on strategy in the higher education sector. This article's purpose is to contribute to this discussion by providing prescriptive guidance to higher education managers and policy makers. To this end, it proposes a SWOT (strengths, weaknesses, opportunities, threats) analysis illustrating eight key trends that will impact higher education and academia in the short-to-medium term. Drawing from these trends, three core challenges are identified that higher education institutions will face and that have fundamental implications for research and practice: (1) the need to enhance prestige and market share; (2) the need to embrace an entrepreneurial mindset; and (3) the need to expand interactions and value co-creation with key stakeholders.

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1. Higher education: Between business reality and societal aspiration

Higher education (HE) has become a crowded global marketplace and, as such, is not immune to changes

affecting 21st century society—an increasingly global, digital, and dynamic environment. Scholars, opinion leaders, and institutional decision makers, who actively shape the academic landscape, have attempted to predict how the field of HE will be influenced by environmental trends. There is a general consensus that the future of academia is and will be complicated, challenging, and uncertain; some authors view this future with optimism, whereas others foresee doomsday scenarios.

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Most analyses of the current and future states of HE converge on several conclusions. One such conclusion is that business ethos and practices are becoming acceptable in HE. Indeed, some authors have emphasized the need to adapt pure market and marketing logics to the university setting (Gibbs & Murphy, 2009). Another common claim is that HE institutions need to develop competitive strategies to assess drivers of change, to devise adequate responses to such change, and to develop policies and strategic guidelines that allow for evolution (or even revolution) to happen.

Universities have three basic missions: teaching, research, and public service. These missions have always been in conflict with one another (Altbach, Reisberg, & Rumbley, 2009). This has become even more salient in recent years, as the environment of the HE sector has become increasingly marketized. On the one hand, to survive, HE institutions must behave like for-profit organizations, prioritizing revenue creation. On the other hand, they must also serve as nonprofit organizations, prioritizing the public good and serving as providers of knowledge and a path for educational development (Council of the European Union, 2014). Similar challenges are faced by other not-for-profit players and public entities—in the health care sector, for example—which must continue to work for public welfare while maintaining profitability and cutting costs. In fact, even for-profit companies are increasingly facing such tensions, as corporate social responsibility and societal value have gained prominence in the public eye.

Herein, we adopt the premise that the societal nature of HE (i.e., its role as a public good) is one of its core characteristics (Nedbalová, Greenacre, & Schulz, 2014), despite observations that some institutions have been tempted to neglect societal aspects in the rush for income and prestige. Thus, we suggest that any discussion of strategy in this sector should carefully consider the societal scope and nature of the organizations involved. This means that in working to develop a path for its future, a given HE institution must focus on both the organizational level (i.e., sustain its ability to compete in the market; Friga, Bettis, & Sullivan, 2003) and on the sector level (i.e., maintain its capacity to provide value for society through knowledge creation and dissemination; Healey, 2008).

The increasing complexity and uncertainty characterizing today's society are phenomena that businesses have to cope with on a daily basis. Yet, in its role as a provider of public services, the HE sector has, until recently, been spared the need to deal with these developments. Over the past

decade, however, the field of education—most notably in Europe, but also elsewhere in the world—has undergone substantial deregulation, and as a result, the sector currently faces a stronger need to react to the competitive environment. This process is very similar to what the telecommunications and utilities industry underwent some 10–15 years earlier.

Despite deregulation, governments and other supranational entities are contributing—and are likely to continue contributing—to the rethinking of academia through various sectorial interventions ranging from regulations, policies, and recommendations to quality assurance procedures and standards, and public resource allocation (Altbach et al., 2009; Kaplan, 2014). Yet academic institutions cannot suffice with these interventions and must still develop adequate strategies that will enable them to address the new environment of an ever-more competitive educational market.

This article contributes to the debate on the future of HE by providing an updated picture of key trends that decision makers in the sector should consider, in addition to an outline of three strategic recommendations that may assist decision makers in responding to these trends.

2. An analysis of key trends and developments affecting HE

Using previous literature, such as the work carried out by de Boer et al. (2002), as a starting point, we identify key trends affecting today's HE sector. Table 1 presents a high-level synthesis of eight trends that we observe, categorized within the format of a classic SWOT analysis.¹ In presenting this categorization, we aim to help university managers and policy makers to prepare themselves and to be able to act quickly to prevent potential future crises.

Our analysis highlights the fact that while many trends faced by the sector are currently well acknowledged and have straightforward strategic implications (e.g., the need to preserve the principle of the public good as an essential component of the university's mission, the need to adopt a private fundraising strategy to balance decreases in public funding), several other trends have multifaceted influences on HE and warrant further discussion. For example, the process of deregulation that the sector has undergone over the past decade has decreased protections afforded to established public

¹ SWOT: strengths, weaknesses, opportunities, threats

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